C0175-1

American Banker

The Daily Financial Servic

NEWSPAPER 150222000015 2/ 5/07 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

VOL. CLIV NO. 215 Thursday, November 2, 1989 154th Year

Interstate Effort Loses Key Foe In New England

By MICHAEL WEINSTEIN

NEW YORK — Nationwide banking moved forward in New England on Wednesday, as a major bank in the region dropped its long-standing opposition to full interstate banking.

Bank of New England Corp., which has major operations in Massachusetts and Connecticut, said it would no longer oppose nationwide banking in those states – thus creating a more unified front in support of dismantling the New England regional compact.

Shawmut National Corp., one of Bank of New England's principal competitors, earlier endorsed nationwide banking, and the battle over interstate banking in Connecticut has been characterized as a tug of war between the chairmen of the Bank of New England and Shawmut, Walter J. Connolly Jr. and Joel B. Alvord.

Bank of Boston Corp., the largest banking company in Massachusetts, has said it supports nationwide banking on the condition that bank taxes are lowered.

The decision came as the Massachusetts General Assembly is considering a nationwide banking bill. The Senate Ways and Means Committee on Wednesday passed a bill that would open the state to acquisition by banks from around the country, beginning Jan. 1, 1991. The bill still faces deliberations before the full Senate and the House.

Massachusetts now allows interstate banking among the six New England states. In the past, similar bills have stalled in the state legislature.

Connecticut, too, only allows interstate banking among the six New England states. Since several major banking companies have operations in both

See INTERSTATE: Page 13 ►

Fed Data Confirm Real Estate Glut Across the Nation

By ROBERT TRIGAUX

WASHINGTON — The Federal Reserve's latest survey of the economy provided fresh signals of real estate overcapacity and uncovered a new caution among bank lenders.

The report, called the "beige book," found that the pace of economic growth is slow to moderate in most Fed districts. It cited particular concern about high vacancy rates in some commercial real estate markets and found some tightening of credit standards.

In Atlanta and throughout the Southeast, the Fed said, real estate and auto loans remain weak. "Loan quality seems to be improving as banks establish tighter loan standards, particularly for real estate development," the survey found.

The report summarizes regional economic activity data obtained prior to Oct. 20. The beige book is prepared eight times a year for use at the Federal Open Market Committee, the Fed's monetary policymaking group, which meets next on Nov. 14. Fed watchers expect the Fed to gradually ease interest rates in light of the slower economic growth.

"There's no doubt that commercial real estate will still be soft in 1990," said Joseph A. Wahed, senior vice president and chief economist for Wells Fargo Bank, San Francisco – a major real estate lender. "Vacancy rates are still high – between 15% and 25% – and are especially high in suburbs."

Oil patch and Rocky Mountain regions, the Southwest, and a few pockets in the rest of the country have the most depressed commercial markets, he said in an interview.

"Next year, there is some new capacity coming on line and that is a problem

See FED: Page 13 ►

Bankers Making Deeper Cuts To Boost Sluggish Profits

By JEANNE DUGAN COOPER

NEW YORK — Bankers are cutting operating budgets for 1990 deeper than in any other year this decade, according to an informal *American Banker* survey of industry leaders.

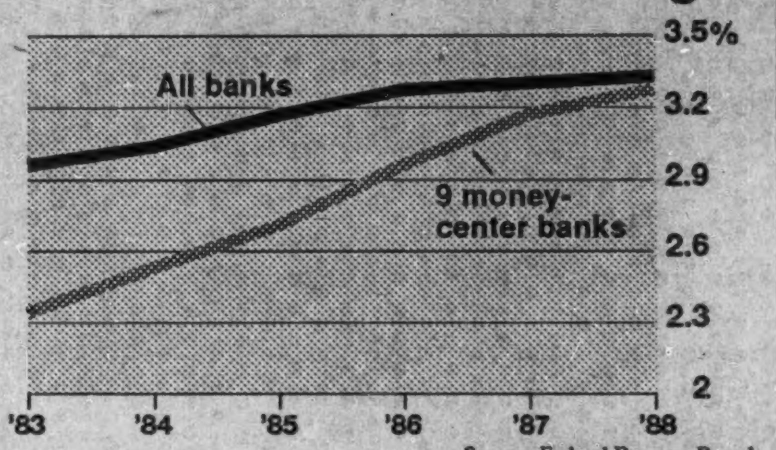
Frustrated that profits and cost ratios have not improved more dramatically, bankers are clearly not stopping with the hundreds of branch closings and thousands of job cuts completed to date. They are more than eager to lop off any costs that are in any way not essential to their business goals.

Although many departmental budgets have already been whittled down, it seems a certainty that more jobs will be eliminated, more corporate real estate sold, data processing centers consolidated, and strategies refocused.

See BUDGETS: Page 6 ►

Money-Center Banks Lose Their Cost Advantage

Money-center banks have lost their cost advantage over the industry as a whole. In 1983, big banks enjoyed a 62-basis-point advantage in noninterest operating expense as a percentage of average assets. But increased costs at money-centers, combined with stabilized costs for the industry, reduced the spread to just 6 basis points in 1988.



Source: Federal Reserve Board

Cost Controls Elude Money-Centers

By MICHAEL WEINSTEIN

NEW YORK — Bucking the banking industry's cost-cutting trend, money-center banks sharply increased their noninterest expenses in the third quarter.

Analysts attributed the increase to several factors, including one-time charges at some banks and strategic decisions by others to take advantage of an already abysmal earnings quarter to include expected future expenses.

Many of the banks reported heavy losses, largely the result of building reserves against Third World loans. Analysts said banks can "front load" a range of future costs, such as legal and advertising costs and employee bonuses.

As the banks were already reporting big losses, higher operating expenses in the third quarter were less likely to stand out. By including future costs in

See NONINTEREST: Page 14 ►

Today

Ginnie Mae is installing a software program to monitor the status of issuers and their loans. 3

Fannie Mae and Goldman Sachs have set up investment funds in Japan to spur interest in mortgage-backed notes. 3

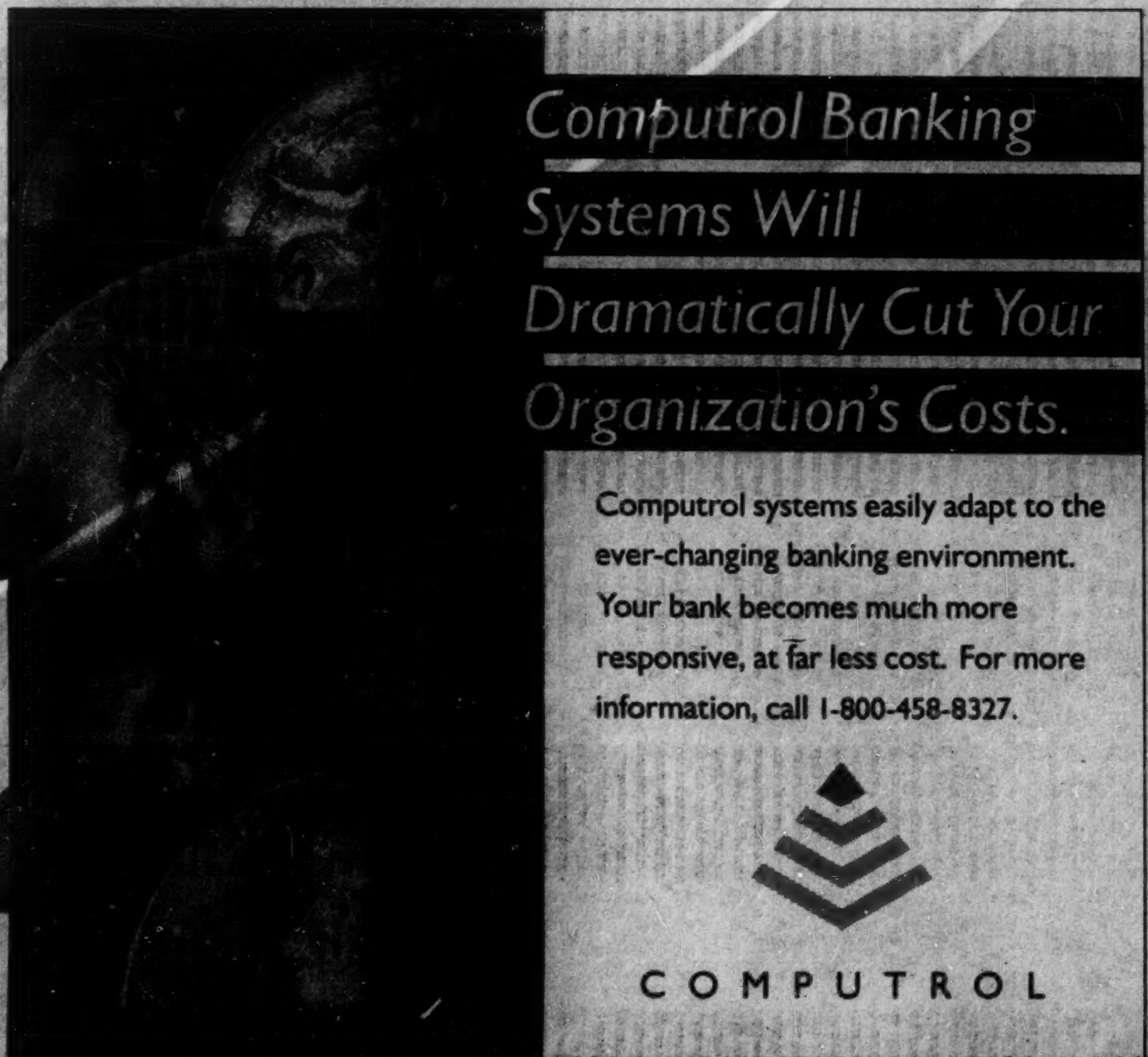
Cardholders would forgo perks for lower rates, according to the *American Banker* consumer survey. 2

Congress appears ready to step up efforts to wage war on drugs through the nation's financial institutions. 2

A former branch manager of First Fidelity Bank admitted helping launder more than $6.5 million. 2

Texas Commerce Bancshares is selling its credit card merchant business. 2

Consumer Financial Services 10
Inside Financing 16
People 8


Computrol Banking Systems Will Dramatically Cut Your Organization's Costs.

Computrol systems easily adapt to the ever-changing banking environment. Your bank becomes much more responsive, at far less cost. For more information, call 1-800-458-8327.

COMPUTROL

ARLEN
PRINTING CORPORATION

Call Milton Steren, Pres.
(212)-966-5100

Check Cashers May Get Rules On Laundering

By ROBERT M. GARSSON

WASHINGTON — Seeking to curb money laundering, Senate Banking Committee Chairman Donald W. Riegle said Wednesday he was considering legislation to regulate companies in the business of cashing checks and wiring funds.

Mr. Riegle, a Michigan Democrat, does not appear to have settled on a legislative strategy and he did not say whether a bill would include requirements to report transactions between such facilities and banks. He did say that licensing requirements would likely be a central focus of his bill.

"This is an emergency," Mr. Riegle said, suggesting that he plans to move quickly.

Meanwhile, Sen. John Kerry, D-Mass., who chaired Wednesday's Senate Banking subcommittee hearing on money laundering, said computer technology should help authorities monitor wire transfers more effectively.

Mr. Kerry also expressed frustration that the Treasury Department has not moved more quickly to monitor money flows through the nation's wire transfer systems, including the New York Clearing House's Chips.

"If in this age of information processing, we don't have the ability to demand a system of accountability, where on a daily basis we can know what is coming in, and can cross-check to see where patterns are developing, something is wrong," Mr. Kerry said.

Transactions Initiated Abroad

Mr. Kerry also said that new Treasury Department proposals to monitor wire transfers were deficient. "A gaping loophole in Treasury's proposal is that foreign banks have the capacity to get around the system," he said.

John F. Lee, president of the New York Clearing House, said his organization is at work on a format that would require wires to include information about the purpose of a payment.

But he said, "We have little capability to investigate or determine whether or not originators of payments truthfully supply such information."

Mr. Lee also told the panel that efforts to deny drug traffickers access to the system here could lead to the development of such systems abroad.

In stark contrast to the tone of similar hearings in past years, the banking industry was applauded for its compliance with cash reporting rules.

"As of 1989, we have virtually eliminated money laundering from the teller line," said Gerald D. Lewis, Florida's comptroller.

Mr. Lewis and a fellow state regulator, Timothy D. Mahoney, director of the New York Banking Department's special investigations division, told the panel that banks were not overly burdened by reporting requirements mandated in money-laundering laws.

But L. Don Sargent, president of American Commerce National Bank in Anaheim, Calif., said the rules represent "a crushing burden."

"Each form requires 18 to 26 minutes to complete for purposes of complying with Bank Secrecy Act regulations," he said. "This means that even small banks can spend hundreds of man-hours each year just to comply with one regulation."

Boris F. Melnikoff, senior vice president at First Atlanta Corp., said banks should receive rewards for tips about launderers that lead to fines or forfeitures. ■

Cardholders Would Forgo Perks for Lower Rates

By DONALD SHOULTZ
Seventh of a Series

Although a majority of American consumers recognize that their bank credit cards offer special benefits such as travel services and group insurance, most cardholders told the *American Banker* annual consumer survey that they have not made use of the enhancements.

The survey found that Americans value the extra benefits, which many banks have introduced in recent years to make their credit cards more appealing. But consumers would gladly forgo the frills in return for lower interest rates or annual fees.

Many cardholders said they would opt for a card with enhancements if the rates and fees stayed the same. However, a whopping 84% of those who have an enhanced bank card with higher rates or fees said they would prefer a card with no benefits and a lower interest rate or annual fee.

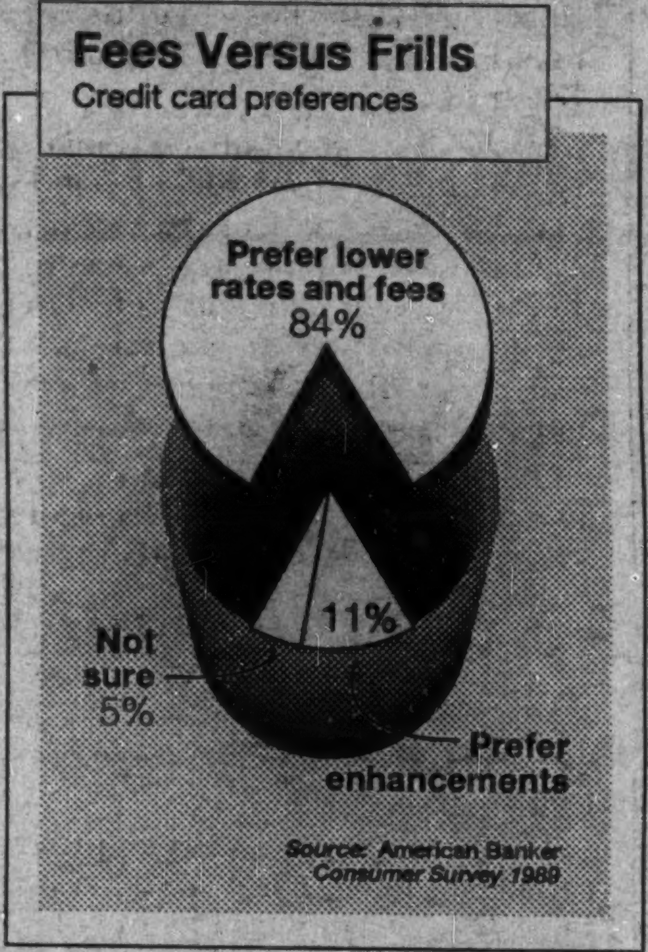
Only 11% found a card with enhancements more attractive than one that costs less.

The sixth annual survey involved extensive telephone interviews with a representative sample of 1,009 adults throughout the continental United States. The survey was administered in March and April by Trans Data Corp., a Wayne, Pa., research affiliate of the *American Banker*. A complete report and analysis of the findings has been published in a magazine and is being mailed to *American Banker* subscribers.

Bank card marketers and consultants are divided on how to interpret the findings on card enhancements.

"It's a truism in consumer research that when one asks, 'Is my price too high?' the answer is invariably yes," said Donald J. Auriemma, president of Auriemma Consulting Group in Garden City, N.Y. "The price is always too high."

Fees Versus Frills
Credit card preferences



Source: American Banker Consumer Survey 1989

Bankers say that the behavior of consumers may not conform to their stated opinions or attitudes. In the real world, price is not isolated and is only one factor in the decision to sign up for a credit card.

Others were not so quick to discount the questions that the survey raises about the effectiveness of credit card fringe benefits. They said the result might indicate a growing price sensitivity that card marketers should heed.

"I don't think it's a knee-jerk reaction," said Stephen Szekely, vice president of Payment Systems Inc., a research firm in Tampa, Fla. "I think it's probably a pretty accurate assessment of the way consumers feel and behave."

Mr. Szekely's research shows that a majority of consumers say they pick one card over another because of either rate or fee.

Credit card enhancements were introduced by card marketers to differentiate their maturing products in a crowded marketplace. But now the enhancements have become nearly universal, to the point where they have taken on the sameness of the cards they were supposed to differentiate.

"I wonder if we're really looking at something that's kind of waterlogged at this point," said Michael P. Sullivan, a bank marketing consultant based in Charlotte, N.C.

Of all the consumers polled for the 1989 *American Banker* consumer survey, 68% said they have a Visa card, a MasterCard, or both. Of that group, 68% said they have a bank card with enhancements.

Bankers and consultants are quick to point out that this result gauges consumer awareness, not market penetration. Since virtually all banks offer a package of enhancements, some consumers may no longer be paying attention.

When survey respondents were quizzed further on what benefits they had, the most frequently mentioned were card registration services, travel services, discounted life insurance, rebates on purchases, and frequent-flier points.

Like most frills added to core products, card enhancements seem to be wasted on the majority of cardholders. Most were not aware of the enhancements, did not value them, or did not use them.

When consumers who have enhanced cards were asked if they value the benefits, 41% said yes. Nearly two-thirds, or 64%, said they have not used any of the benefits available.

Among cardholders who have taken advantage of the enhancements, travel

See CARD: Page 6 ▸

Texas Commerce to Sell Card Processing Business

By YVETTE D. KANTROW

NEW YORK — Texas Commerce Bancshares Inc. is selling its credit card merchant business to National Data Corp., an Atlanta-based data processing company that has made several similar deals in recent months.

The price was not disclosed.

The Houston-based bank, a subsidiary of Chemical Banking Corp., joins a growing list of financial institutions that have decided to stop processing credit card transactions for retailers. It currently handles $500 million worth of credit card sales a year for 9,000 merchants.

Texas Commerce's New York affiliate, Chemical Bank, handed off its merchant processing to National Data in 1988.

National Data handles $6 billion in credit card payments a year and is the fifth-largest merchant processor in the country, according to a recent ranking by *The Nilson Report*, a newsletter published in Los Angeles. Texas Commerce said its deal with National Data represents a partnership rather than a decision to exit the merchant business. The bank will continue to accept merchant deposits.

National Data said in September that it signed agreements in principle to acquire five banks' merchant processing operations by yearend. Texas Commerce is the third to be disclosed, following Bank of New England, Boston, and First National Bank of Maryland, Baltimore. More announcements are expected soon and will likely involve one in the Rocky Mountain region and one in the Southeast. ■

Former First Fidelity Branch Manager Pleads Guilty in Laundering Case

By REBECCA COX

NEW YORK — A former branch manager of First Fidelity Bank, Newark, N.J., has admitted helping launder between $6.5 million and $11 million over a four-year period that ended in June 1985.

The former branch manager, Roberto Calleja, pleaded guilty Wednesday to violating federal currency and income tax laws, according to Samuel A. Alito Jr., U.S. attorney in Newark.

Money launderers and other criminals seek out branch managers in preference to tellers and other lower-level employees because managers can more easily conceal suspicious bank transactions, law enforcement experts said.

Mr. Calleja told Judge Harold A. Ackerman at the hearing in federal court in Newark that he laundered $40,000 to $70,000 a week during a 41-month period. The investigation into the case is continuing, according to Justice Department spokesman Dick Lavinthal in Newark.

The funds were given to him in small denominations by a man Mr. Calleja knew as Jose Fernandez. He exchanged the small bills for larger-valued notes without completing currency-transaction reports. The reports are required by law to be filed for each cash transaction over $10,000. Mr. Lavinthal would not comment on the source of the funds.

Mr. Calleja also admitted he helped a bank customer, Eugenio Gonzalez, engage in a tax-evasion scheme that disguised Mr. Gonzalez's ownership of certificates of deposit and money-market accounts at the bank. Mr. Lavinthal would not comment on whether Mr. Gonzalez has been charged with tax-evasion or other crimes. ■

Corrections

An Oct. 30 table ("Earnings at Top Southeast Banks," page 2) incorrectly stated the third-quarter 1988 earnings of Citizens and Southern Corp., Atlanta. The bank earned $53.3 million in last year's third quarter. The company's earnings in the third quarter of 1989 rose 15.2% from the third quarter of 1988.

□

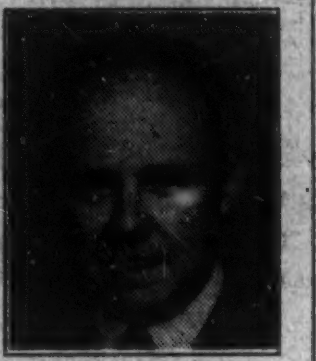
Western Bank, Los Angeles, was the 20th-largest commercial bank in mortgage servicing for investors at midyear, with a portfolio totaling $592.2 million. The bank was omitted from an Oct. 24 listing ("Top Banks in Mortgage Servicing," page 8).

□

General Motors Co. is expected within weeks to ask Banca Nazionale del Lavoro to make the first payment on a letter of credit totaling $150 million. The company was misidentified in an Oct. 31 headline (page 10). ■

Fitting Talent to Thrift Industry Needs

By DAVID de WILDE
Chief Executive Officer
Chartwell Partners, San Francisco



'Although industry consolidation is creating a surfeit of candidates seeking top management positions, owners are finding that few are qualified to lead their institutions into a profitable future.'

— David de Wilde
Chief Executive Officer
Chartwell Partners

THERE is no question that capital – at least $166 billion, by Bush administration estimates – will be needed to resuscitate the thrift industry. But capital alone won't assure success. To compete with other providers of financial services in the current overcrowded marketplace, new thrift owners must also meet a second critical need: executive talent.

Lack of quality management was one of the primary causes of the industry's distress in the first place. Many executives, accustomed to stability and security, were unprepared for the rigors of volatile interest rates, rapid technological change, and deregulation. And today, the depth of the resulting problems make it increasingly difficult to recruit the management needed to turn the industry around.

Although industry consolidation is creating a surfeit of candidates seeking top management positions, owners are finding that few are qualified to lead their institutions into a profitable future. For many institutions, the leadership search takes on added urgency because it is closely linked to the search for a new strategy. The margin for error is extremely small.

The already crowded market for financial services promises to get even more competitive as regulatory barriers fall and distinctions among depositories blur. While there is no absolute formula to ensure success, there are three critical steps that will give thrift owners a good head start.

Recruit According to Strategy

First, focus on fit. Determine your vision for the future. Then recruit leaders who share that vision and the experts who can deliver it.

For example, when the Robert M. Bass Group took control of American Savings bank in California last year, it was determined to build a thrift with a tightly focused strategy of building retail deposits and offering adjustable-rate single family home loans. For chief executive officer, they aggressively recruited Mario Antoci, a 20-year thrift industry veteran with a highly successful track record based on this "stick to the knitting" approach.

But not all owners will adopt the same strategies. Some will seek to originate consumer assets for sale into the secondary markets, while others will strive for asset diversification by moving into consumer and commercial lending – fields that demand credit and management skills more akin to traditional commercial banking. To the extent that the regulators permit, others will emphasize real estate investment.

The strategy should dictate the choice of management. That means the search should extend beyond the industry's current borders – to commercial banks, investment banks, mortgage banks, and elsewhere – wherever the expertise lies.

Wherever they come from, tomorrow's experts must be prepared to address changing industry needs. Ability to manage interest rate risk, for example, is of resurgent concern to regulators. This concern is not new. Several years ago, the strongest candidates for asset-liability managers came from investment banking firms, federal financial agencies, and commercial banks.

See COMMENT: Next Page ►

The Lobbyists

By Barbara A. Rehm

Lender Liability For Toxic Waste Galvanizes Groups

Forget credit unions and expanded powers, the Arizona and California banking trade groups are focusing their lobbying power on changing laws that hold lenders liable for toxic waste found on foreclosed properties.

"Toxic waste is our main legislative thrust," says **Gordon Murphy,** executive vice president and lobbyist for the **Arizona Bankers Association.** While not truly ditching the quest for parity with credit unions or expanded powers, both groups are leaving the bulk of that lobbying to their Washington reps.

California Bankers Association lobbyist **Gregory O. Wilhelm** said member banks are worried that when they end up owning a property through foreclosure, they are responsible for the property's toxic waste problems. Under current law, the bank cannot go after the former owners.

"All a lender can do is walk away from the whole thing," says Mr. Wilhelm.

The California group has published a white paper promoting reform of the laws governing toxic waste cleanup and has enlisted the help of state Sen. Art Torres. Mr. Wilhelm is hoping a new law can be enacted to allow lenders to sue the borrower or at least escape full liability if a property loan was made in good faith.

Mr. Wilhelm joined the group about a month ago, replacing **Larry Kurmel** who moved up to become executive director. Mr. Wilhelm formerly was a **Wells Fargo Bank** lobbyist.

— **Teresa Carson**

Credit Union Group Goes State to State with Pep Rally

About 300 credit union executives gathered in Los Angeles on Monday for the kickoff of Operation Grassroots, a nationwide effort by the **Credit Union National Association** to get members pumped up so they can defend their industry.

The **American Bankers Association** has vowed to convince Congress that credit unions should be subject to the same rules and taxation as banks. But the banks have been overwhelmed by credit union lobbying in the past, and they may be buried again if Operation Grassroots works.

★★★ OPERATION ★★★
GRASSROOTS
A CREDIT UNION SYSTEM CAMPAIGN

CUNA is being helped in host cities by state credit union trade groups.

Doug Duerr, a lobbyist for the **California Credit Union League,** says Operation Grassroots was a huge success in Los Angeles.

"It really helped to put our people on notice that there is a struggle and that in the coming months there is going to have to be a defined program that every person is going to have to play a role in," he says. "The program ran 45 minutes over, and the audience stayed. Nobody got up and left."

Wende C. Arnold, a vice president at the **Colorado Credit Union League,** reports that Operation Grassroots' second stop in Denver attracted about 100 people on Tuesday.

"People responded well," she says. "I could tell from the talk afterwards. People were saying, 'This sounds great, let's get involved.' "

The CUNA lobbyists hit Dallas on Wednesday and are in Chicago today. They will be in Atlanta on Nov. 8, Philadelphia Nov. 9, and Springfield, Mass., Nov. 10.

FDIC Research on Insurance Gives Ammo to Credit Unions

The **Federal Deposit Insurance Corp.** recently handed the credit union industry some dusty but powerful ammunition for its fight to repel attacks from bankers.

The FDIC research staff presented its 1988 credit union study to the agency's top lobbyist, **Beth L. Climo,** in September. But it leaked out and ended up making a great lobbying tool for the credit union industry. The FDIC report is generally a ringing endorsement of the credit union concept, particularly praising credit unions' customer service record. In addition, dissemination of the FDIC study torpedoed a separate study of credit unions done for the **American Bankers Association,** which the group had hoped would help lobbyists convince lawmakers that credit unions should adhere to the same laws and regulations as banks do.

William Donovan

The **National Association of Federal Credit Unions** is capitalizing on the situation. Association lobbyist **William J. Donovan** notes that the group excerpted the FDIC study in recent congressional testimony before a House Banking subcommittee. The group also put out a press release highlighting the FDIC's conclusions. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust

Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, David O. Tyson
Thrifts and Mortgages: Phil Roosevelt
COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett
STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring
FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring
ART
Pamela Budz Moriarty (art director), Carl Zeichner
Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz
NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription rates: U.S. $555 a year; Canada $815; Canada Airmail and Foreign $1,120.
Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 2, 4

C0175-1

800

American Banker

The Daily Financial Services N

VOL. CLIV NO. 219 Wednesday, November 8, 1989 154th Year

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814
NEWSPAPER

ABA Study Urges Banks to Adopt Image Processing

By JEANNE DUGAN COOPER

NEW YORK — Bankers who embrace image-processing technology are going to be ahead of the game in the next decade, according to a study commissioned by the American Bankers Association.

The study, a year in the making, marks the start of a drive by the industry's largest trade group to persuade its members to adopt the fledgling technology, in which paper documents are converted to electronic form for more efficient transmission and processing.

"Image processing is the first major opportunity for improvement in cost-efficiency and cost-effectiveness in handling of checks and paper since high-speed processing was introduced 15 to 20 years ago," said John Shain, president of Littlewood, Shain & Co., one of two consulting firms that conducted the study.

Mr. Shain's company worked with Andersen Consulting, a division of Arthur Andersen & Co., which serves banking and image-processing industry clients. The report is scheduled for publication at the end of this month.

The report will sell for $197. It will be followed up with two seminars in January, where bankers will pay $497 each to learn why and how to enter the world of image technology.

The ABA's overall message is simple: Bankers with the ability to capture, store, and electronically transmit images will have a competitive edge in the 1990s.

The main advantage of image processing is that it gives banks the ability to eliminate much of the paper involved in such high-volume processing operations as checks and lockbox payments. Some banks have already started using the technology in monthly ac-

See ABA: Page 6 ▸

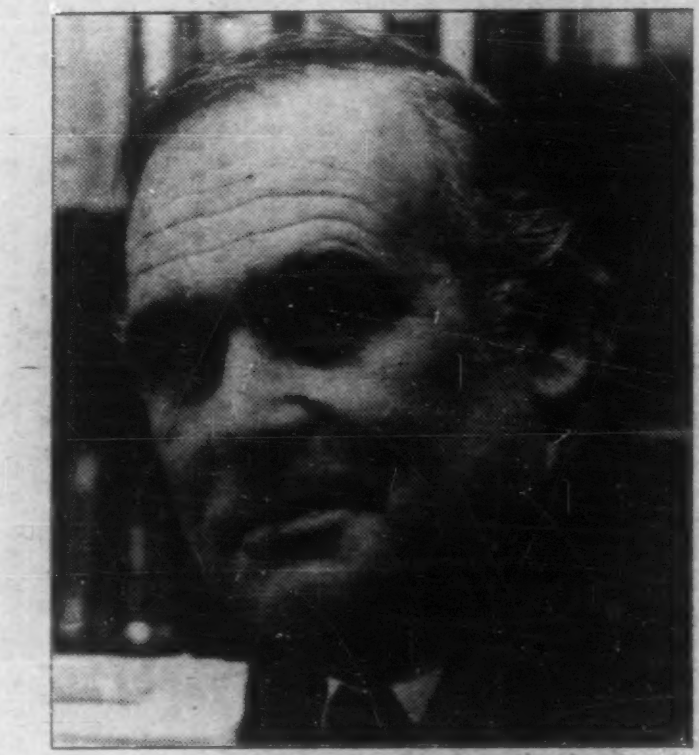
Gray: Regan, 3 Senators Pushed Keating Cronies for Bank Board

By JIM McTAGUE

WASHINGTON — Edwin J. Gray, the nation's top thrift regulator from 1983 to 1987, charged Tuesday that three senators and former White House Chief of Staff Donald T. Regan joined forces in trying to pack the Federal Home Loan Bank Board with associates of Charles H. Keating Jr., whose collapsed thrift could cost the government up to $2 billion.

In explosive testimony before the House Banking Committee, Mr. Gray also alleged that Rep. Charles Pashayan Jr., R-Calif., "lobbied me hard in numerous telephone calls and in other communications" in 1985 to drop proposed restrictions on thrift real estate investments that would have hurt Mr. Keating's Lincoln Savings and Loan Association in Irvine, Calif.

"He received sizable contributions from Mr. Keating," Mr. Gray told the committee, which is investigating why M. Danny Wall, director of the Office of Thrift Supervision, allowed the S&L to remain open for a year while it lost billions of dollars. Mr. Gray was formerly chairman of the Bank Board, the



Edwin J. Gray
Former Bank Board Chairman

See LINCOLN: Page 14 ▸

American Express, Pressed by Banks, Seeks New Image for Corporate Cards

By YVETTE D. KANTROW

NEW YORK — American Express Travel Related Services Co. will bestow a new look on its corporate card next year as it tries to thwart inroads by the banking industry into the business market.

The redesigned card, which will have the word "corporate" emblazoned across its front, will be easily distinguishable from its consumer counterpart, American Express executives said. The move comes at a time when MasterCard International and Visa U.S.A. are chipping away at a market that until a few years ago was virtually controlled by American Express.

"This change in design symbolizes the coming of age of the corporate card," said Roger Ballou, president of American Express Travel and Travel Management Services.

The revamped corporate card will sport the classic American Express centurion symbol and will be the same green color as the company's standard charge card. The centurion logo will be moved from its traditional place at the center to the upper left corner of the card. The centurion's location also was

See AMERICAN: Page 6 ▸

Weak Assets Of 150 Thrifts Surprise FDIC

But Data May Not Indicate Trend, Agency Official Says

By RICHARD RINGER

CHICAGO — The Federal Deposit Insurance Corp. has discovered worse than expected asset quality in an examination of nearly 150 savings and loans, an agency official said on Tuesday.

But Paul Fritts, director of supervision for the FDIC, cautioned that it is too early to determine whether the preliminary findings on asset quality are widespread throughout the thrift industry. "We may not have been exposed to enough thrifts to say if this is a trend," said Mr. Fritts.

Among the thrifts that have come under scrutiny lately for asset quality, Mr. Fritts said, many of the assets that examiners identified as potential problems ended up as nonperforming or past due. He added that it would be premature to extrapolate those findings to the industry, because the thrifts the FDIC selected to examine first are institutions where the agency anticipated finding problems.

The thrifts examined so far by the FDIC, which Mr. Fritts did not identify, are spread throughout the country and are of varying asset size.

"The general quality of assets . . . does not seem to be good as we thought initially," Mr. Fritts told reporters during a news conference at the annual convention of the U.S. League of Savings Institutions here.

Most of the questionable assets are in the commercial real estate portfolios of the examined thrifts, said Mr. Fritts. "Those loans probably should not have

See ASSET: Page 15 ▸

Today

The Comptroller of the Currency has eliminated one of the final stumbling blocks to the development of a secondary market for farm loans. 3

Regulators disagree over whether the Resolution Trust Corp. needs more working capital. 3

Forty percent of chief executives and 52% of chief information officers are unhappy with technology's contribution to business plans, a study finds. 2

The IRS has ruled that banks can carry forward some losses related to Third World debt reductions over 15 years. 2

Kenneth D. Seaton, chairman of the U.S. League of Savings Institutions, is being criticized by the major shareholder of the thrift he heads. 15

Inside Financing 16
Legal Alert 4
People 8
Technology 10

Same Bank. Different Software.

The right banking software improves profits as well as operations. And the software more U.S. Financial Institutions rely on is CA-INFOPOINT for MVS and VSE. For more information call 800-841-3734.

COMPUTER ASSOCIATES

In Calif. call 800-468-0725.

Official Checks, Not Official Paperwork.

With our Official Checks, we do the back-office work. You get increased revenues. Give us a call at 1-800-328-5678, ext. 3351.

TravelersExpress Money In Motion.
A Greyhound Company

Technology Falls Short for Most CEOs, Study Says

By RICHARD LAYNE

NEW YORK — Less than half of chief executive officers believe that the millions they spend on technology actually support their companies' business plans, according to a survey by an international consulting firm.

Culture and organization, not technical problems, stand in the way of full exploitation of information technology, the study by United Research Co. of Morristown, N.J., found. The perceived hindrances were equally prevalent in banks and nonbanks surveyed.

"We perceive a tremendous focus on technology, but little on dealing with those cultural issues," said Thomas R. Madison, vice president at the research and consulting organization. To ignore the cultural issues, he added, is to invite trouble in the form of wasted resources and missed opportunities.

"Banks can expect limited return on the technology investment unless they deal with the cultural issues," he said.

The study showed that 40% of CEOs and 52% of chief information officers are unhappy with the contribution technology makes to business plans.

"Senior executives are frustrated," said Mr. Madison. "They've invested billions of dollars over the past 10 years and they don't see the return they expected." Technology budgets at large banks exceed $100 million.

The United Research study included a poll by Louis Harris & Associates of 100 CEOs and 202 chief information officers – often called CIOs – of the top 500 manufacturing and the top 500 service sector companies. Of the respondents, 36% were in banking or financial services.

Mr. Madison said that there was no statistical difference in the way banks and other corporations view technology.

The CEOs and CIOs cited five cultural barriers to improving the efficacy of information technology resources: A failure to change some of the basic ways of doing business, people's failure to take the time to learn and use the existing systems, a failure to train people properly, an organizational culture that resists change, and turf battles that impede change.

These issues may loom larger in the future, when banks will have to improve customer service to gain a competitive advantage. Three-quarters of the bankers interviewed believe they will be spending more money over the next five years on systems that directly touch upon consumers, particularly sales and marketing systems and other customer service applications.

While chief information officers share CEOs' beliefs that technology usually fails to support the business plan, technologists also point the finger at senior management.

"Most IS [information systems] executives feel that they are not nearly as involved in the business planning process as they should be," said Mr. Madison.

William Synnott, a consultant with Nolan, Norton & Co. in Lexington, Mass., and a former top information systems executive at Bank of Boston, distinguishes between a CIO's reacting to a business plan and helping to develop a plan.

Reacting alone does nothing to tap that executive's knowledge and ability to support the business, Mr. Synnott said. He recommends that a business plan be drawn up with input from a chief information officer – if a bank wants to use information technology effectively. ■

Has Technology Paid Off?

Executives were asked if they agreed with these statements:

	Chief executive officers	Chief information officers
Information resources support business plans	40%	52%
More business plans should be shared with systems executives	57%	61%
Business plans are formally aligned with information resources	68%	45%
System obsolescence is a competitive problem	70%	50%
Adequate return-on-investment measures are lacking	78%	94%
Poor systems design is barrier to corporate growth	51%	66%
System investments have improved overall performance	98%	94%
System investments have improved executives' ability	93%	91%
System investments have improved customer satisfaction	90%	91%

Responses based on a poll by Louis Harris & Associates of 100 CEOs and 202 chief information officers of the top 500 manufacturing and top 500 service sector companies in the United States.

Source: United Research Co.

Consumer Credit Nearly Stagnant, Fed Data Show

By ROBERT TRIGAUX

WASHINGTON — Consumer installment credit for the month of September rose a paltry $606 million to $703.6 billion, after rising $2.66 billion in August, the Federal Reserve said on Tuesday.

"These are both small numbers," Peter P. Kozel, senior vice president and chief economist at Shawmut National Bank in Boston, said of the monthly increases. "They used to be $5 billion and $10 billion," he said, and they reflect the shrinking of consumer spending in a slowing economy.

Federal funds crept down below 8¾% on Tuesday, reflecting what many economists see as both continued easing of monetary policy by the Fed and decreasing demand for credit. Fed funds traded at 8⅝% for much of Tuesday afternoon.

"We have just been trading at a little bit over 8¾, and we now may trade just over 8½" until the Fed can gauge economic trends, Mr. Kozel said.

One key sector, automobile credit, fell $842 million in September after rising a mere $7 million in August, the Fed reported. Economists said the figures reflect ongoing weakness in automobile sales, but they warned that October figures will be significantly worse.

Revolving credit rose $756 million in September, after a $3.37 billion gain in August. Mobile home credit declined in both months – by $91 million in September and $692 million in August.

Economists warned that the monthly consumer installment credit figures do not include credit granted in the form of home-equity loans – the fastest-growing sector of consumer credit. "It's becoming less of a useful statistic," Mr. Kozel said of the monthly figures. ■

FINANCIAL TECHNOLOGY UPDATE

A new item processing solution has significantly reduced labor costs for Liberty National Bank, Louisville, Kentucky. NCR's 7770-3000 Intelligent Multi-Pocket System, running a software application from Data Management Products of Omaha, Nebraska has eliminated 65 hours of return item processing labor. All 42 Liberty branches have been converted to centralized processing two months ahead of schedule.

The Financial TOWER System 2 (FTS 2) improves customer service while increasing the number of product offerings. Star Bank, a Cincinnati based financial institution, recently chose NCR's Financial TOWER System 2 for its new branch automation system. In addition to improved customer service and more product offerings, Star Bank wanted to increase productivity. They found that with their new NCR system in place, platform productivity grew in excess of the 20% they expected.

NCR introduces color CRTs for ATM use in August. 5070 Interior ATMs, 5084 Cash Dispensers and 5085 Extra-Function Terminals will all be capable of utilizing these new screens. A PC is installed to drive the EGA monitor which delivers vibrant colors. Standard graphics are provided or PC Paintbrush can be used to design new graphics or modify existing programs. Plus, the CRT's potential for "advertising" at the ATM site is impressive.

The ITX Windows Software System enables multiple host system jobs to be managed through one PC. As part of the new System 10000 software tool suite, ITX Windows allows users of NCR's Banker 80 II System to handle the after-hours work of up to 9 institutions in a multi-bank installation. In addition, loan officers can use the Loan Pricing system and review applicants' account records simultaneously. ITX Windows also supports software development with edit, graphics, view, and window creation capabilities.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

Tax Rule Eased On Bank Losses From LDC Debt

By JAMES R. KRAUS

NEW YORK — In an easing of policy, the Internal Revenue Service has ruled that, for tax purposes, banks can carry forward some losses related to Third World debt reduction over 15 years rather than the normal five years.

The ruling applies to losses suffered when banks exchange loans for bonds at a discount to face value or for securities at lower interest rates.

The ruling came in response to queries from banks on how to treat losses on Mexican loans exchanged for bonds under a debt restructuring agreement concluded in July.

Such debt-reduction bonds are a key element in the Mexican restructuring, considered the prototype of Treasury Secretary Nicholas Brady's plan to alleviate Third World debt.

Analysts said the ruling benefits banks by giving them 10 extra years to deduct losses from future rather than past taxable income. But they also said that it left several loose ends and did not respond to requests by banks to deduct foreign loan losses from domestic taxable income.

'Helpful,' but Not Enough

"The ruling provides significant guidance on the appropriate tax loss," said J. Richard Harvey Jr., a partner in the accounting firm of Price Waterhouse in New York. "However, there still are many tax issues surrounding the Mexico exchange that need clarification. The ruling is helpful but not an all-encompassing answer."

When banks incur losses by exchanging Third World loans for lower-value bonds, the IRS will allow them to deduct these losses from taxable income for three years backward and 15 years forward. For Third World loan losses caused by unilateral decisions by banks, the period for tax deductions remains 10 years back and five years forward.

The Mexican agreement gives banks the options of exchanging loans for bonds bearing the same interest at a 35% discount to face value or of exchanging the loans at face value for bonds at lower interest. A third option allows banks to provide new money.

'Pretty Good News'

The IRS ruling permits banks to decrease their taxable income by either the 35% discount on principal or the lost interest income. This is determined by comparison with with applicable federal rates, now about 8% for 30-year Treasury bonds.

"This should be pretty good news for banks, because most are going to realize losses and they'll be able to realize a tax deduction," said an international tax specialist at a large accounting firm who declined to be identified.

One accounting executive said the ruling was firmed up after a meeting of Treasury officials and senior bankers in Washington in mid-September.

"Most of the banks were in favor of the 3 carryback and 15 carryforward," said the executive. "Many banks don't have the ability to utilize a loss during a carryback period. I'm not aware of any bank that objected."

However, accountants noted that ruling does not grant banks any tax benefits for providing new money. The Mexican agreement assumed that banks would provide new money equal to 5% of the $52 billion in loans being restructured, they said. ■

Have an Important Legal Notice?
Call Gail Edwards at 212/943-5716

LEGAL ALERT

By TOM LEANDER

Editor's Note:

More than ever, court decisions are redefining the boundaries and practices of the banking community. To keep pace with these decisions and to expand coverage of the banking-law profession, the American Banker is introducing Legal Alert, a column that will appear every other Wednesday.

Court in Nebraska Clears Continental Of RICO Charge

A Nebraska federal court has overturned a jury decision convicting Chicago-based **Continental Bank** of violating the Racketeer Influenced and Corrupt Organizations Act.

The decision, coming at a time when the Justice Dept. has imposed new limits on RICO, is likely to be cited as a precedent by defending lawyers in other RICO cases against banks.

The plaintiffs in the case were investors a Nebraska-based limited partnership in oil and gas that went bankrupt. They charged that Continental knowingly helped the promoters of the concern, K&S Partnership, in creating a false business history that encouraged investors to pour funds into the company. Continental had been a participant in loans made by the original lender, Penn Square Bank.

During the jury trial, the plaintiffs argued that Continental's corporate policies encouraged the alleged crimes of its employees. The federal court found that charges of fraud could be linked to individual employees alone, and that Continental was not liable for their alleged misdeeds.

• • •

FIRREA Fallout: Law Firms Face Conflict-of-Interest Suits

The realignment of the regulatory system under the Financial Institutions Reform, Recovery, and Enforcement Act has created conflict-of-interest problems for one major law firm and others that once represented the Federal Deposit Insurance Corp.

Dallas-based Jenkens & Gilchrist, for instance, has represented the FDIC over the past three years in a number of cases, including several directors-and-officers liability lawsuits.

But the firm was sued by the Federal Savings and Loan Insurance Corp. for alleged malpractice during a case involving a failed thrift, **State Savings and Loan** of Lubbock, Tex., that was taken into FSLIC receivership.

Jenkens & Gilchrist is now negotiating a settlement with the FDIC, which was merged with FSLIC as a result of the thrift-rescue legislation.

The FDIC says it is modifying its rules for outside counsel now that the thrift law has created many potential conflict-of-interest problems.

• • •

Cohen, a Mergers Specialist, Is Top-Paid Banking Lawyer

Does $1.7 million in annual income sound like good money? That's what **Sullivan & Cromwell** lawyer **H. Rodgin Cohen,** the merger-and-acquisitions specialist who represented Bank of New York during the takeover of Irving Trust, raked in last year.

H. Rodgin Cohen

Mr. Cohen was the highest paid banking lawyer on a *Forbes* magazine list of the nation's 71 highest paid corporate attorneys, published this week. The only other banking lawyer that made the list was Washington-based **Clifford & Warnke** partner Robert Altman.

What the list also reveals: Banking lawyers are not raking in cash at the same rate as their compatriots in mergers-and-acquisition law. And their 1988 paychecks hardly held a candle to those of ambulance-chasing lawyers; who earn their pay through suits involving personal injury. Some earned more than $20 million last year.

Manufacturers Hanover Held Liable in Check-Forgery Case

Banks in New York are liable to pay damages if they honor false checks without taking proper measures to insure that the checks are not forged, the New York State Court of Appeals has ruled. **Manufacturers Hanover Trust Co.** was ordered to repay more than $48,000 to the **Putnam Rolling Ladder Co.**, Putnam, N.Y., for checks forged by the company's bookkeeper.

Manufacturers had argued that it should not have to pay because Putnam had a year to catch the forgeries themselves. But Putnam swayed the court by introducing evidence that Manufacturers processed so many checks each day that tellers would have only four seconds to verify each check with a signature file.

The court held that the Manufacturers check-screening process was superficial and ruled that account holders can only be held liable for forged checks if banks prove they have taken proper steps to verify them.

• • •

Thrift Files Junk-Bond Suit Against Boesky and Drexel

In a suit that may spur lawsuits by S&Ls that have lost money in junk-bond investments, a California thrift has filed a complaint in a California district court charging that arbitrager Ivan Boesky – who has been convicted on insider-trading charges – and Drexel Burnham Lambert Inc. urged it to buy $500 million in junk bonds that the complaint said "lacked investment merit." The thrift has since lost $11 million on the bonds, according to the complaint.

The suit involves **Financial Corporation of Santa Barbara** and its **Santa Barbara Savings and Loan Association** subsidiary. Mr. Boesky, who was a shareholder in FCSB, acted in bad faith when he advised the thrift to buy the bonds in 1983 and 1984, according to the complaint. ■

COMMENT

Steps Toward Building Respect for Marketing

By ROBERT P. CADY
Partner, Exchange Resources Ltd.

I heard an interesting story from a colleague the other day. It seems that a major savings bank in upstate New York had experienced another round of cost cutting. According to him, the first major cut was firing the market-research department.

When things get tough, top management lops off the excess baggage, and often this means anything with the word "research" in it. It must be scary to have the title "director of market research" when the rumors start to fly that cost cutting is about to start.

Why is it that in today's highly competitive banking market – where the rhetoric is flowing about improving product distribution, and upgrading sales and marketing capability, and improving market intelligence – that the toughest sell is still the budget for the resources that turn market information into market intelligence?

One reason is that very few top managers have any experience with marketing. Although lip service is given, down in the deepest part of the CEO's heart is an aversion that equates marketing with sales and sales with hucksterism – something that good people shy away from.

Research has a correlation with inactivity in this CEO's mind, a kind of slothful attention to detail with no responsibility for translating numbers into action. Action is the watchword of the new management style of the 1980s, led by new bibles of management style such as "In Search of Excellence."

How many top managers have asked the question, "just what do those research people do?" Worse, there are few in the bank that have an answer. And so, the axe falls. Ask a CEO about market information and his comment is, "Our marketing people handle that."

The Wrong Numbers

Translation: That's not management stuff. We work on the important things like asset ratios and worry about our stock-price dip. The concept of market information and its uses and value is way down the line. The numbers are only of interest if they are on the balance sheet.

Article after article in banking journals points out that product development and distribution is a new ball game for banks. New technology allows products to be delivered by phone, by PC, by fax, by credit card, by mail, either next door or miles from home. Competitors, who do not have the chain of established distribution centers, a.k.a. the branches, do not seem to be much bothered by the lack of bricks and mortar.

Many of these competitors are, yes, nonbanks. Those organizations may have a finance person at the helm these days, but close at hand to this CEO, in an office that might be fancier, and with a salary that is right there at the top, is the person who handles marketing.

Enter Lee Iococca who probably knows his way around a balance sheet better than most, but whose favorite piece of paper is his periodic market-share report, closely detailed, with slippage highlighted along with success. These people own real businesses and in a real business, marketing is firmly involved in the decision process.

See STEPS: Page 9 ▶

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman

Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt
COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett
STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring
FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring
ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz
NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9PU. Tel: 011-441-538-5959. Fax: 011-441-247-0404

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription rates: U.S. $555 a year; Canada $815; Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER Cable Address: AMERBANKER New York. Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office. Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 2, 4

800

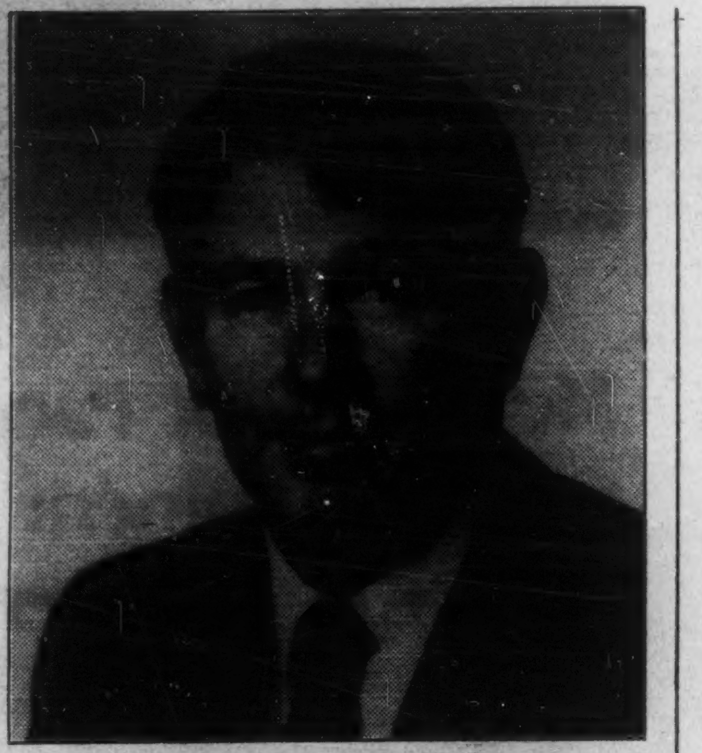
C0175-1

American Banker

The Daily Financial Services

VOL. CLIV NO. 223 Wednesday, November 15, 1989 154th Year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814



Harvey R. Mitchell
Chairman and CEO, Bank One, Texas

Texas Banker Named Chairman Of Banc One Unit

By STEVE KLINKERMAN

DALLAS — Banc One Corp. named veteran Texas banker Harvey R. Mitchell chairman and chief executive of its Texas subsidiary on Tuesday, saying that local talent and connections were needed to rebuild the troubled unit.

"It's important that this be a Texas bank run by Texans," said John B. McCoy, chairman and chief executive of Banc One, Columbus, Ohio. The company is working to complete its takeover of the former MCorp franchise in a deal involving $2 billion of federal assistance.

Mr. Mitchell, 54, was named to the top post of Dallas-based Bank One, Texas, a position previously held by Mr. McCoy. Mr. Mitchell is a former vice chairman and chief executive at InterFirst Corp. and First RepublicBank Corp. He left First Republic before its failure and subsequent sale to NCNB Corp., Charlotte, N.C.

With roughly $13 billion of assets,

See VETERAN: Page 31 ➤

Corporate Finance Fees Rekindle Banks' Interest in Latin America

By JAMES R. KRAUS

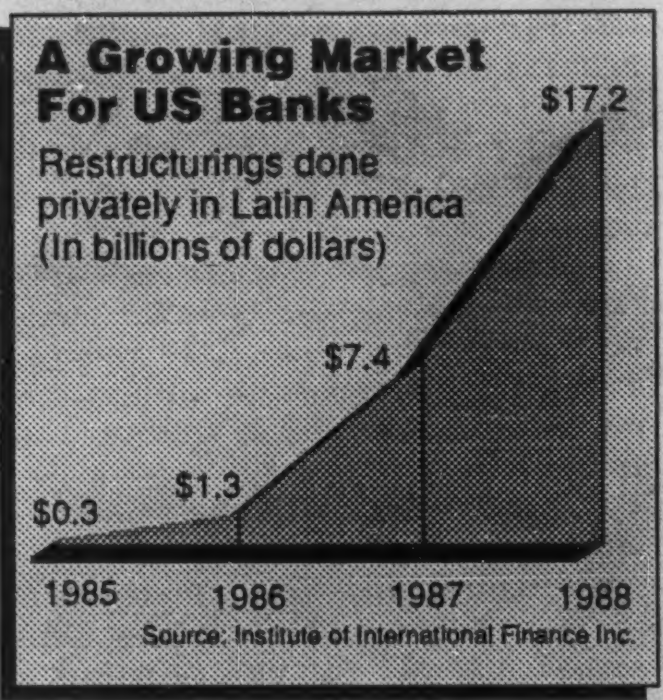
NEW YORK — While most large U.S. banks have sharply reduced lending to Latin America, many of them are expanding corporate finance activities in this region.

The banks include J.P. Morgan & Co., Citicorp, Chase Manhattan Corp., and Bankers Trust New York Corp. They see rising income from helping Latin American companies structure and execute debt buybacks, debt-for-equity swaps, privatizations, and even new financings.

"Outside the United States, Latin America will be one of the richest areas for corporate finance over the next three to four years," said Arjun K. Mathrani, senior vice president and Western Hemisphere-area executive at Chase.

Bankers believe financial deregulation in several Latin American countries may open further corporate finance opportunities for U.S. banks. They also believe that their large debt

See CORPORATE: Page 14 ➤



Source: Institute of International Finance Inc.

Plus to Cut Key Processing Fee by 50%

By YVETTE D. KANTROW

NEW YORK — Responding to unexpectedly rapid growth in transaction volume, the Plus automated teller machine system is slashing a key processing fee in half.

The fee reduction by Denver-based Plus System Inc., which takes effect in January, was made possible by increasing transaction volume and the resulting drop in processing costs, said president D. Dale Browning.

For Plus and for an increasing number of other ATM networks, success means being able to lower the prices charged to member financial institutions.

"Consumers finally understand that they can get money outside of their community," Mr. Browning said. "That took a really long time."

The price cut by Plus, a 50% drop in its 10-cent basic transaction fee, is expected to be matched by the competing Cirrus network. It follows similar moves by the regional ATM systems that achieved sizable transaction volumes earlier than Plus and Cirrus.

Regional groups including the New York Cash Exchange, Star System Inc., and Yankee24 have passed on the benefits of new-found economies of scale by cutting fees to member financial institutions.

The move by Plus, which is affiliated with the Visa credit card association, demonstrates that the regionals' success is spilling over to the national ATM networks.

"In the six years since the inception

See PLUS: Page 30 ➤

Clarke Warns About Quality Of LBO Loans

Lending by Some Banks To Be Reviewed Quarterly

By BARBARA A. REHM
and DAVID NEUSTADT

Comptroller of the Currency Robert L. Clarke on Tuesday warned that the quality of loans financing highly leveraged transactions is deteriorating and pledged tighter supervision of such lending to avert a potential crisis.

Mr. Clarke said his agency will begin quarterly reviews of lending by specified institutions. Targeted will be national banks that have at least 2% of their assets tied up in loans for highly leveraged deals.

Of 29 national banks that will be subject to these new reviews, 18 are regional banks, said Karen Wilson, the agency's acting deputy comptroller for multinational banking. The focus on regionals reflects their increasing appetite for loans backing leveraged transactions.

Mr. Clarke said regional banks are bulking up on such loans. Ms. Wilson said the regionals' bite of that market increased 21% in the first six months of the year, to $23 billion.

A loan is classified as "highly leveraged" if it finances a leveraged buyout, acquisition, or recapitalization of a business. It also falls under that classification if 75% of the borrowing company's capital is debt, if the transaction doubles the company's liabilities and results in more than 50% of capital being debt, or if the agent bank designates the loan as such.

Mr. Clarke now moves to the forefront of regulators pressuring institutions to reassess their loan risks.

See COMPTROLLER: Page 29 ➤

Today

SEC Chairman Richard C. Breeden said federally insured depositories should be banned from selling their own debt in their branches. ____ 2

Mexico has received enough commitments for new money to complete its debt restructuring plan, said Citibank executive William R. Rhodes. ____ 2

Congress and the administration agreed to postpone a showdown over Resolution Trust Corp. funding. ____ 2

Bankers should not bother to invest in technology unless it can bring specific improvements in earnings, said consultant Frederick A. White. ____ 3

Chase Manhattan Bank said it has combined two business units to improve its electronic data interchange services. 3

Bank Trigger Dates ____ 17
December Calendar ____ 20
Inside Financing ____ 32
People ____ 26

NOW THAT EQUASION℠ IS AVAILABLE, THE BIGGEST RISK YOU CAN TAKE IS NOT USING IT.

EQUASION.

Results from the 10 million card holder accounts being managed by EQUASION's Behavior Scoring and Adaptive Control Service are impressive. They indicate double-digit percentage reductions in credit card delinquencies and over-limit accounts. Call for detailed results and to see how EQUASION can reduce risks in your card program. Call Kurt Strawhecker, Vice President, (402) 392-5570.

First Data Resources Inc.

Another Shared Success®

"Shared Financial's EFT/POS software helps us achieve what's most important—superior customer service."

—John A. Camino
Director, Information Services
Citicorp Savings of Florida
Miami, Florida

Shared Financial Systems
15301 Dallas Pkwy • Ste 600 • Dallas, TX 75248
214/233-8356 • Outside Texas: 800/527-4131
Ext. 116
© 1989 SFS, Inc.

COMMENT

Market Share Data Gain in Importance

By ROBERT P. CADY
Partner, Exchange Resources Ltd.

A GREAT deal has been written recently about the most brutal of market indicators, market share. Slick accounting can jostle some numbers on the annual report to effect a momentary stockholder reprieve. Deft maneuvering with this acquisition or that merger or a division divestiture (who needs that credit card portfolio anyway?) can cast a favorable light on results.

But sooner or later, every organization must face up to its market position relative to competitors. Today, executives are also expected to do something about it, explaining why market share is in a tailspin, or worse, why everything is going so well. As a result, savvy managers see a new role for market share data in managing people and profits.

The pursuit of market share is critical to success, and its timely measurement may well be the most important overall indicator of market management in a competitive environment.

Exchange Resources Ltd., Atlanta, develops marketing technology for the financial services industry.

The key words are "market management," because market share analysis as a report card is next to useless today. By the time the marks are in, there is no way to applaud success or to correct a slide that has become an avalanche.

All of us continue to see and read articles on market share in the journals. The meat of these articles invariably is a discussion of ways to improve market share. We read about a small bank that stayed open late, a new credit card promotion, and better ways to train branch personnel. We read about sales technique, about being department stores or about "re-imaging" the branch, the people in it, and the organization behind it. What we don't read very often are ways to measure these vital numbers.

> Savvy managers see a new role for market share data in managing people and profits.

In general, market share is measured by survey data, public data, exchange data, or a combination of the three. Each has its advantages. By far, the most widespread method is public data. Survey data are more apt to be used for more specific research inquiries, such as the introduction of a new product. Of the three forms of measurement, the sleeping giant is the data exchange.

What are some of the advantages and disadvantages of these forms of market share measurement? The advantage of public information – that is, government-collected data on banks, bank branches, certain products, and the like – is that it is accurate and complete. Banks are required to provide it, and penalties for misfiling inhibit frivolous reporting.

The exhaustive government error procedure and the sheer volume generated by the various Federal Reserve and Federal Deposit Insurance Corp. requirements, however, place the data on the bank's doorstep a year to 18 months after it's been reported.

Also, government data are summarized, offering no individual product data. So if a bank is trying to use public data to manage market penetration or to shore up weak spots in the product mix, it's like asking Coca-Cola to make decisions about Classic Coke's progress against the competition from a year-old report labeled "soft drinks."

See COMMENT: Next Page ►

Grapevine

By JED HOROWITZ

Inside Track at Hanover. Manufacturers Hanover Corp. will name a boss for its new "global wholesale bank" any day now, bank sources say. Leading candidates are investment banking head Douglas Ebert and corporate lending head Donald H. McRee Jr. Mr. McRee has the inside track, sources say, though they fret that an outsider could be brought in.

The new unit will combine the bank's corporate lending, investment banking, and international sectors, a spokesman said.

Other expected changes: Donald G. McCouch, head of international, will focus on the Third World debt portfolio while overseas lending goes to the new wholesale boss. The global correspondent banking division is being folded and spread among several other units – including Manufacturer's recently formed Geoserve processing unit.

A "regional bank" will be glued together from Manufacturer's existing retail, small-business, and middle-market banking businesses in New York, New Jersey, and Connecticut.

Details of the reorganization may come after the bank's board meets Nov. 21. The spokesman would not comment on timing.

* * *

Hold the Invitations. C. Paul Johnson, chairman of Chicago's $1.1 billion-asset First Colonial Bankshares Corp., has signaled potential wedding plans with Banc One Corp. His company's community banking strategy might mesh nicely with Banc One or others, Mr. Johnson told analysts recently.

He paused. "I'd better stop there about Banc One." The Illinois barriers against nationwide interstate bank ownership fall in December 1990, and the aggressive Ohio bank has clearly taken notice.

A Banc One spokesman confirmed that earlier this year the bank company sent out "ice breakers" to some 100 banks and holding companies seeking to chat about possible mergers.

Editor's Note:

News takes many forms. There's the official announcement route. And then there's the planned leak, as journalists in Washington know well. Indeed, news is always at some stage of development. Starting today, this weekly column will aim to report stories in their early stages. It will follow people on the move, projects in the works, and other information that prompts bankers to pick up the phone and share what they have heard with their confidants.

* * *

The Eagle Has Landed. Citicorp's new chief legal eagle, John Roche, replaced Hans Angermueller only this month but is already leaving his mark. The refugee from Shearman & Sterling – Citi's favorite outside law firm – is hiring a SWAT team of eager young lawyers to help run the department. Some Citicorp lawyers, spread among its various fiefdoms, fear for their autonomy. But a source close to Mr. Roche says fears of a rigorous centralization are groundless.

* * *

Au Revoir, Bourgeoisie. France's Societe Generale is bidding *adieu* to small-time retail customers in the United States. A banker at the Rockefeller Center branch confirms Sogen is telling "greengrocer type" customers with accounts of less than $100,000 to move elsewhere. Alas. The branch was something of a financial cafe for expatriate Frenchmen, who frequented its lobby talking of bourses and baguettes.

* * *

Trimming the Fat in Toledo. Society Corp. may trim up to 500 employees from Trustcorp's payroll of 3,800 if shareholders approve the merger between the two institutions today. The cost-cutting method of choice will be across-the-board layoffs, though attrition and branch sales also will be used, according to sources at Toledo-based Trustcorp Inc. All but two of 150 workers in a back-office unit in Toledo already have been told they will be let go, one source said. "There will be consolidation of certain areas, but it's premature for us to announce anything," responds a spokesman at Cleveland-based Society Corp.

* * *

It's Lonely at the Top. Kenneth Thygerson is on the move again. After only six weeks at the helm of Denver's Western Capital Investment Corp., he resigned for what thrift officials call "personal reasons." Sources said their erstwhile chief was weary of the long commute to and from his family in San Diego. But skeptics note that the resignation followed publication of a damning front-page article in *Barron's* accusing Mr. Thygerson of "The Trashing of an $11 Billion Thrift." The story chronicled his days as head of San Diego's Imperial Corporation of America. Mr. Thygerson could not be reached for comment.

* * *

Morgan Gives Up a Seat. Cost-cutting efforts at J.P. Morgan & Co. got a modest assist when its revamped securities unit decided not to renew its lease of a seat on the New York Stock Exchange this month. "It's an easy way to save $100,000 a year," says an official. The equity brokerage unit continues to own one seat and also execute trades through independent brokers. Morgan earlier this year announced an internal expense control plan that includes cutting as much as 10% of its employee base.

Contributors include Teresa Carson, James Kraus, and Richard Ringer.

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman

Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription rates: U.S. $555 a year; Canada $815; Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Comptroller Pledges Closer Scrutiny of Leveraged-Buyout Lending

Exposure to Highly Leveraged Deals

Loans outstanding in billions of dollars

	Total highly leveraged transactions	LBOs	Subordinated debt and equity	HTLs as % of total loans	HTLs as % of common equity
Citicorp	$6.4	$5.3	$1.1	4.3%	72.2%
Bank of New York	3.9	2.5	0.0	11.0	146.3
Bankers Trust	3.7	2.5	0.5	17.0	103.5
Manufacturers Hanover	3.7	2.3	0.0	7.7	124.6
Wells Fargo	3.2	2.2	0.2	8.1	137.0
Chase Manhattan	3.0	2.1	0.2	4.1	69.1
Chemical	2.7	NA	NA	6.0	85.0
Security Pacific	2.7	1.8	0.1	4.5	70.9
J.P. Morgan	2.5	2.0	0.2	8.2	42.9
First Chicago	1.7	0.8	0.5	5.8	78.5
First Union	1.2	--	--	6.0	61.1
PNC Financial	1.2	--	--	4.6	42.7
BankAmerica	1.2	1.1	0.1	3.4	28.9
Bank of New England	0.9	--	--	3.4	52.9
CoreStates	0.6	--	--	5.2	50.7
Citizens and Southern	0.2	--	--	1.4	15.2
Barnett Banks	0.1	--	--	0.4	6.3

Highly leveraged transactions include loans to LBOs, loans to non-LBO highly leveraged transactions, and subordinated debt and equity of highly leveraged transactions.

Source: George Salem, Prudential-Bache Securities

Continued from Page 1

The Comptroller's office "has stated that HLTs [highly leveraged transactions] did not pose undue risk to the safety and soundness of individual banks or to the banking system," Mr. Clarke said in a speech in Atlanta. "But we've seen growth, quality, terms, participants, and resolutions of those transactions change in the last year."

Mr. Clarke also predicted that banks buying big chunks of leveraged buyouts will have a harder time selling them. He suggested that all banks acting as agents set a cap on the amount of such loans they will keep.

"In that one of the so-called comfort factors in this business is the relatively small portion of the transactions that agent banks are willing to hold for their own accounts, this backlog in the distribution pipeline is worrisome," he said.

The Comptroller's office already has conducted targeted highly leveraged transaction exams of the nation's 11 largest national banks. This is the second consecutive year the Comptroller's office has taken a specific look at leveraged lending by the biggest national banks.

As another indication of the new concern regulators are attaching to highly leveraged transaction lending, the annual joint regulatory study of large credits held by both state and national banks – known as the "shared national credit program" – this year specifically targeted highly leveraged transactions. The study found that a fourth of all loans greater than $20 million and shared by two or more banks are highly leveraged transaction loans. About 900 highly leveraged transaction loans worth $173 billion were discovered by regulators.

In general, Ms. Wilson said, underwriting standards being used are sound, but she noted that regulators warned some banks to tighten highly leveraged transaction lending habits.

According to Mr. Clarke, who addressed the commercial lending trade group Robert Morris Associates, most regional banks acquire highly leveraged debt through participations or a loan syndication group. "And a regional bank's ability to influence or impact ongoing credit decisions in some cases is severely limited."

Mr. Clarke urged regional banks jumping on the leveraged-buyout bandwagon to adopt proper risk-management strategies and to limit their overall involvement in the LBO market.

To date, banks appear to have been duly compensated for the risk LBO loans pose, but that may not be true in the future, Mr. Clarke said, warning that competition in this high-fee activity is squeezing margins.

"This type of competition almost always leads to abuses," Mr. Clarke said. "Credit terms and structures are deteriorating."

At the same time that regulators are expressing concern about bank's exposure to buyouts, they also broadened what they consider highly leveraged transactions. In October, the Fed, the Comptroller's office, and the Federal Deposit Insurance Corp. agreed on a common, expanded definition for highly leveraged deals to the current description.

Criteria Too Broad, Some Say

Some bankers have complained that the new criteria are too broad and will now include too many loans to be useful.

A new study by George Salem, bank analyst at Prudential Bache Securities Inc., adds another aspect to bank's highly leveraged transaction exposure. Mr. Salem added bank's holdings of subordinated debt and equity of highly leveraged companies.

The additional category only adds substantial amounts of exposure for three bank companies: Citicorp, with $1.1 billion, and Bankers Trust New York Corp. and First Chicago Corp., each with $500 million.

Both Citicorp and First Chicago have very active venture capital subsidiaries, which invest in buyouts.

Also, for the first time, Mr. Salem breaks out the portion of banks' highly leveraged transaction portfolios that is for leveraged-buyout loans as opposed to other types of transactions, such as recapitalizations and acquisitions.

BankAmerica Corp. has the highest portion of its highly leveraged transaction loans to LBOs, 91.7%. Citicorp is second with 82.8%. Bankers Trust and Manufacturers Hanover Corp., two leading buyout lenders, both have about two-thirds of their loans to LBOs. First Chicago has the lowest proportion to LBOs, only 47.1%. ■

Valley Federal S&L Loses $70 Million in 3d Quarter

VAN NUYS, Calif. — Valley Federal Savings and Loan Association announced that it lost $70.6 million in the third quarter.

The loss resulted in part from a $89.9 million pretax charge to earnings at the Van Nuys thrift. The charge includes a $62 million writeoff of capitalized servicing at the thrift's mobile home financing subsidiary, All Valley Acceptance Co.; the addition of $18 million to real estate loan reserves; and the elimination of the association's $9.9 million of goodwill. ■

LEGAL ADVERTISING

Auction Notices

BERNARD MAGRILL CO., INC., 194 Broadway, Bklyn, N.Y. As Agents For Gem Pawnbrokers 378 Schermerhorn St., Bklyn, N.Y. Will Sell All Unredeemed Pledges D92250 8/4/80 To 191485 2/28/89. Also, For Gem Pawnbrokers Queens Corp. At 216-15 Jamaica Ave., Queens Village, N.Y. Pledge #0001 10/6/87 To #11496 11/15/89. Will Be Sold At Queens Village Store At 9 A.M. On November 24.

R. A. Felder Lic Auctr #793917 sells on 12/1/89 12 PM at 304 E. 3rd St, Mt. Vernon, '88 AMC Jeep #2BCCZ8142JB519250 Re: M. Mangrum; 12:30 PM at 3399 W. Henrietta Rd, Rochester, '82 Buick #1G4AP69A2CH479957 Re: D. Jackson; 1 PM at 435 City Isl Ave, Bx, '44 Trumpy #285227 Re: B. Alden & D. Burgess. Published 11/15 & 11/22/89.

DEFAULT In Security Agreement Made By Julio Melo To Eddy Hernandez I Will Sell Nov 16, 1989 at 9:30 AM at 2793 86th St, Bklyn, NY Right, Title & Interest In & To Fixtures, Equipment & Inventory. Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. Frank E. Seipp, Auct'r Lic #732234 of F.E.S. AUCTIONS INC, As Agents.

Dollar Dry Dock Offers Gold Card with 11.9% Rate

By YVETTE D. KANTROW

NEW YORK — Less than two months after it sold off a $95 million portfolio of gold card loans, Dollar Dry Dock Bank has introduced a gold card with an initial interest rate of 11.9%.

The White Plains, N.Y.-based bank is touting its new Visa gold card as one of the lowest-priced cards in the country. After six months, the interest rate will jump to 15.9%.

"While no one is offering a card at 11.9%, even 15.9% looks very attractive," said Nicholas Rizetta, a Dollar Dry Dock senior vice president. Cardholders are also charged a $40 annual fee.

Dollar Dry Dock is marketing the card only to consumers in the New York metropolitan area. The $5 billion-asset bank's strategy is to strengthen its business in its primary retail market.

"Cross-selling is what it is about today in the banking business, so we are concentrating on people who are close to our financial centers," Mr. Rizetta said. The bank calls its branches financial centers, which offer investment, travel, and other services in addition to banking.

In September, Dollar Dry Dock sold the gold card accounts of customers outside the New York metropolitan area to Monogram Bank USA, a unit of General Electric Capital Corp., for an undisclosed sum. At yearend 1988, the bank reported $257 million in credit card receivables.

Dollar Dry Dock has chosen to concentrate on the upscale credit card market. Last year, the bank sold about 100,000 regular MasterCard and Visa accounts to Lomas Bank USA, a Delaware credit card bank that was recently renamed First USA. Gold cards are targeted to affluent customers and carry higher credit limits than regular cards.

According to Mr. Rizetta, Dollar Dry Dock is initially offering its new Visa gold card to 900,000 consumers with excellent credit ratings. The bank is expecting a 2% to 3% response rate. ■

For Bankers Who Mean Business
Corporate Finance
Every Tuesday in American Banker

Bank Call Notice

CONSOLIDATED REPORT OF CONDITION OF

THE MERCHANTS BANK OF NEW YORK

of New York, New York

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business September 30, 1989, published in accordance with a call made by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

		Dollar Amounts in Thousands
ASSETS		
1. Cash and balances due from depository institutions:		
a. Noninterest-bearing balances and currency and coin		$ 46,807
b. Interest-bearing balances		24,035
2. Securities		249,144
4. Loans and lease financing receivables:		
a. Loans and leases, net of unearned income	302,534	
b. Less: Allowance for loan and lease losses	2,945	
d. Loans and leases, net of unearned income, allowance, and reserve		299,589
6. Premises and fixed assets		5,496
9. Customers' liability to this bank on acceptances outstanding		10,869
11. Other assets		10,352
12. TOTAL ASSETS		$646,292
LIABILITIES		
13. Deposits:		
a. In domestic offices		$555,388
(1) Noninterest-bearing	162,927	
(2) Interest-bearing	392,461	
Federal funds purchased		10,000
16. Other borrowed money		258
18. Bank's liability on acceptances executed and outstanding		10,869
20. Other liabilities		6,415
21. TOTAL LIABILITIES		$582,930
EQUITY CAPITAL		
24. Common stock		$ 3,446
25. Surplus		19,794
26. Undivided profits and capital reserves		40,122
28. TOTAL EQUITY CAPITAL		$ 63,362
29. TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL		$646,292

I, Richard A. Urbano, Vice President & Comptroller, of the above-named bank do hereby declare that this report of condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

RICHARD A. URBANO

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

SPENCER B. WITTY
RUDOLF H. HERTZ
BERNICE AHRENS
Directors

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 29

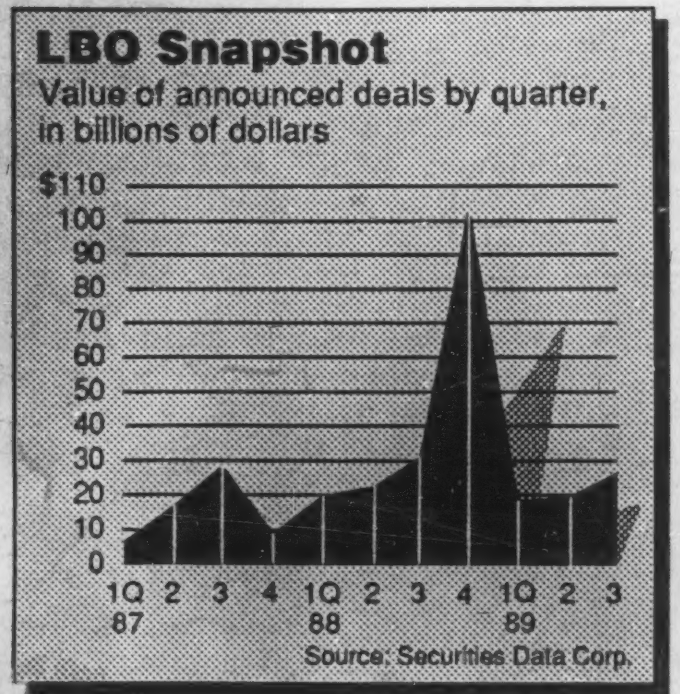
C0175-1

American Banker

The Daily Financial Services Ne

VOL. CLIV NO. 224 Thursday, November 16, 1989 154th Year

NEWSPAPER
150222000015 2/ 5/07 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814



Source: Securities Data Corp.

LBO Gloves Are Off As Comptroller Challenges Lenders

By DAVID NEUSTADT

NEWS ANALYSIS

NEW YORK — The Comptroller of the Currency's warning this week on leveraged-buyout loans represents a fundamental change in his attitude toward those transactions.

According to staff members at the Comptroller's office, the turnaround reflects the continued large volume of leveraged buyouts this year, a rapid rise in the number of problem loans, and deterioration in the credit quality of new deals.

In April, Comptroller Robert L. Clarke issued an optimistic report on commercial bank exposure to highly leveraged transactions, or HLTs. On Tuesday, speaking to a convention of corporate lending officers, Mr. Clarke unveiled his new position.

"In the past, the OCC has stated that HLTs did not pose undue risk to the safety and soundness of individual banks or to the banking system," Mr. Clarke told a Robert Morris Associates convention in Atlanta. "But we have

See LBO: Back Page ➤

Farm Credit System Undercuts Banks, Says ABA President

By ROBERT TRIGAUX

WASHINGTON — A running feud between commercial banks and the Farm Credit System flared up again this week as the head of the American Bankers Association charged that the government-sponsored agency was using below-market rates to lure farm borrowers.

"The Farm Credit System poses a very real threat to banks, and to the economy, so long as it permits the kind of predatory, below-cost pricing we've seen in Omaha, St. Paul, and right here in St. Louis," C.G. Kelly Holthus, the ABA president, said at the industry's annual farm credit convention.

But the chairman of the Farm Credit Administration, which regulates Farm Credit System lenders, rejected the charge.

"I have been assured by our chief examiner that our examinations to date have revealed no evidence that predatory pricing is being practiced by any of the Farm Credit institutions," Harold Steele on Tuesday told 600 farm bankers and industry representatives attending the ABA's annual agricultural credit convention in St. Louis. Convention remarks by both Mr. Holthus and Mr. Steele were released in Washington.

The Farm Credit Council, which lobbies for the Farm Credit System, called the ABA complaints "absurd" and said there were no complaints by farmers about interest rates.

Sharp competition between commercial banks and Farm Credit System institutions to win the business of farmers is hardly new. But the strong recovery of the agricultural sector – after the mid-1980s failure of hundreds of farm banks and the bailout of the Farm Credit System – has revived animos-

See ABA: Page 14 ➤

CityFed Chief Admits Thrift May Face Seizure by Regulators

By REBECCA COX

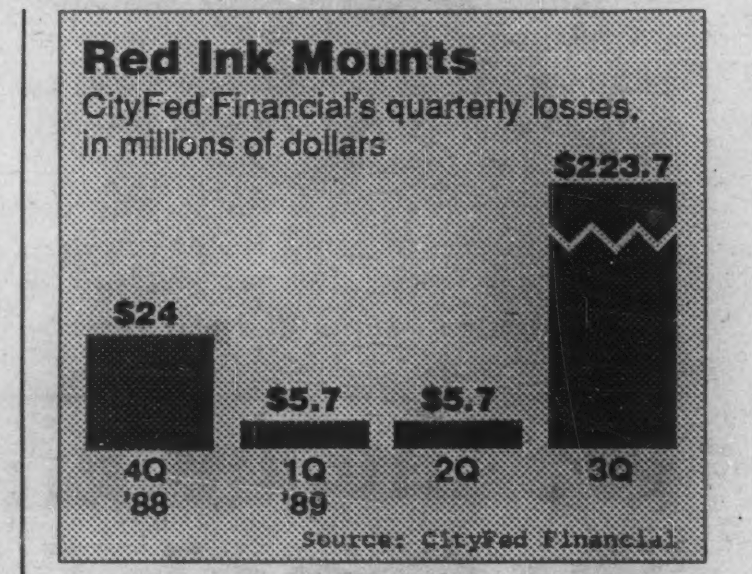
NEW YORK — The chief executive officer of CityFed Financial Corp., one of the nation's largest thrifts, acknowledged on Wednesday that the ailing New Jersey company may be close to a takeover by federal regulators as its losses mount from real estate development loans.

The statement by John W. Atherton accompanied the disclosure of a third-quarter loss of $223.7 million, equal to $11.75 a share, for the Somerset-based holding company.

The losses were caused mostly by bad construction and development loans in New Jersey, other Middle Atlantic states, and Florida, according to Michael J. Rust, director of corporate relations. CityFed's real estate portfolio began to turn sour in 1987, contributing to losses for the past four consecutive quarters. The third-quarter figure is almost 10 times the previous record loss of $24 million in the last quarter of 1988.

Its cumulative loss through nine

See LOSSES: Page 14 ➤



Source: CityFed Financial

Lincoln Auditor: Tainted, but Not Charged

By JIM McTAGUE
and JOHN FORDE

NEWS ANALYSIS

After weeks of top billing in the Lincoln Savings scandal, real estate magnate Charles H. Keating Jr. and the five U.S. senators who pleaded with regulators to go easy on him are being pushed off center stage by a supporting character – the accounting firm of Arthur Young & Co.

The firm, in the course of five House Banking Committee hearings on Lincoln Savings and Loan Association, has been vilified by federal regulators for allegedly hiding the thrift's losses with creative bookkeeping. And it has been blamed by the so-called "Keating Five" senators for convincing them that Lincoln was being persecuted by former Federal Home Loan Bank Board Chairman Edwin Gray, necessitating their help.

Kenneth Leventhal & Co., a competing accounting firm hired by the regulators to look at 15 real estate deals done by Lincoln, concluded that the Irvine, Calif., thrift had used "cookbook rules" to justify nonexistent profits. The report did not specifically fault Arthur Young's performance, however, as Leventhal reportedly never looked at audit statements.

And Richard Breeden, new chairman of the Securities and Exchange Commission, testified that Arthur Young was uncooperative with his agency, which has been investigating bond offerings by Lincoln's parent, American Continental Corp. of Phoenix.

See LINCOLN: Page 15 ➤

Today

First Bank System halved its quarterly dividend and disclosed that the bank's board has a list of CEO candidates. 2

Charles R. Rinehart, H.F. Ahmanson & Co.'s incoming president, believes in focusing on a company's best business. 2

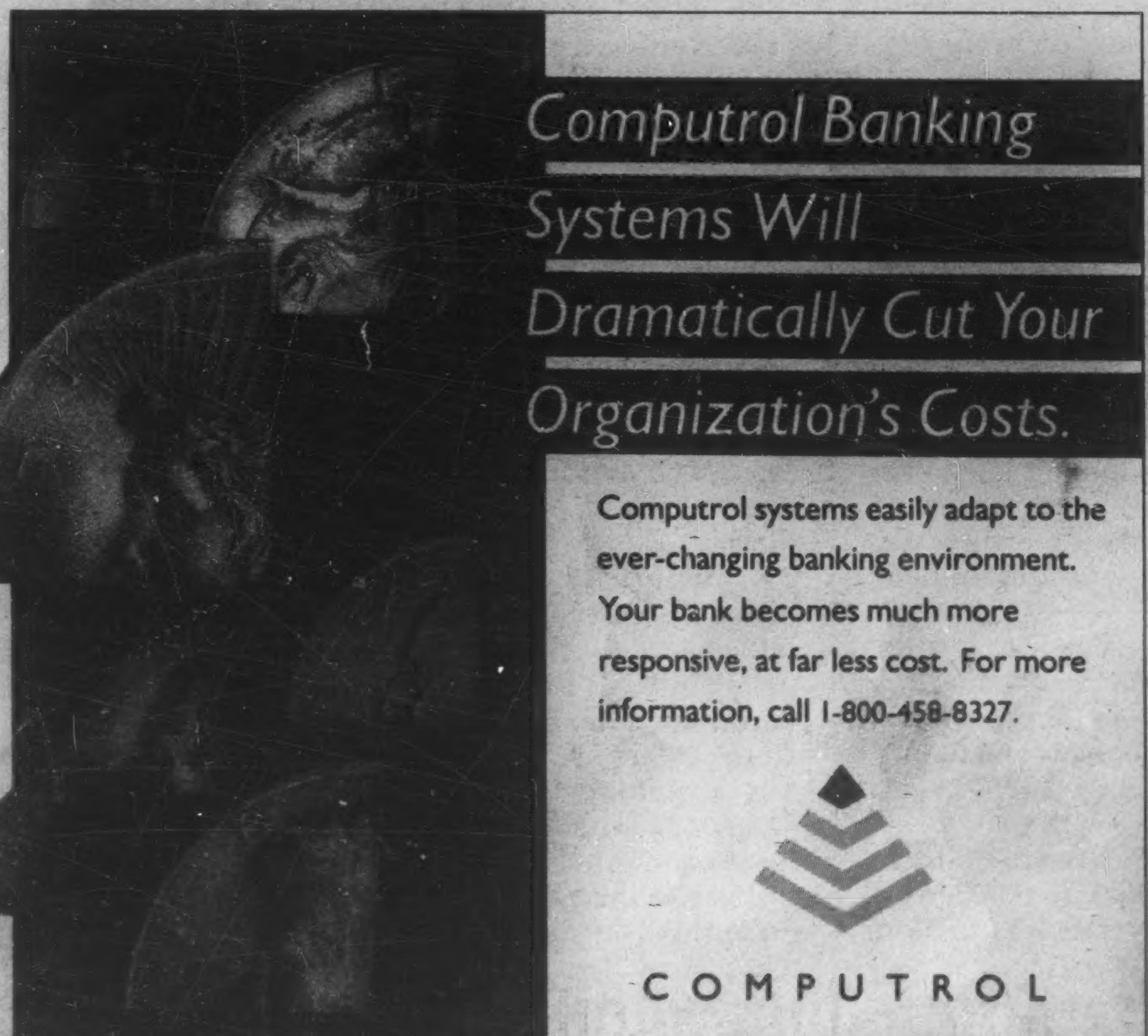
West German banks are expected to take the lead in seeking new business in East Germany. 2

Banks that build information systems to support new ventures such as trade finance will fare best in the global market, industry experts said. 3

BSD Bancorp, San Diego, is spinning off its data processing subsidiary. 3

Even though banks have been fined for not reporting large cash transactions, lawyers are refusing to provide the data in the name of client confidentiality. 2

Consumer Services 6
People 8



Computrol Banking Systems Will Dramatically Cut Your Organization's Costs.

Computrol systems easily adapt to the ever-changing banking environment. Your bank becomes much more responsive, at far less cost. For more information, call 1-800-458-8327.

COMPUTROL

Media, Public Relations and
Market Research.
Advertising — Promotion.
From corporate image to
new product introductions, Arlen
is your single source for total
communications planning.

ARLEN
FINANCIAL COMMUNICATIONS INC

(212) 966-5100

COMMENT

Will Top Banks Get a Break on Deposit Insurance?

By IRVINE SPRAGUE

'Savvy depositors, those with big dollars, will know that giant banks do not fail, so they will move their money away from banks that would be exposed to the haircut to those that would not.'

— Irvine Sprague

Taking a haircut" will become the buzzwords over the next six months as the fight heats up over how best to revise the federal deposit insurance system.

This is the shortcut language for the big bank proposal to insure all domestic deposits up $100,000 and then cut the protection – perhaps by 15% – for deposits over the insured limit. Alternative proposals would reduce the $100,000 to a lower figure or cut the protection to something less than 100% on all deposits.

All in the name of market discipline.

The ploy is aimed at distracting criticism over the "too big to fail" doctrine, which states that really big institutions have not been and will not be allowed to close their doors. Stockholders may take a hit, but all depositors and other creditors are fully protected in the money-center banks.

Recently, in speaking to the National Bureau of Economic Research in Cambridge, Mass., I encountered a new theory put forward by some of the economists. Deposits at large banks, they suggested, are protected by the too-big-to-fail doctrine; depositors at small banks are protected because the institutions have few if any uninsured deposits. Depositors at midsize banks are the only ones at risk, the economists argue.

The Citibank theory, and others resembling it, is that under the the haircut proposal, all banks would be treated alike: big, midsize, and small.

There is just one flaw in this reasoning. A fatal one.

Savvy Depositors Know Better

The goal of equal treatment sounds wonderful. The problem is that savvy depositors, those with big dollars, will know that giant banks do not fail, so they will move their money away from banks that would be exposed to the haircut to those that would not.

The second big debate should be over the assessment of foreign deposits and deposit-like instruments. The present system is a disgrace as it provides 100% insurance protection for all depositors and creditors in the big banks yet allows them to escape payment for much of this protection. In some cases, the insurance bill is for less than half of the protection.

One could argue that there is nothing in law or regulation, nothing written anywhere, that says that the giant banks should not be allowed to fail. It is simply a fact of life. Continental Illinois taught us this. The largest bank ever to be allowed to fail, and its depositors allowed to lose, was Penn Square, a $30 million shopping center bank that grew in short order to $500 million through some very dubious dealings.

Let's spell it out in simple terms:

Small banks basically depend on two sources of funds: deposits and capital. Large banks, on the other hand, use a wider variety of funding sources, including nondeposit borrowings and deposits raised in overseas offices. Thus, the small banks pay insurance premiums assessed against virtually all their funding base, while the largest banks, which receive far broader protection, pay premiums on a much narrower portion of their funding base.

Virtually all of the foreign deposits are in the money-center banks but there are 270 in all with some such deposits. If we assess and insure foreign deposits, it would cause complications if one of the smaller banks with foreign deposits were allowed to fail, but not complications of such significant nature as to override the need for fairness.

While writing my 1986 book "Bailout," I ordered a computer run of the mix of domestic and foreign deposits in the money-center banks. After passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, I asked that the tables be run again.

See WILL: Page 9 ►

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years, during which time he handled 374 bank failures. He is the author of the 1986 book "Bailout: An Insider's Account of Bank Failures and Rescues."

The Lobbyists

By Barbara A. Rehm

ABA Group Seeks Smoother Access To Loan Resales

The **American Bankers Association** has formed a group in the hope of opening doors to the secondary markets. Bankers are seeking ways to move assets off their balance sheets and thus want more access to these markets.

As a first step, members of the ABA secondary-market liaison subcommittee met last week with senior lenders from two government-sponsored agencies that make a secondary market for mortgages, the Federal National Mortgage Association and Federal Home Loan Mortgage Corp.

The group wants Fannie Mae, Freddie Mac, and other agencies to detail what they require of loans before they are securitized. For example, what environmental-hazard criteria must banks follow for their loans to pass the agencies' muster?

Kevin F. Walsh

"Many banks do not think that they have the volume to warrant participation," said **Kevin F. Walsh**, the group's chairman and executive vice president at NBD Illinois Inc. "However, the secondary market is willing to work with banks in communities that can generate $1 million a month in residential production."

Mortgage Insurers Say FHA Will Lose on Bigger Loans

The **Mortgage Insurance Companies of America**, taking the offensive against higher loan limits on FHA-insured mortgages, said this week that larger loans produce larger losses for insurers.

After Congress voted to increase the Federal Housing Administration's loan limit for one year, Rep. **Gerald D. Kleczka**, D-Wis., asked the **General Accounting Office** to study its impact. GAO in turn asked the insurers' group for data on losses produced by mortgages greater than $90,000, the former cap on FHA loans. The FHA may now insure loans made on homes up to 95% of the median sale price.

Congress was attracted to the hike in the FHA's loan limit because it would increase FHA premium revenues next year by an estimated $50 million, but the group's president, **William H. Lacy**, said any gain would be buried by the losses FHA will suffer.

Mr. Lacy, at a news conference Wednesday, said after analyzing 514,000 mortgage loans that the mortgage insurers group concluded that a $188,000 mortgage is 1½ times more likely to default than a $90,000 mortgage. The group turned over its analysis and the raw data to the GAO.

"Unfortunately some people don't like to see this data," he said. "But we run our companies on this data."

Mr. Lacy acknowledged that it serves his members to keep FHA loan limits capped, but said that it was hard to compete against a government agency that does not operate at breakeven.

Cushman & Wakefield Sees Fertile Ground for Lobbyist

Cushman & Wakefield, the New York-based real estate concern, is deploying senior vice president **Gerald R. Mylroie** to lobby the Resolution Trust Corp.

"Rather than RTC getting 100 phone calls from Cushman & Wakefield brokers, the idea is, they can have one point of contact with me," Mr. Mylroie explains.

His goal? Drum up business for Cushman & Wakefield. Mr. Mylroie thinks Cushman & Wakefield can help the RTC manage, appraise, and sell the thousands of real estate assets it will take over from failed thrifts.

Cushman & Wakefield, Mr. Mylroie notes, is the nation's largest nonowner manager of commercial office space. It employs more real estate appraisers than any other company, ranks third in sales agents, and has vast experience selling property, he says.

Gerald R. Mylroie

Mr. Mylroie also expects to run defense. Right now, Cushman & Wakefield is guarding against the RTC's formulating conflict-of-interest rules that prevent any one company from taking multiple roles in the thrift cleanup. Mr. Mylroie is confident that the agency cannot take a hard line. "There's too big a job to do to impose that kind of restraint."

The RTC board plans to take up the ethics issue at a meeting Wednesday.

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadier
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President
Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription rates: U.S. $555 a year; Canada $815; Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Will Big Banks, as Usual, Get a Break in Deposit-Insurance Reform?

▸ Continued from Page 4

Surprise. Nothing had changed. The same big banks continue to get their free ride.

This time, John Quinn, the FDIC's chief of banking statistics, added a new column to the table and it is most revealing. Domestic office non-deposit liabilities, excluding subordinated debt, show a pattern of free-ride protection that almost equals that in the foreign deposit column.

In the past, I have heard no one who would argue that a free ride on foreign-deposit protection is fair, but somehow this fairness doctrine is never converted into legislation.

True, the Senate two years ago passed a bill to assess foreign deposits but this was in the context of a budget resolution, and it disappeared in the dark of the night during the conference committee's deliberations.

This history gives some hope that justice will be done this time around. The iron vises of the Gramm-Rudman bill are beginning to bind and the administration and the Congress will be looking for revenues: the Congress to pay its bills, the President to avoid raising taxes.

FDIC income has nothing to do with the federal budget but an anomaly in the budget computations allows the national budget deficit to be reduced by the amount of FDIC income. The numbers should be tempting to the Budget committees.

Ante Has Been Raised

Enormous sums are involved. This is not going to be a fight over dominos or poker chips. The new legislation raised the ante by just about doubling the FDIC insurance assessments over two years.

Top 10 Banks in Foreign Deposits

Dollars in billions

	Foreign deposits	Domestic deposits	Nondeposit liabilities
1. Citibank	$61.8	$44.2	$19.6
2. Morgan Guaranty Trust	37.1	11.9	10.2
3. Chase Manhattan Bank	33.8	27.7	9.4
4. Manufacturers Hanover Trust Co.	20.1	23.5	7.0
5. Bank of America	20.2	50.6	7.3
6. First National Bank of Chicago	15.1	13.9	5.6
7. Republic National Bank of New York	8.2	5.8	4.5
8. Irving Trust Co.	8.0	7.0	4.7
9. Bank of New York Co.	7.0	11.9	3.8
10. Security Pacific National Bank	6.9	30.4	11.6

Source: June 30 call reports

The current deposit insurance assessment rate of 0.083% of domestic deposits increases to 0.12% in 1990 and to 0.15% in 1991. Assessment credits that were routinely voted for 50 years – sometimes as much as 50% – disappeared the past four years and it is difficult to see them looming on the horizon.

With so much at stake, the lobbying forces are gearing up. The American Bankers Association has assembled a blue-ribbon committee representing banks of all sizes and all geographical regions.

The Independent Bankers Association of America has put together a similar group and beyond that is taking the unprecedented action for Washington in hiring a consumer market-research concern to develop some facts before taking a position.

> 'Once the "haircut" language gets to be old hat, the talk will turn to 'market discipline' and 'risk related' premiums, both of which are nonsense.'

Dollar Signs in Sight

Treasury is gearing up and the consultants, lawyers, and lobbyists are salivating at the sight of the dollars they will be making.

Once the "haircut" language gets to be old hat, the talk will turn to "market discipline" and "risk related" premiums, both of which are nonsense.

Market discipline has been a dream of many for years and it still gets lip service, even from former regulators who should know better. FDIC chairman Bill Seidman, in the Aug. 30 *Wall Street Journal,* told the story succinctly: "We have a hard enough time figuring out a bank's financial condition. I don't see how you can expect a depositor to do it," he said.

Even More Tricky

Risk-related premiums are even more tricky. Those of you who have had to deal with truth-in-lending rules, with their thousands of pages of regulations, will look back at the experience as a haven of clarity if risk-related rules mushroom.

All in all, it will be an exciting time. The bottom line, of course, if we can count the past as in indicator, is that the big banks will win the fight hands down. What we can hope for is that the national press will cover the lobbying efforts like a blanket and that the local press will hold each senator and congressman to account for his or her vote. ■

Travels Fast.

CHASE
24 Hour Bank
Money Card
SOVRAN BANK
INB
SECURITY PACIFIC BANK
Checkmate
MAC
Bank of Hawaii
EASY BANK
OK CHECK
VISA

Not to mention access to cash at over 250,000 Visa member branches and 40,000 network ATMs.

And it's a card they can use practically everywhere. Accepted by almost 7 million merchants throughout the world.

To help you implement the Visa Debit program, we'll even offer marketing and technical support. Just call us at (415) 570-2120 in San Mateo, California, or at (703) 827-8404 in McLean, Virginia.

But do it fast.

Before your competition beats you to it.

VISA It's everywhere you want to be.®

© Visa U.S.A. Inc. 1989

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 9

C0175-1

American Banker

The Daily Financial Services Newsp

NEWSPAPER
150222000015 2/ 5/07 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

VOL. CLIV NO. 227 Tuesday, November 21, 1989 154th Year

Clarke Sees Peril In Loans to Fund Takeovers Abroad

By BARBARA A. REHM

WASHINGTON — For the second time in as many weeks, Comptroller of the Currency Robert L. Clarke warned bankers against charging into highly leveraged lending.

In a speech Monday in London, Mr. Clarke said he was concerned about European lending by U.S. banks for highly leveraged transactions that are likely to occur as Europe opens up its borders and businesses consolidate.

"Many U.S. banks are already planning for increased involvement in Euro-HLT type transactions as the unified European market of 1992 draws nearer," Mr. Clarke said, noting that with their experience in such loans, domestic banks hold a competitive edge over foreign counterparts. "American banks have targeted cross-border merger and acquisition activity in their strategic plans."

Mr. Clarke, in remarks released here, cautioned U.S. banks about structural and cultural differences across the Atlantic that will pose different lending risks from those found in leveraged financing here.

"For example," he said, "because a U.S.-style junk bond market in Europe has not developed, risks that would be assumed by bond underwriters in the U.S. will likely be assumed by bank loan syndication departments in Europe."

Further, some U.S. banks do not have the loan-distribution networks in Europe that they have developed here. Thus, Mr. Clarke said, some U.S banks may have a hard time selling down a highly leveraged deal.

Add to that the fact that Europe uses different accounting standards, he said.

"Once all the addition and factoring is done, you end up with interesting

See CLARKE: Page 6 ➤

Dean Richardson, Chairman and CEO
Manufacturers National Corp.

Steady Course Seen For Detroit Bank After CEO Retires

By RICHARD RINGER

CHICAGO — Manufacturers National Corp. chairman and chief executive Dean E. Richardson said he will retire early next year, but analysts expect the company to continue with its cautious but effective bank strategy.

Mr. Richardson, 61, announced last Friday that he was stepping down as chief executive officer on Dec. 31 and as chairman next March 31. His early retirement from the Detroit-based superregional bank company was expected.

Gerald V. MacDonald, president of the holding company, will succeed Mr. Richardson. Mr. MacDonald, 51, will also retain his responsibilities as chairman and chief executive officer of the company's lead bank, Manufacturers National Bank of Detroit.

Michael T. Monahan, 50, will succeed Mr. MacDonald as president of the holding company while keeping the job of president and chief operat-

See STEADY: Page 12 ➤

Wall's Defense on Lincoln Fiasco: I Made Errors, but Inherited Mess

By JIM McTAGUE

WASHINGTON — Fighting to keep his job as the nation's top thrift regulator, M. Danny Wall intends to concede some mistakes in handling the closing of the Lincoln Savings and Loan Association. But he will also mount an attack on his predecessor for leaving a mess in his lap when he took over as chairman of the Federal Home Loan Bank Board in July 1987.

Mr. Wall will acknowledge to the House Banking Committee today that examiners had enough evidence to shut down Lincoln in August 1987.

But he and his staff will also testify that the Lincoln case was complicated by, among other things, deliberate leaks to the press in December 1986 of confidential examination data by Edwin J. Gray, Mr. Wall's predecessor as head of the Bank Board. Lincoln's Charles H. Keating Jr. had threatened to sue because of the security

See WALL: Page 22 ➤

Wall and the Lincoln Affair

JULY 23, 1987	On the job for 23 days, Mr. Wall meets with Lincoln executives complaining about press leaks.
JULY 28, 1987	Top Wall aide rejects examiners' recommendation that Lincoln be seized.
OCT. 21, 1987	Lincoln asks Mr. Wall to change the examiners who oversee the thrift.
MAY 5, 1988	Mr. Wall casts deciding vote switching regulatory control of Lincoln to Washington.
APRIL 14, 1988	Regulators seize Lincoln and place it in conservatorship.

COMMENT

Rethinking Cost Control

By SANFORD ROSE

Despite all their chatter about progress in cutting costs, most banks have realized only a fraction of their expense-reduction potential, argues Booz-Allen & Hamilton. The reason is that, hard as it may be to believe, bankers don't really understand the sources of their expense problems, and they haven't been under strong enough economic pressure to remedy this lack of understanding.

A relatively benign economic environment and some special circumstances have allowed banks to generate rather lush revenues in the past few years. Unfortunately, however, the outlook for sustained revenue growth is not terribly good. The economy is clearly slowing. Perhaps equally important for banks, especially large ones, the opportunities to garner deal-related or merchant-banking revenues may soon dry up.

In the last few years, merchant-banking revenues – those derived from loans made to finance leveraged buyouts, mergers and acquisitions, and other corporate restructurings – have become an increasingly important fraction of total revenues, both at large banks, which are first-tier lenders, and at many smaller institutions, which buy pieces of the high-spread LBO loans originated by their larger brethren.

The impending shrinkage in deal-related profits will stem in part from the de-

See RETHINKING: Page 4 ➤

Today

National Westminster Bancorp. will add $140 million to its Third World loan-loss reserve in the fourth quarter. 2

First of America Bank Corp., Kalamazoo, Mich., agreed to buy a healthy thrift in Grand Rapids. 2

Dun & Bradstreet Corp. signed a pact to buy Management Science America, which provides software to many of the largest U.S. financial institutions. 3

British Telecom purchased most of McDonnell Douglas' information businesses, including a major processor of electronic transactions in the U.S. 3

TSB Bank, Britain's sixth-largest, is expected to announce plans to eliminate 15% of its work force. 2

Financial Services Stocks 18
Inside Financing 24
International 8
People 17
Real Estate 10

QUOTABLE SUCCESS

"OUR COMPETITIVENESS IN THE NEW ENGLAND MARKETPLACE CAN NOW BE REALIZED THROUGH THE BENEFITS OF THE VAST FINANCIAL AND PERSONNEL RESOURCES OF EDS."

MR. ALBERT POTIER
VICE PRESIDENT AND CASHIER
NATIONAL GRAND BANK
MARBLEHEAD, MASSACHUSETTS

TO BEGIN YOUR SUCCESS STORY, CALL EDS TODAY.
1-800-433-4055. IN TEXAS, 214-604-2691.

EDS

INVENTIVE
INCENTIVE

An inventive, proven combination of base salary, bonuses tied to excess profits, retirement and deferred compensation plans, and equity ownership can help you achieve and exceed your highest goals. Call today for a consultation. [illegible]

BANKING
CONSULTANTS
OF AMERICA

COMMENT

Rethinking Cost Control

➤ Continued from Page 1

cline in economic activity. But it will also result from several other key factors. The so-called easy deals have already been done, and there is an increasing perception of a diminished supply of undervalued companies. The threat of governmental intervention to curb the tax advantages of debt seems omnipresent. And, finally, there is increasing criticism of highly leveraged transactions, both within the financial community and in society at large.

It should be pointed out that, notwithstanding its lush deal-related revenues, the banking industry's costs have been growing faster than its revenues for many years. As deal revenues falter, this unfavorable cost-revenue trend will obviously be aggravated, causing banks to focus on cost control with a single-mindedness that has thus far been lacking.

Blaming Fixed Costs

In Booz-Allen's view, by far the most important barrier to effective expense reduction is the widespread lack of knowledge about the reasons for excess expenses. Many bank managers think that their major problem is one of high fixed costs. This is because so many costs, an estimated 50% or more of the expense burden, seem to be indirect and shared among many products and functions, e.g., corporate overhead.

In other words, a large chunk of costs are alleged to be built in and thus beyond the control of individual managers. And if that is the case, the elimination of unprofitable, high-cost products will serve only to reduce revenue without a commensurate drop in expenses. The overhang of fixed expenses will simply have to be allocated to the remaining products, raising their costs and triggering the need for still more retrenchment.

Additionally, bankers tend to feel that they have shared customer bases. That is, the commercial-loan customer is also viewed as a consumer of, say, cash-management services. So if the bank does not sell cash-management services, it runs the risk of undermining its loan-marketing efforts.

This belief in customer linkages encourages banks to offer practically any service that a customer is likely to buy, even if they are high-cost and uneconomic producers of that particular service.

Booz-Allen does not think that most costs or customer bases are in fact shared. Its analysis of shared costs, for instance, reveals that these are often considerably less than 50% of total costs.

Says Donald E. Kerr, a vice president of the consulting firm: "If one looks at a typical operations center and disaggregates its functions, one finds that the vast majority of costs – some 90% – are unique to individual products. Only 10% of overall costs – those attributable to centralized customer service and staff support – are truly shared among products."

The implication is that, contrary to what many bankers think, the elimination or pruning of marginal products can be achieved without raising the unit costs of the remaining attractive products. Otherwise stated, although many costs seem fixed – and indeed are in the very short run – most are highly variable in the medium and long run.

Customers Unbundle

The belief in overlapping customer bases is equally unfounded. Only a small proportion of bank customers currently bundle their purchases of financial services, the consulting firm has discovered. Although very small firms clearly tend to buy credit products and cash-management services from the same bank, many middle-market and almost all large companies do not. And the trend is toward more, not less, unbundling.

This suggests that if a bank is a high-cost producer of either cash-management or credit services, it can exit its disadvantaged product segments without much fear of losing customers for those services it can more efficiently deliver.

Abandoning high-cost products and businesses represents a way of paring what Booz-Allen calls "inherent" costs – those generated by what a bank does. Additional opportunities exist to trim what are termed "structural" costs – those generated by how something is done.

Swollen structural costs are very often a result of lack of scale. A surpris-

See FIXED: Page 6 ➤

Crime Blotter

By TOM LEANDER

Editor's Note

Bank crime has captured the imagination of movie producers, novelists, and the public. But for bankers it has become an increasingly complex problem as banks become more exposed through access to automated teller machines and greater reliance on technology. Crime Blotter, a weekly column beginning today, will alert bankers to the latest gambits of the unscrupulous that put their institutions at risk.

NJ Scam: Recycling Items Found in Banks' Trash

A ring of check forgers in southern New Jersey and eastern Pennsylvania has found pay dirt in bank dumpsters.

Using blank checks and old credit applications fished out of bank trash, the so-called Split-Deposit gang has stolen at least $150,000 since February, according to Ronald Steadman, a detective with the New Jersey State Police.

The gang uses blank checks that have been tossed away because accounts were closed, according to Mr. Steadman.

Gang members then go to another bank and dig out a discarded credit application or tossed-away deposit slip that has the number of an existing account. They forge a sum on a blank check and make a deposit into an account that has money in it, cashing a part of the bogus deposit during the transaction.

The Split-Deposit gang has hit virtually every major bank in southern New Jersey, Mr. Steadman said.

• • •

Orange County Cops Nab Suspect; Another at Large

Police in Orange County, Calif., are breathing easier now that the "Tijuana bandit" is in custody. But a robber known as "the Vet" is still at large.

Last Wednesday, police nabbed David Eugene Cabrera, 34, as he fled after allegedly robbing American Interstate Bank in Orange, Calif. Mr. Cabrera, who is suspected of 11 other bank and thrift robberies in the county since Oct. 26, was dubbed the Tijuana Bandit by police because he wore a hat inscribed with the word "Tijuana" during many of the holdups.

Police are still hunting for a man who robbed four savings and loan associations on Veteran's Day. He has been nicknamed the Vet, said Bucky Cox, an FBI agent in Santa Ana. The FBI would not disclose how much money was stolen in each case.

• • •

Detroit Murder Renews Calls for ATM Security

The latest incident of violent crime at an automated teller machine – the slaying of a Detroit couple – has bolstered the case for increased security at locations where cash is dispensed.

Barry Schreiber, chairman of the research committee of the ATM Security Task Force of the Electronic Fund's Transfer Association, suggests that city governments adopt building codes that require bright lighting on streets outside ATMs. He also recommends that banks use cameras with a 180-degree, fish-eye lens to aid detection of forced withdrawals at ATMs. Cameras are usually trained only on the customer immediately in front of the machine.

• • •

Chicago Accounting Firm Creates Gumshoe Unit

Checkers, Simon & Rosner, a Chicago accounting firm, has formed a subsidiary to provide detective services for regulators, banks, and other businesses. The new unit, called Checkmate Services Inc., will be the first subsidiary of a U.S. accounting firm to hold a private detective license, the company says.

The firm, which has a staff of 20, is negotiating a deal with the Federal Deposit Insurance Corp. and the Resolution Trust Corp. to trace and collect hidden assets, according Checkmate president Charles Blotkin, a former FBI agent and director of security at Zenith Electronic Corp.

• • •

Former Strike-Force Chief Defends Antifraud Teams

Financial fraud cases may be tougher to prosecute if Attorney General Richard Thornburgh carries out his proposal to eliminate special strike force units, a former strike force chief warns.

Laura Brevetti, who ran the Brooklyn unit until last August, opposes the move, arguing that the independence of the strike forces from local political influence and their ability to investigate a case for years has been invaluable in hunting down financial criminals.

One of the Brooklyn strike force's biggest cases ended, after a four-year investigation, in the conviction of Mario Renda for a fraud that involved 18 banks and savings and loans. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President
Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription rates: U.S. $555 a year; Canada $815; Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office. Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Loan Sales Market Slows as Role of Top 5 Sellers Declines Slightly

By ANGELA WILSON
Asset Sales Report

> Some syndications executives believe the secondary market is maturing, while others cite an increase in loan distribution activity on the primary level as the cause of the decline in the secondary market.

NEW YORK — Although the major players remain the same, the secondary loan sales market is undergoing a steady transformation characterized by slower growth and a slightly declining role for the giants of the market.

That is the most significant information to be gleaned from the loan sales figures for the second quarter of 1989, which were compiled for *Asset Sales Report* by the data services division of Automatic Data Processing. (Tables are on page 14.) The data are based on the quarterly call reports that banks are required to file with the Federal Reserve Board.

Total loan sales volume in the second quarter was $276 billion, a sluggish 3% increase from the previous quarter's $268 billion. The small increase put the market back to its fourth-quarter 1988 level.

The loan sales figures from the last few quarters indicate that the vigor of the market may be declining. The gargantuan volume increases of past years – from $111 billion in the fourth quarter of 1986 to $287 billion by fourth quarter 1988 – appear to be a thing of the past.

Differing Interpretations

Bankers offer various reasons as to the cause of the decline. Some syndications executives believe the secondary market is maturing, while others cite an increase in loan distribution activity on the primary level as the cause of the decline in the secondary market.

The head of syndications at a midwestern bank remarked that in the early days of secondary loan sales "the market was witnessing the sheer development of a new product." Although loan volume has declined, "it may not be a negative reflection [on the market]. We may be at a point in the product cycle that is approaching maturation," the banker said.

But a distribution executive at a money center bank offered another reason for the decline of volume in the secondary. "A lot more deals are being done on the primary level and won't be measured in those secondary numbers."

The Fed figures also show that the top five loan sellers, which control the lion's share of the market, are seeing their stranglehold weaken slightly. The market share of top five banks has declined from 74.7% in the fourth quarter of 1988 to 73.6% in the second quarter of 1989.

This trend did not hold true for the top 10 banks, whose share of the market increased to 84.4% in this year's second quarter from 80.87% in the last three months of 1988. The top 10 banks controlled only about 60% of the market in the fourth quarter of 1986, rising to almost 78% the following year.

As for the players themselves, the top 10 lineup showed few changes. Security Pacific National Bank, Los Angeles, easily maintained the No. 1 position, with 39% of the market, or $110 billion in loans sold, in the second quarter, up from $107.8 billion in the previous period.

Bankers Trust Still No. 2

Perennial runner-up Bankers Trust Co. kept its position despite a 17% decline in volume, to $44.8 billion from $53.9 billion previously. A spokesman for the New York-based company said "fewer deals means less volume." He noted that there has been an increase in the number of loan sellers: 4,899 banks sold loans in the second quarter, compared with 4,684 in the previous quarter.

Chase Manhattan Bank once again held the No. 3 position, with sales of $18.1 billion, up from $15.2 billion in the previous period. The banks in positions 4 through 6 – Citibank, Chemical Bank, and Mellon Bank – experienced sales increases of 21%, 10%, and 0.65%, respectively.

The major changes begin with the No. 7 bank, Morgan Guaranty Trust Company of New York, which edged out Marine Midland Bank, Buffalo. Marine showed a sharp decline in loan sales volume, which a bank executive suggested was due to decreasing short-term loan sales volume.

These are, of course, the numbers most syndication executives love to hate. "They make interpretation a vague science, at best," one money center banker commented dryly. Other bankers are not sure what numbers the Fed wants, because the call report forms are so poorly designed.

For example, an executive in the corporate finance department of Wachovia Bank and Trust Co., Winston-Salem, N.C., attributed his division's fantastic loan sales volume increase – from $102 million in the first quarter to $348 million in the second – to a reporting error.

— ***Asset Sales Report*** **is an** ***American Banker*** **newsletter.**

NY Thrift Group Honors Columbia Banking Chief

NEW YORK — William B. Mackenzie, president of Columbia Banking Federal Savings and Loan Association, Rochester, N.Y., has received the distinguished service award from the New York League of Savings Institutions.

The award is the highest bestowed by the trade group and is presented to an officer, director, or employee of a New York State savings institution for outstanding contributions to the industry over an extended period of time.

The league represents 83 savin and loan associations and savings ban with combined assets of more than $6 billion. ■

What's wrong with this picture?

If it doesn't jar your eye to see an American Express travelers cheque displayed in the midst of your Visa products, we'd like to point out some disconcerting facts.

You've got a lot of time, money, and prestige invested in Visa. And when you promote Visa, you're promoting your bank right along with it.

But American Express is your most relentless competitor.

They sell a competing travel and entertainment card.

They sell a competing credit card.

They're after your most valuable customers.

So when you put American Express cheques right alongside Visa, you're not only putting out a very confusing message, you're pushing your biggest rival.

The remedy, though, is a simple and proven one. Apply for another Visa. Visa Travelers Cheques.

They fit in naturally with your Visa Classic Card, your Visa Gold Card, and your Visa Business Card.

And like all Visa products, they've got two good names on them. Yours. And ours.

Like Visa cards, Visa Travelers Cheques are a thriving product. In 1988 U.S. sales were up 9% to $2.9 billion. Worldwide they were up 21% to $10.5 billion during the same period.

In comparison, worldwide sales of American Express travelers cheques were up only 7% for the comparable period.

That's a comparison we're happy to make. And that's a picture you won't find anything wrong with at all.

YOUR BANK NAME HERE
VISA
$50

It's everywhere you want to be.®

For more information on how you can join the Visa Travelers Cheque program, call us in San Mateo, CA, (415) 570-2120 or in McLean, VA, (703) 827-8404.

Top 50 Banks in the Sale of Loans

Ranked by loan sales in the second quarter of 1989, compared with selected previous quarters (dollar amounts in thousands)

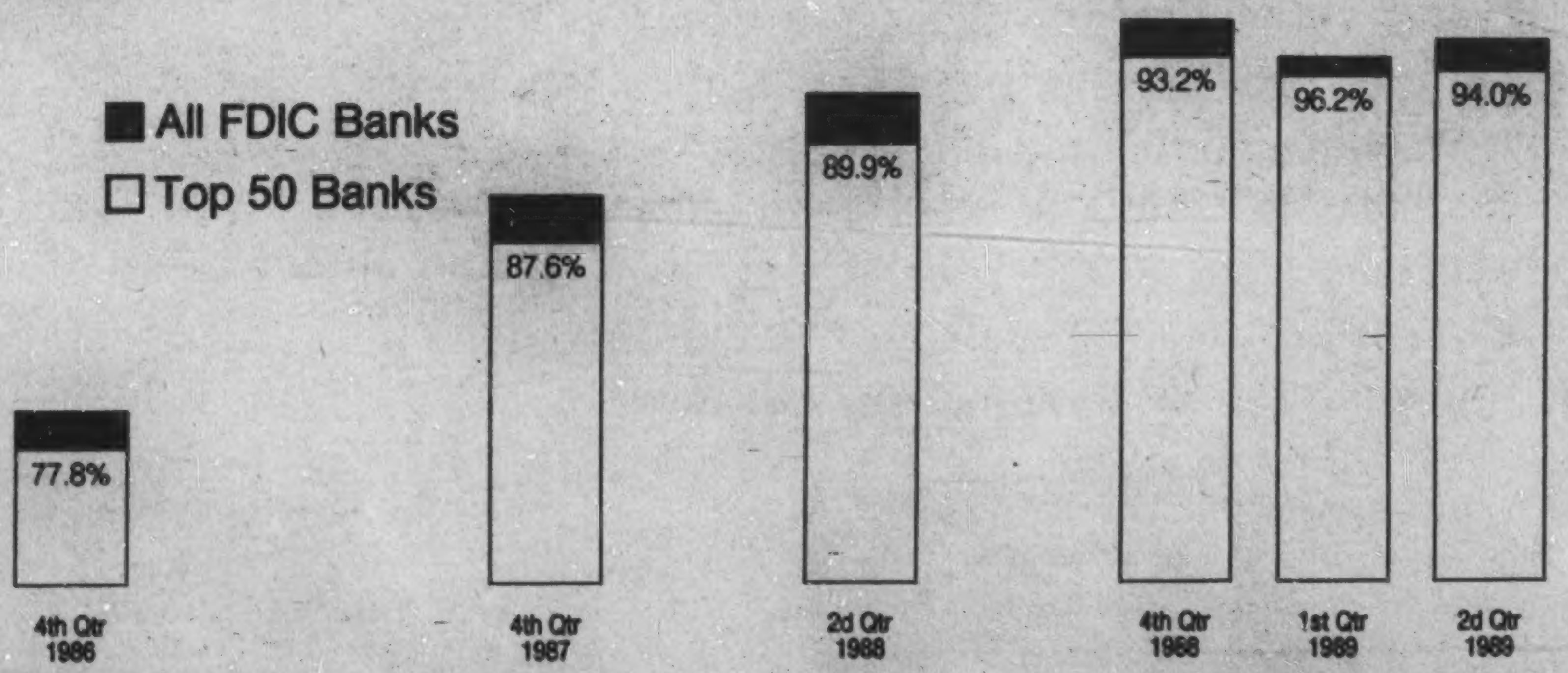
Rank 6/89		Loans Sold During Quarter 2d Qtr 1989	2d Qtr 1988	1st Qtr 1989	4th Qtr 1988	4th Qtr 1987	4th Qtr 1986	Assets 6/30/89
1	Security Pacific National Bank, Los Angeles	110,464,624	98,612,888	107,864,772	117,477,609	69,054,115	3,280,986	56,035,698
2	Bankers Trust Co., New York	44,801,494	36,716,733	53,973,168	54,989,821	18,913,510	13,892,235	58,715,367
3	Chase Manhattan Bank NA, New York	18,168,756	15,460,097	15,201,683	15,270,715	11,605,922	11,118,795	82,014,120
4	Citibank NA, New York	18,070,000	13,295,000	14,381,000	10,812,000	14,307,000	23,728,000	152,777,000
5	Chemical Bank, New York	12,208,000	16,054,000	11,092,000	16,993,000	17,325,000	2,408,000	48,471,000
6	Mellon Bank NA, Pittsburgh	9,094,531	1,601,541	9,035,774	7,306,619	2,120,557	1,061,991	23,241,821
7	Morgan Guaranty Trust Co., New York	6,325,649	12,286,430	6,424,009	6,386,347	12,189,346	7,461,246	76,684,983
8	Marine Midland Bank NA, Buffalo, N.Y.	5,339,946	4,295,302	7,430,410	5,141,417	8,884	68,457	21,309,769
9	Continental Bank NA, Chicago	4,882,206	2,645,282	5,638,822	6,693,244	2,448,466	705,490	31,750,426
10	Manufacturers Hanover Trust Co., New York	4,787,000	5,855,000	4,963,000	6,315,000	6,441,000	3,084,000	57,126,000
11	First National Bank, Chicago	4,487,956	3,861,071	3,502,656	3,282,386	6,592,206	2,324,344	37,734,869
12	First National Bank, Boston	4,391,744	2,145,623	4,650,451	3,901,715	2,378,547	1,555,867	26,429,365
13	Bank of America NT&SA, San Francisco	2,329,000	2,058,000	2,960,000	3,185,000	1,013,000	2,116,000	86,668,001
14	Bank of New York	1,961,715	1,942,449	1,455,069	2,006,621	2,082,577	598,930	24,884,499
15	First Interstate Bank of California, Los Angeles	1,773,933	1,451,800	1,689,643	1,852,384	337,975	62,580	20,182,135
16	NCNB Texas National Bank, Dallas (a)	1,556,015	....	483,821	686,269	....	....	27,941,433
17	Bank of Tokyo Trust Co., New York	1,040,791	650,142	938,425	631,059	313,608	633,764	8,112,117
18	First Bank NA, Minneapolis, Minn.	669,273	369,585	261,045	234,626	35,220	6,470,988	13,812,702
19	Harris Trust & Savings Bank, Chicago	634,484	647,121	521,740	545,867	581,710	866,156	9,883,579
20	First Fidelity Bank NA, Newark, N.J.	604,086	167,640	203,768	286,564	922,505	18,273	11,230,325
21	Crestar Bank, Richmond, Va.	494,511	46,300	391,256	111,139	181,125	83,864	9,927,120
22	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	440,577	6,370	102,112	5,200	3,032	35,608	14,598,883
23	First Union National Bank, Charlotte, N.C.	348,745	186,409	376,514	75,150	49,981	9,806	16,576,779
24	Provident National Bank, Philadelphia	342,979	659,863	360,393	347,371	149,877	236,550	7,505,308
25	American Security Bank NA, Washington, D.C.	332,420	114,382	115,386	235,967	97,427	330,100	5,388,953
26	Wells Fargo Bank NA, San Francisco	284,307	223,236	446,344	304,741	394,243	439,241	45,092,008
27	Ameritrust Co. NA, Cleveland	258,854	170,376	136,809	167,318	85,063	194,064	8,445,053
28	First National Bank, Atlanta	258,641	28,651	110,874	58,056	35,012	23,738	8,169,727
29	Shawmut Bank NA, Boston	232,614	71,414	145,355	97,382	107,099	85,358	9,012,912
30	Union Bank, San Francisco	228,175	216,073	128,617	215,431	244,101	304,670	15,149,595
31	Mellon Bank East NA, Philadelphia	220,435	31,795	370,750	198,756	210,455	177,450	4,462,948
32	Maryland National Bank, Baltimore	198,418	102,604	138,605	144,259	163,530	126,333	9,279,811
33	NCNB South Carolina, Columbia	187,789	98,586	84,234	52,705	0	4,390	4,490,367
34	Texas American Bank/Fort Worth NA (b)	185,713	112,546	84,660	100,302	133,853	131,360	1,974,591
35	Pittsburgh National Bank	174,298	148,177	95,355	176,059	215,859	228,306	15,662,345
36	Bank One, Texas, NA, Dallas (c)	168,594	390,212	0	205,502	458,890	1,291,864	12,992,783
37	Texas Commerce Bank NA, Houston	154,461	321,339	552,787	304,662	429,897	207,818	11,154,327
38	SouthTrust Bank of Alabama NA, Birmingham	147,184	162,493	118,710	168,541	116,256	205,641	3,240,810
39	Metro North State Bank, Kansas City, Mo.	143,185	96,463	250,238	259,767	929,197	693,125	598,605
40	Valley National Bank, Phoenix, Ariz.	133,098	46,424	80,731	119,503	91,046	78,908	9,882,490
41	United States National Bank, Portland, Ore.	132,728	92,799	70,645	84,775	61,569	72,953	9,143,478
42	Chicago-Tokyo Bank	127,472	211,687	223,586	259,082	80,630	47,310	569,482
43	Texas Commerce Bank-Dallas NA	127,412	22,822	4,521	45,450	146,401	40,695	1,816,658
44	First National Bank, Louisville, Ky.	125,798	116,413	120,774	102,773	366,494	239,496	4,160,979
45	Philadelphia National Bank	125,058	134,822	160,230	145,334	105,885	106,304	9,986,622
46	Connecticut National Bank, Hartford	120,965	4,805	100,000	86,825	6,875	6,344	12,183,035
47	Bank One Milwaukee NA, Wis.	120,360	4,123	139,788	22,372	42,818	42,223	1,885,353
48	Merchants Bank NA, Allentown, Pa.	116,138	32	0	13,249	6,523	14,703	1,825,435
49	LTCB Trust Co., New York	115,169	84,483	18,725	2,529	0	....	825,741
50	Norwest Bank Minnesota NA, Minneapolis	114,500	53,122	73,565	37,053	93,980	61,952	8,776,144
	LOAN SALE TOTALS FOR THE TOP 10 BANKS	234,142,206	206,822,273	236,004,638	247,385,772	154,413,800	66,809,200	608,126,184
	LOAN SALE TOTALS FOR THE TOP 50 BANKS	259,751,801	224,074,525	257,672,820	268,145,516	173,678,266	86,976,276	1,139,783,551
	LOAN SALE TOTALS FOR ALL BANKS†	276,468,000	249,190,000	267,982,000	287,593,000	198,244,886	111,777,246	
	LOAN SALES RATIO:TOP 10 BANKS-TO-TOP 50 BANKS	90.14	92.30	91.59	92.26	88.91	76.81	
	LOAN SALES RATIO:TOP 10 BANKS-TO-ALL BANKS	84.69	83.00	86.02	91.64	77.89	59.77	
	LOAN SALES RATIO:TOP 50 BANKS-TO-ALL BANKS	93.95	89.92	96.15	93.24	87.61	77.81	
	TOTAL NUMBER OF BANKS SELLING LOANS	4,899	4,865	4,684	4,736	4,575	4,751	

Data Source: Federal Regulatory Report of Condition (RC) for all FDIC-insured commercial banks. These data were provided to American Banker by **ADP's Data Services Division, New York.** ADP restates prior years' data for mergers. **Description of table:** The 50 FDIC-insured banks with the largest amount of loans sold during the calendar quarter ended June 30, 1989 (RC, Schedule RC-L-Contingencies, memorandum item 1). **Loan Sold During Quarter** are "loans originated by the bank and sold or participated to others during the calendar quarters" listed above. The data are consolidated and include loans originated by the bank and then sold or transferred by the bank to "others" during the calendar quarter regardless of when the loan was originated by the bank and regardless of whether servicing has been retained by the bank. "Others" include the bank's own trust department and affiliates and subsidiaries not consolidated in the Report of Condition. Also included are those portions of loans sold during the quarter. The amount reported is gross, i.e., without regard to repayments by borrowers. The term "loans originated" covers any loan made directly by the bank. In addition, in the case of syndicated loans, the bank only reports its share. Also, with respect to overline agreements, loans made during the quarter by a correspondent of the bank to one of the bank's customers are considered loans originated by the bank. "Loans originated" does not include loans purchased from others. All loans sold during the quarter are included **except** the following: (1) residential mortgage loans; (2) consumer loans, (3) renewals or rollovers during the calendar quarter of loans previously sold by the bank provided no new funds are advanced; (4) loans sold under agreements to repurchase; and (5) sales of loans that are reported as borrowings. **(†)—** Data provided by the Federal Deposit Insurance Corp., Washington, D.C. **(a)—** Bank was created on 7/30/88 by the FDIC when 40 bank subsidiaries of the former First RepublicBank Corp. were merged into one institution. **(b)—** On 7/21/89, the FDIC merged the bank and 23 other bank affiliates of the former Texas American Bancshares into Texas American Bridge Bank NA, a newly chartered bank. **(c)—** The bank— formerly known as Deposit Insurance Bridge Bank NA— was formed by the FDIC on 3/29/89 through the merger of 20 former MCorp banks taken over by the FDIC. The bank assumed its current title on 7/5/89.

Copyright American Banker, 1989.

Loan Sales at the Top 50 Banks Compared with All Banks

(Dollar amounts in billions)



	4th Qtr 1986	4th Qtr 1987	2d Qtr 1988	4th Qtr 1988	1st Qtr 1989	2d Qtr 1989
Top 50 Banks	$87.0	$173.7	$224.1	$268.1	$257.7	$259.8
All FDIC Banks	$111.8	$198.2	$249.2	$287.6	$268.0	$276.5

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 13, 14

C0175-1

American Banker
The Daily Financial Serv

CORRESPONDENT BANKING — TABLES BEGIN ON P.12

NEWSPAPER
150222000015 2/ 5/07 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

VOL. CLIV NO. 231 Tuesday, November 28, 1989 154th Year

A Magic Number From Fed Brings Accord on Capital

By BARBARA A. REHM

NEWS ANALYSIS

WASHINGTON – Federal Reserve Board Chairman Alan Greenspan initially tried to get Comptroller of the Currency Robert L. Clarke and Federal Deposit Insurance Corp. Chairman L. William Seidman to end a bitter battle over capital rules by proposing that banks maintain equity capital equal to at least 4% of assets. That effort failed. Mr. Clarke stuck by his 3% common-equity standard, and Mr. Seidman held fast to his 6% mixed-capital ratio.

But now the Fed has come up with a solution worthy of Solomon – a compromise that enables both sides to argue that the central bank has sided with them.

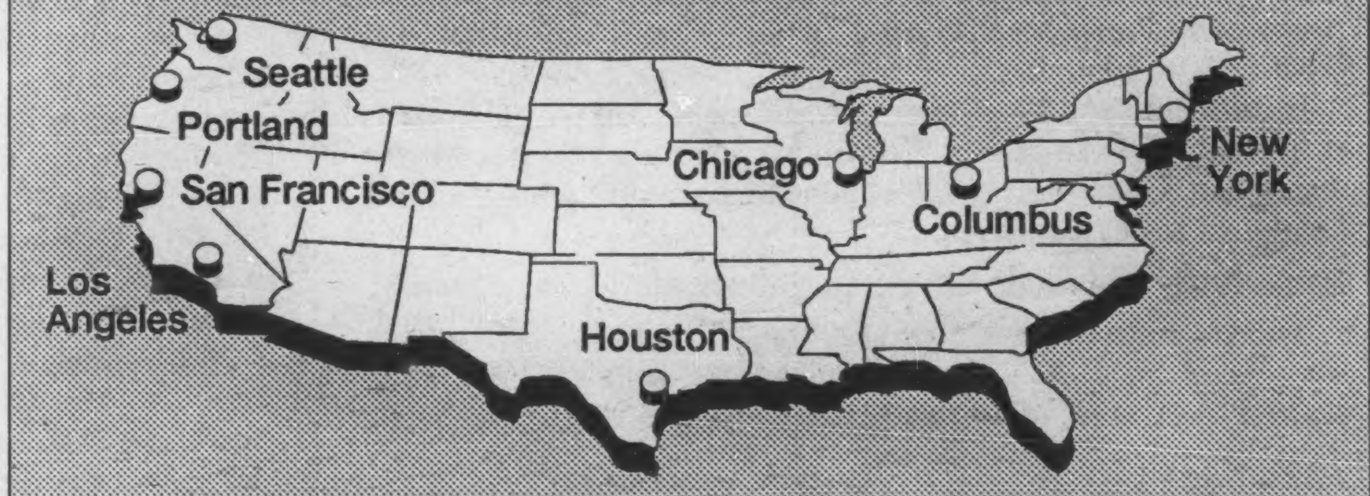
Both Mr. Clarke and Mr. Seidman have accepted the Fed's proposal, floated last week, to set minimum equity-capital levels for well-run banks at 3% of total assets.

Ironically, what they have agreed to is not much different than Mr. Green-

See FED: Page 30 ▸

The Growing U.S. Presence of a Japanese Giant

Mitsubishi has subsidiaries and offices in the cities shown. Its twin pillars are the San Francisco-based Bank of California and Mitsubishi's New York branch.



Mitsubishi Builds U.S. Network

By JAMES R. KRAUS

NEW YORK — Among Japanese banks, Mitsubishi Bank is only the fifth largest. But in the U.S., where Japanese banks are planting deeper and deeper roots, Mitsubishi is already ahead of the pack.

Mitsubishi has quietly put together a coast-to-coast U.S. banking network offering both consumer and corporate finance.

"Our most important market outside Japan is the United States," Hisaya Nara, a deputy president of Mitsubishi in Tokyo, said in an interview.

In two moves that indicated the bank's growing U.S. presence, Mitsubishi this year set up a North American headquarters in New York and became the first Japanese bank to list its shares on the New York Stock Exchange.

To further expand its U.S. business, Mitsubishi is actively recruiting experts in specialized areas of finance.

The bank is also planning to open branches, most likely in Atlanta and Midwestern states, to serve Japanese corporate customers and expand lending to large local corporations.

Mitsubishi's expansion in the United States comes as deregulation is just getting under way in Japan. The bank hopes to gain experience in deregulated markets here that can be applied at

See MITSUBISHI: Page 25 ▸

Fed Pressure Dims Prospect Of Cut in Prime

Central Bank Pushes Up Rate for Federal Funds

By ROBERT TRIGAUX

WASHINGTON — Widespread expectations of a cut in the prime rate were dashed Monday after the Federal Reserve Board moved to tighten credit.

The Fed drained reserves from the banking system, with the effect of bumping the borrowing rate for excess reserves, known as federal funds, up to 8.44% by midday. The rate averaged 8.30% on Friday. Fed watchers had cited since Wednesday signs of loosening by the central bank and had widely predicted a resulting drop in the prime by half a percentage point to 10%.

"There's been a lot of confusion about what the Fed has been up to since last Wednesday," said Ward McCarthy of Stone & McCarthy, economic advisers in Princeton, N.J. "Today, the Fed seems to have put the kibosh on interpretations it is using monetary policy to reduce rates. Therefore, there seems no immediate cause for banks to cut the prime."

But economists still expect a gradual slide in interest rates – at least through the first quarter of 1990 – though they say banks will continue to delay cutting the prime for as long as possible.

"It's pretty typical of a declining interest rate environment for banks to be slow on the draw to adjust to market rates," said one West Coast bank economist. "Banks want to have margins widen out, in part because the economy is slowing," he said.

"Regulators are leaning on banks to try and spruce up their capital adequacy," added Mr. McCarthy. One way to

See PRESSURE: Page 25 ▸

Rising Rates Drive Down Correspondent Balances by 10.5%

By L. MICHAEL CACACE

NEW YORK – Rising short-term interest rates in the year ended June 30 prompted a sharp drop in correspondent balances at the nation's largest commercial banks, according to an *American Banker* survey.

The balances, which are left on deposit to pay for operating services, declined by 10.5%, to $36.3 billion, in the 12 months ending at midyear 1989. The drop was much steeper than the 2% and 1.7% declines, respectively, in the two preceding years.

The survey also found that correspondent deposits made by domestic banks, which comprise 73% of the total, decreased at roughly the same rate as the deposits of foreign banks. The *American Banker's* 27th annual study of correspondent balances surveyed the 229 banks with $25 million or more in demand deposits due other banking companies on June 30.

Correspondent banks provide a variety of operating services to smaller institutions, called respondent banks. These services include check collection, federal funds trading, wire transfers, securities safekeeping, coupon collection, and commercial letters of credit.

Respondent banks pay for these services by maintaining demand deposits

See RISING: Page 15 ▸

Today

The movement to bar insured lending institutions from selling their own securities got a boost. ______ 2

A coalition of 26 community groups asked regulators to block Wells Fargo's acquisition of Central Pacific Corp. on community reinvestment grounds. 2

Deutsche Bank agreed to acquire Morgan Grenfell Group, the British merchant bank, for about $1.5 billion. 2

Nyce and Mac remain the two largest ATM networks, but the California-based Star System is closing fast, according to *Bank Network News.* ______ 3

Chemical Banking Corp. said it had signed a three-year contract with AT&T to provide a unified data-communications network. ______ 2

Financial Services Stocks ______ 26
Inside Financing ______ 31
People ______ 9
Real Estate ______ 6

This Year, We're Sticking It To American Express

Gold MasterCard.®
The Best Gold Card To Master The Moment.

American Express is a registered trademark of American Express Co. © 1989 MasterCard International Inc.

Another Shared Success

"The highest compliment I can pay Shared Financial Systems is to say that their EFT software produces results."

–O. C. "Bud" Russell, Jr.
Vice Chairman of the Board
Hibernia National Bank
New Orleans

Shared Financial Systems
15301 Dallas Pkwy • Ste 650 • Dallas TX 75248
(214) 233-8356 • *Outside Texas:* 800-527-4131
Ext. 111

Nyce and Mac Lead in ATMs, but Survey Shows Star System Is Rising

By YVETTE D. KANTROW

NEW YORK — Nyce and Mac remain the two largest automated teller machine networks, but the California-based Star System is in third place and closing fast, according to the latest ranking of regional networks published by *Bank Network News*.

The New York Cash Exchange handled 54.6 million transactions in September, when *Bank Network News* took its annual snapshot of the electronic banking industry. It was 26% bigger than its closest rival, CoreStates Financial Corp.'s Mac system, which had a monthly volume of 43.4 million.

The study by the Chicago-based newsletter also showed that Bank of America, which long owned more automated teller machines than any other bank, fell behind Citicorp and Security Pacific National Bank this year. Citicorp led the list with 1,600 machines, followed by Security Pacific, with 1,557 and Bank of America, with 1,552.

Nyce and Mac, whose volumes grew over the past year by 35% and 39% respectively, had a comfortable lead over third-place Star, which registered 34.2 million transactions. But thanks to a deal with Bank of America, Star is poised to leapfrog Mac and claim the No. 2 spot in the country, a relatively short distance from No. 1 Nyce.

Bank of America Boosts Star

In 1988, Bank of America agreed to bring most of its ATMs into Star. If those machines were on-line, San Diego-based Star System Inc. would have handled about 50 million transactions in September – only 4.3 million less than Nyce.

Despite Star's growth potential and Nyce's consistent performance, the Mac network is, and most likely will remain, the national leader in switched transactions – those that flow between participating financial institutions. In September, Mac's central switch handled 41.8 million transactions – nearly four times the 10.5 million transactions switched by BayBanks Inc.'s XPress24, its closest rival switch. Mac's switch volume grew 89% in a year, making it the fastest-growing switch operator in the nation.

The Mpact network, a Texas-based system owned by Electronic Data Systems Corp., has the third most active switch at 9.9 million monthly transactions.

Switch volume is considered a key measure of shared networks' performance, since the networks are compensated for these transactions with interchange fees. Mac is one of the few networks that collects switch fees on almost all its transactions.

"If we add Bank of America's proprietary transactions to ours, it will make our volume very high," said Rita Champ, vice president in charge of marketing at Star System Inc. "But that's not what constitutes network growth." True growth, she said, is a function of switch volume and cardholder base.

Bank Network News, in its 1990 "EFT Network Data Book," said the top 100 shared networks switch more than 220 million transactions a month – 25% more than in 1988. In addition, all electronic funds transfers in the United States – including all shared and proprietary, ATM and point-of-sale debit systems – grew 15% in 1989. That is the highest growth percentage since 1984, when volume was up 30%, the newsletter said.

But industry insiders say they are not expecting to maintain that kind of growth rate indefinitely.

"There is going to be a ceiling," said Stephen S. Cole, president of Cash Station Inc., a Chicago-based ATM network. "Networks like ourselves are now looking at whether or not we should be something more than an ATM network. Should we be positioning ourselves as a consumer payments system?"

Cash Station saw its switch volume grow 63% in 1989 – a growth rate second only to Mac's. The Illinois network switches 6.7 million transactions a month. According to Mr. Cole, more than 100 financial institutions joined Cash Station during the past two years. He attributed that growth to the system's merger with the Money Network, another Chicago-based EFT switch. ■

Biggest ATM Owners

	No. of machines	Transactions per ATM per month
Citicorp	1,600	– 5,625
Security Pacific	1,557	5,780
Bank of America	1,552	10,953
First Interstate	1,340	8,208
Wells Fargo	1,262	8,320

Source: *Bank Network News*

The Top 10 Electronic Banking Systems

Monthly volume, in millions of transactions

Network	Home state	No. of ATMs	1989 volume	1988 volume	Annual growth
1. **Nyce**	New York	8,466	54.7	40.5	35%
2. **Mac**	Pennsylvania	6,652	43.4	31.2	39
3. **Star**	California	6,995	34.2	28.3	21
4. **Most**	Virginia	3,970	29.3	19.1	53
5. **Pulse**	Texas	4,849	28.9	24.0	20
6. **Honor**	Florida	2,888	16.7	13.5	23
7. **Exchange**	Washington	2,565	16.2	12.3	31
8. **Relay**	North Carolina	2,739	16.0	13.4	20
9. **Yankee24**	Connecticut	3,535	16.0	15.2	5
10. **Network One**	Michigan	2,293	13.0	12.0	8

Source: *Bank Network News*, September data

It Took 71 Days To Discover America.
And Practically Forever To Float The Loan.

There's a lesson here, one that hasn't been lost on us at Sovran Bank. To speed up the approval process, we've given our correspondent banking officers primary account responsibility and the authority to cut through a sea of paperwork and red tape. It's how we get you the best possible answer, the fastest possible way. Call Bill Reid at (804) 788-2365 today.

SOVRAN BANK®

©1987 Sovran Financial Corporation
Sovran Bank, N.A.; Sovran Bank/Maryland; Sovran Bank/DC National

Member FDIC.

COMMENT

Bracing for Another Decade of Change

By HENRY KAUFMAN
President, Henry Kaufman & Co.

WHAT developments are likely in our financial system, where so much has already transpired in the present decade? We have already been inundated with globalization, securitization, deregulation, and myriad new credit instruments.

Yet, additional far-reaching changes are likely in the 1990s. These will include the following:

- Remaining geographic and business-activity barriers will be removed early in the 1990s. Differences among types of financial institutions, with the exception perhaps of insurance companies, will vanish during the decade.

While there will remain a few prominent institutions – primarily regional in character – that will choose to specialize in traditional commercial or investment banking, by the end of the century the U.S. financial system will move decidedly toward the universal banking model.

- The number of all types of financial institutions will be drastically reduced in the next 10 years through successive waves of mergers and acquisitions. In this process, a number of major regional institutions will be constructed that will rival in size and prominence the largest money-center banks that now exist.

- The thrift industry debacle will turn out to be far more expensive and difficult to resolve than is now admitted. Its full impact on housing, on the restructuring of institutions, and on regulatory practices is still ahead.

> 'The thrift industry debacle will turn out to be far more expensive and difficult to resolve than is now admitted.'

In the first half of the 1990s, many traditional providers of mortgage financing will be permanently out of the market. Their role in providing credit to housing will have to be picked up by other lending institutions.

In dealing with ailing thrift institutions, the regulators will enforce stern limitations on their activities that will effectively immobilize them. The impact will be to create considerable uncertainties in the entire mortgage area, including the secondary markets in mortgage-related instruments.

- Because of the wide range of activities in which financial institutions will be involved, in terms of both lending and investments, the application of strict capital requirements will be more important for all of them. But effective risk oversight by supervisory bodies will, I believe, remain elusive.

- The progress toward harmonization of international regulatory procedures will be extended from banking to the securities and financial futures markets. But these efforts, for most of the decade, will run well behind events and the continued rapid evolution of market practices. The parallel movement toward consolidation in Europe, as part of the integration efforts in the European Community, will result in various forms of both formal and loose amalgamations of U.S. and European financial complexes.

- While some shifts in corporate financing patterns are likely, the outcome will still involve a further deterioration of credit quality. The shift from equity to debt financing will persist, and so will the shift to short- and medium-term financing.

Bankrolling the Mergers

The financing of mergers and acquisitions and leveraged buyouts will take a new turn. Instead of the plethora of new high-yield bond issues offered through the public market, much more financing will be consummated directly with major financial institutions such as banks and insurance companies.

These lenders will not be able to resist the high profit margins in these transactions, especially if they can participate in a bigger share of the equity base. And initiatives such as the new Rule 144A proposal tend to promote that relative shift toward private placements. Incidentally, the heavy debt positions of U.S. corporations will slow the much-needed corporate expansion in physical assets in the 1990s.

- The process of securitization of credit, which has been going on for some 15 years now, will reverse by the end of the 1990s. This is because of the interplay of two factors.

First, the consolidation of the financial system will create large financial organizations capable of offering financial services that will be competitive with capital market alternatives. Second, the erosion of credit quality, particularly in nonfinancial corporations, will leave them more dependent on bank financing. Incidentally, the securities firms, as we know them, will be squeezed by this reversal.

- U.S. government finance will undergo subtle changes. Conventional

See BRACING: Page 21 ▸

This commentary is excerpted from a Nov. 16 speech that Mr. Kaufman gave to the Money Marketeers of New York University in New York.

Crime Blotter

By TOM LEANDER

Keep Subpoenas Quiet, Bank Personnel Warned

The thrift-bailout law makes it a crime for bank employees to tell customers that their accounts have been subpoenaed by a grand jury, warns Charles M. Carbury, former chief of the securities and commodities fraud unit at the Justice Department.

Charles Carbury

Bank personnel were previously free to tell a customer that information had been subpoenaed, unless disclosure was blocked by a court order. In fact, such disclosure was previously considered a courtesy in many situations, according Mr. Carbury, a partner at Jones, Day, Reavis, and Pogue, New York.

Mr. Carbury warns that customer-service personnel unaware of the change may unwittingly violate the law.

• • •

Increase in ATM Security Found Since '87 Survey

Banks have boosted their ATM security measures in the past two years, according to a just-released American Bankers Association survey on ATM crime.

Ninety-three percent of the 873 banks in the 1989 survey had alarm systems in automated teller machines. In addition, 75% had surveillance cameras, and 70% had installed so-called secure enclosures – kiosks that customers unlock with bank cards.

Two years ago, when the ABA quizzed 961 banks on the same topic, the same percentage of the banks said they had ATM alarm systems. But only 51% had surveillance cameras and only 38% had secure enclosures.

• • •

Disarming Cashier Tames Desperate London Robber

A knife-wielding bank robber in London released 13 hostages and surrendered to police after a cool-headed bank cashier convinced him to give up.

The incident started when Wayne Hood, an unemployed mechanic from north London, walked into a branch of the National Westminster Bank and held up a teller.

But police surrounded the building after someone touched off a silent alarm. Mr. Hood forced 12 bank employees into an air-tight storeroom and began a three-hour standoff.

Helen Mudge, a 24-year-old cashier at the bank, was among the hostages. She convinced the thief to let the 12 other hostages go, then asked him to turn himself over to police, according to reports in the London *Daily Telegraph*.

Gang Uses U.S. Banks For Foreign Fraud

Three U.S. banks reportedly were unwitting parties to a $360 million foreign exchange scam uncovered earlier this month in Brazil.

The scam, used repeatedly to pyramid higher and higher profits, worked like this:

In Brazil, a dummy company operated by the ring obtained an import permit from the government bureau of foreign trade. Meanwhile, another phony company operated by the ring in the United States had phony invoices and bills of lading sent to a Brazilian bank by unwitting American banks.

The dummy Brazilian company paid for the bogus exports in Brazilian cruzados. The Brazilian bank converted them to dollars at a special exchange rate allowed for authorized importers, which is about half the market rate.

After the Brazilian bank sent the dollars to the dummy U.S. company, the funds were transferred back to Brazil. Ring members sold the money on the Brazilian black market at a rate considerably above the market rate.

Brazilian authorities say Manufacturers Hanover Trust Co., Bank of New England, and First New York Bank for Business were among the U.S. banks that were unwitting parties to the scam. A Manufacturers official declined comment; officials from Bank of New England and First New York could not be reached. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription rates: U.S. $555 a year; Canada $815; Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top Banks in Total Correspondent Balances

Banks with demand deposits due all banks of $25 million or more on June 30, 1989 (dollar figures in thousands)

Rank		Demand Deposits Due to All Banks		Rank	Gain	Time and Savings Deposits Due to All Banks	
6/89		6/30/89	6/30/88	6/30/88	in Rank	6/30/89	6/30/88
1	Citibank NA, New York	2,255,713	3,010,000	1		49,000	183,000
2	Bankers Trust Co., New York	2,229,875	2,606,220	3	+1	573,928	590,441
3	Chase Manhattan Bank NA, New York	1,923,616	2,697,287	2		178,263	95,646
4	Manufacturers Hanover Trust Co., New York	1,689,421	2,250,892	4		314,119	326,787
5	Bank of America NT&SA, San Francisco	1,410,025	1,212,552	6	+1	87,246	372,660
6	Irving Trust Co., New York (a)	1,161,691	1,839,691	5		79,673	150,826
7	Morgan Guaranty Trust Co., New York	1,043,490	1,118,706	7		494,316	224,525
8	Security Pacific National Bank, Los Angeles	935,328	852,237†	9	+1	6,947	22,048†
9	Philadelphia National Bank	671,020	670,857	14	+5	64,242	166,508
10	First Interstate Bank of California, Los Angeles	644,797	814,291	10		12,580	22,722
11	First National Bank of Chicago	630,514	746,522	11		411,734	226,646
12	Union Bank, San Francisco (b)	614,664	79,068	95	+ 83	8,981	0
13	NCNB Texas National Bank, Dallas (c)	613,379	509,126	16	+3	209,250	496,194
14	Chemical Bank, New York	510,000	744,000	12		113,000	363,000
15	Harris Trust & Savings Bank, Chicago	489,660	456,173	17	+2	2,242	3,241
16	National Bank of Detroit	396,884	510,640	15		202,268	204,942
17	Continental Bank NA, Chicago	383,967	455,881	18	+1	233,983	459,370
18	First National Bank, Boston	382,625	370,821	20	+2	112,694	24,707
19	Marine Midland Bank NA, Buffalo, N.Y.	365,685	341,972	22	+3	493,181	144,740
20	Mellon Bank NA, Pittsburgh	365,020	426,242	19		67,542	254,178
21	Boatmen's National Bank, St. Louis, Mo.	353,362	213,658	38	+ 17	282,130	57,097
22	First National Bank of Atlanta	343,335	232,837	36	+ 14	31,968	35,146
23	Brown Brothers Harriman & Co., New York	290,134	312,074	23		21,286	14,815
24	First Tennessee Bank NA, Memphis	269,161	290,772	26	+2	0	0
25	Connecticut National Bank, Hartford	266,973	305,731	24		4,992	805
26	Wells Fargo Bank NA, San Francisco	253,124	248,078	30	+4	4,338	5,842
27	Southeast Bank NA, Miami	249,341	246,175	31	+4	999	13,796
28	First Wisconsin National Bank, Milwaukee	245,112	223,530	37	+9	66,445	71,261
29	First Pennsylvania Bank NA, Philadelphia	236,451	134,023	61	+ 32	28,950	33,700
30	Community Bank, Pasadena, Calif.	232,548	267,256	28		3,900	8,265
31	INB National Bank, Indianapolis	223,442	242,419	33	+2	179,214	155,215
32	First National Bank of Commerce, New Orleans	218,736	183,205	43	+ 11	2,275	3,348
33	Bank of California NA, San Francisco	216,477	175,016	44	+ 11	128,085	5,288
34	First Bank NA, Minneapolis	212,741	236,422	35	+1	57,320	169,464
35	United Bank of Denver NA	211,428	239,766	34		158,728	217,309
36	American National Bank & Trust Co., Chicago	210,597	250,139	29		11,250	0
37	Bank of New York	209,455	254,009‡	28‡		2,400	1,100
38	National Westminster Bank USA, New York	206,063	170,780	46	+8	39,995	115,142
39	Northern Trust Co., Chicago	205,320	304,249	25		15,728	13,748
40	Crestar Bank, Richmond	192,823	165,416	47	+7	102,710	265,810
41	Texas Commerce Bank-Dallas NA	187,319	268,237	27		6,041	5,934
42	Norwest Bank Minneapolis NA	184,601	187,166	42		9,706	7,053
43	First Fidelity Bank NA, Newark, N.J.	182,651	125,396	66	+ 23	9,557	18,163
44	Barnett Bank of Jacksonville NA, Fla.	180,880	133,295	62	+ 18	0	0
45	Boatmen's First National Bank, Kansas City, Mo.	178,232	174,383	45		7,139	37,920
46	NCNB National Bank of Florida NA, Tampa	176,398	193,617	41		0	0
47	Bank of New England NA, Boston	169,781	146,006	58	+ 11	103,159	155,571
48	Texas Commerce Bank NA, Houston	168,909	211,780	39		1,155	3,210
49	Mellon Bank (East), Philadelphia	168,044	149,134	54	+5	71,151	79,569
50	Valley National Bank, Phoenix, Ariz.	161,406	196,306	40		571	2,990
51	Trust Company Bank, Atlanta	158,748	147,800	56	+5	3,495	7,168
52	Bank One, Texas, NA, Dallas (d)	157,652	346,422	21		444,789	589,286
53	Nationar, New York (e)	152,401	132,762	63	+ 10	791	1,128
54	Citizens & Southern National Bank, Atlanta	147,596	146,011	57	+3	37,022	294,564
55	First Florida Bank NA, Tampa	145,004	108,502	73	+ 18	0	0
56	Seattle-First National Bank	140,496	96,499	80	+ 24	6,820	18,341
57	Maryland National Bank, Baltimore	136,445	134,789	60	+3	690	0
58	Merchants National Bank & Trust Co., Indianapolis	135,618	111,286	70	+ 12	6,718	11,387
59	U.S. Bank of Washington NA, Seattle	135,434	58,218	123	+ 64	3,920	2,102
60	Sovran Bank NA, Richmond	133,737	87,247	89	+ 29	71,073	116,487
61	Pittsburgh National Bank	133,310	120,546	68	+7	313,392	159,936
62	Shawmut Bank NA, Boston	132,878	121,777	67	+5	0	700
63	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	132,513	152,104	53		15,756	27,904
64	SouthTrust Bank of Alabama NA, Birmingham	130,348	98,475	78	+ 14	11,735	21,194
65	Provident National Bank, Philadelphia	130,165	147,949	55		130,874	142,081
66	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	129,528	162,041	49		26,600	287,810
67	United Missouri Bank of Kansas City NA	126,901	152,898	52		119,470	25,767
68	Liberty National Bank & Trust Co., Louisville, Ky.	126,484	164,768	48		20,970	19,684
69	Sumitomo Trust & Banking Co. USA, New York	120,067	41,928	160	+ 91	33,649	34,795
70	Old Kent Bank & Trust Co., Grand Rapids, Mich.	116,953	26,373	234	+164	25,000	0
71	First City, Texas-Houston NA	116,499	142,361	59		409,411	631,929
72	Sun Bank NA, Orlando, Fla.	115,787	95,018	81	+9	0	0
73	Riggs National Bank, Washington, D.C.	115,022	111,113	71		6,533	30,173
74	Mercantile Bank NA, St. Louis, Mo.	114,716	102,567	76	+2	50,627	87,635
75	Commerce Bank of Kansas City NA, Mo.	112,806	131,082	65		7,404	9,483
76	City National Bank, Beverly Hills, Calif.	111,948	69,411	103	+ 27	11,020	1,800
77	Mitsui Manufacturers Bank, Los Angeles	106,400	156,588	50		2,905	8,149
78	Connecticut Bank & Trust Co. NA, Hartford	106,342	96,702	79	+1	16,316	8,092
79	Bank One Milwaukee NA, Wis.	105,943	94,474	83	+4	64,605	92,250
80	First National Bank, Louisville, Ky.	104,739	108,628	72		27,242	20,596
81	Frost National Bank, San Antonio, Tex.	102,548	88,907	87	+6	0	0
82	Colorado National Bank, Denver	100,672	82,886	92	+ 10	46,208	16,003
83	Bank One Indianapolis NA	99,390	94,963	82		85,840	44,562
84	Barnett Bank of South Florida NA, Miami	98,081	90,503	86	+2	0	0
85	Midlantic National Bank, Newark, N.J.	93,106	45,066	151	+ 66	35	27
86	First Interstate Bank of Texas NA, Houston	92,358	105,086	74		15,197	54,927
87	First City, Texas-Dallas	90,485	78,520	96	+9	54,684	70,074
88	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	89,748	156,252	51		0	0
89	Dominion Bank NA, Roanoke, Va.	87,649	58,490	121	+ 32	1,480	8,193
90	Bank South NA, Atlanta	87,546	85,553	90		15,107	21,448
91	Manufacturers National Bank, Detroit	83,272	66,333	109	+ 18	56,254	68,957
92	Security Pacific Bank Washington, Seattle	83,214	82,005	93	+1	9,487	13,613
93	National City Bank, Cleveland	82,347	63,405	114	+ 21	4,296	5,682
94	Midlantic National Bank/North, West Paterson, N.J.	82,121	67,551	105	+ 11	0	0
95	Fidelity Bank NA, Philadelphia	81,997	132,584	64		82,322	1,823
96	Fifth Third Bank, Cincinnati	81,289	60,768	116	+ 20	12,699	15,222
97	South Carolina National Bank, Columbia	77,176	79,393	94		0	16,920
98	State Street Bank & Trust Co., Boston	77,063	57,918	126	+ 28	75,114	15,178
99	Star Bank NA, Cincinnati	76,591	66,365	108	+9	171,130	33,770
100	Bank One Columbus NA, Ohio	75,852	28,922	220	+120	195,558	18,000

Data Source: American Banker questionnaire. Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base. **Total correspondent balances** is the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Edge Bank clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. For non-reporting banks, Edge data were provided by the Federal Reserve Board, Washington D.C. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. **(a)**— Merged into Bank of New York on 10/6/89. **(b)**— On 10/31/88, California First Bank merged Union Bank, Los Angeles and changed title. Data for 6/30/88 are for California First Bank. **(c)**— The bank was created on 7/30/88 by the FDIC when 40 bank subsidiaries of the former First RepublicBank Corp. were merged into one institution. Data for 6/30/88 are for First RepublicBank Dallas NA. **(d)**— The bank— formerly known as Deposit Insurance Bridge Bank NA— was formed by the FDIC on 3/29/89 through the merger of 20 former MCorp banks taken over by the FDIC. The bank assumed its current title on 7/5/89. Data for 6/30/88 are for MBank Dallas NA. **(e)**— Formerly known as Savings Banks Trust Co. **(†)**— Revised to include Edge bank data. **(‡)**— Revised for reporting error by bank.

Compiled by American Banker, Copyright 1989.

Continued on Page 14

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 3, 4, 12, 14-16,

18, 20, 22, 24

Top Banks in Total Correspondent Balances

Banks with demand deposits due all banks of $25 million or more on June 30, 1989 (dollar figures in thousands)

Rank 6/89		Demand Deposits Due to All Banks		Rank	Gain	Time and Savings Deposits Due to All Banks	
		6/30/89	6/30/88	6/30/88	In Rank	6/30/89	6/30/88
101	Barnett Bank of Tampa NA, Fla.	73,941	64,350	112	+ 11	0	0
102	First National Bank, Lubbock, Tex.	73,767	48,850	140	+ 38	4,110	500
103	First National Bank, Omaha, Neb.	71,751	51,345	135	+ 32	26,481	600
104	Texas American Bridge Bank NA, Fort Worth (a)	70,172	102,360	77		123,589	345,976
105	First Interstate Bank of Denver NA	69,589	71,263	100		50,886	66,733
106	European American Bank, New York	67,627	117,747	69		701	1,378
107	Security Pacific Bank-Arizona, Phoenix	66,843	58,022	125	+ 18	6	38
108	National Bank of Commerce T&S Assn., Lincoln, Neb.	63,862	64,615	111	+3	100	100
109	Exchange National Bank, Chicago	62,935	69,427	102		100	300
110	Marquette Bank Minneapolis NA	61,636	57,556	127	+ 17	17,948	10,227
111	Comerica Bank-Detroit	61,401	40,601	164	+ 53	6,819	11,881
112	First Commercial Bank NA, Little Rock, Ark.	61,105	63,285	115	+3	0	0
113	Trustmark National Bank, Jackson, Miss.	61,054	50,185	137	+ 24	17,706	1,341
114	Mercantile-Safe Deposit & Trust Co., Baltimore	60,375	50,234	136	+ 22	0	0
115	Security Pacific Bank Oregon, Portland	60,275	38,733	172	+ 57	0	379
116	NCNB National Bank of North Carolina, Charlotte	59,796	68,091	104		11,500	18,600
117	Merchants National Bank, Cedar Rapids, Iowa	59,662	70,732	101		7,724	11,570
118	Sun Bank/Miami NA	58,344	51,871	134	+ 16	0	5,032
119	Bank of Oklahoma NA, Tulsa	57,865	53,664	131	+ 12	13,528	50,600
120	Central Bank of the South, Birmingham, Ala.	57,799	54,038	130	+ 10	3,133	42,130
121	Liberty National Bank & Trust Co., Oklahoma City	57,479	64,053	113		142	2,008
122	Ameritrust Co. NA, Cleveland	56,660	92,349	85		4,372	1,451
123	Equitable Bank NA, Baltimore	56,380	76,429	97		1,356	3,343
124	Bank of Hawaii, Honolulu	56,096	47,712	144	+ 20	1,500	1,000
125	American National Bank & Trust Co., St. Paul, Minn.	56,035	58,853	119		69,263	19,999
126	Zions First National Bank, Salt Lake City, Utah	55,491	48,539	143	+ 17	1,000	1,000
127	Republic National Bank, New York	54,775	40,829	162	+ 35	29,383	33,188
128	National Bank of Commerce, Memphis	53,045	56,772	129	+1	1,450	5,100
129	Signet Bank/Maryland, Baltimore	52,871	48,972	139	+ 10	0	4,100
130	United Carolina Bank, Whiteville, N.C.	52,841	33,470	193	+ 63	0	0
131	FirsTier Bank NA, Lincoln, Neb.	52,234	74,437	98		3,579	6,186
132	First Interstate Bank of Oklahoma NA, Oklahoma City	52,142	60,560	117		2,065	160
133	United Jersey Bank, Hackensack, N.J.	51,592	64,830	110		0	0
134	BayBank Boston NA	51,464	66,465	107		0	0
135	Central Bank of Denver	49,699	58,426	122		215,530	246,178
136	Bank IV Wichita NA, Kan.	49,678	67,232	106		35,486	3,175
137	United States National Bank, Portland, Ore.	49,282	48,709	141	+4	42	0
138	Victoria Bank & Trust Co., Tex.	49,257	47,277	146	+8	77	1,876
139	Hibernia National Bank, New Orleans	47,961	44,059	155	+ 16	6,192	24,410
140	Comerica Bank-Jackson NA, Mich.	47,694	37,291	178	+ 38	0	0
141	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	47,572	26,863	232	+ 91	58,577	9,997
142	Security National Bank, Sioux City, Iowa	47,534	44,241	154	+ 12	400	0
143	INB National Bank, Northwest, Lafayette, Ind.	45,275	....	...		1,610	....
144	Shawmut Worcester County Bank NA, Worcester, Mass.	45,184	36,668	181	+ 37	100	500
145	First National Bank & Trust Co., Tulsa, Okla.	45,017	46,527	147	+2	50	5,753
146	Norwest Bank Nebraska NA, Omaha, Neb.	44,974	45,194	150	+4	0	0
147	Citizens & Southern Trust Co. (Georgia) NA, Atlanta	44,500	....	...		0	....
148	MBank Corpus Christi NA, Tex.	44,380	73,273	99		73,565	61,942
149	Citizens & Southern Trust Co. (S.C.) NA, Columbia	44,000	....	...		0	....
150	Independence One Bank NA, Rapid City, SD	43,987	....	...		0	....
151	IBJ Schroder Bank & Trust Co., New York	43,953	46,357	148		80,704	87,426
152	Norwest Bank Des Moines NA, Iowa	43,686	56,782	128		200	851
153	Premier Bank, NA, Baton Rouge, La.	43,408	11,157	...		2,570	3,434
154	Sovran Bank Delaware, New Castle	42,500	40,500	165	+ 11	0	0
155	Citizens & Southern Trust Co. (Florida) NA, Fort Myers	42,500	....	...		0	....
156	First Bank Milwaukee NA	42,143	39,976	169	+ 13	178,800	110,973
157	Equitable Bank of Delaware, Dover	41,400	40,410	166	+9	0	0
158	Daiwa Bank Trust Co., New York	41,075	44,025	156		0	0
159	Chemical Bank NA, Jericho, N.Y.	41,000	40,000	168	+9	0	0
160	First Interstate Bank of Des Moines NA, Iowa	40,636	45,475	149		0	0
161	First Interstate Bancard Co. NA, Simi Valley, Calif.	40,104	35,000	187	+ 26	0	0
162	Sunshine Bank, Pensacola, Fla.	40,079	20,000	278	+116	104	0
163	PNC National Bank, Wilmington, Del.	40,000	0	...		22,000	38,300
164	Chemical Bank Texas NA, Richardson	40,000	....	...		0	....
165	Key Bank USA NA, Albany, N.Y.	39,807	39,637	170	+5	1,006	0
166	United States Trust Co., Boston	39,448	30,781	208	+ 42	10,596	0
167	Associated Kellogg Bank, Green Bay, Wis.	38,200	40,774	163		150	150
168	National Bank of Waterloo, Iowa	38,120	31,009	206	+ 38	0	1
169	First National Bank of Maryland, Baltimore	38,007	94,043	84		0	0
170	Old National Bank, Evansville, Ind.	37,911	35,421	186	+ 16	3,660	211
171	First Security Bank of Utah NA, Ogden	37,834	33,783	190	+ 19	0	0
172	First American Bank NA, Washington, D.C.	37,424	30,450	210	+ 38	55,164	32,827
173	Barnett Bank of Central Florida NA, Orlando	36,954	33,291	194	+ 21	0	0
174	Citizens National Bank, Evansville, Ind.	36,515	32,924	196	+ 22	36	0
175	Commerce Bank of Omaha NA, Neb.	36,500	36,501	182	+7	0	0
176	Citibank (Arizona), Phoenix	36,329	23,425	253	+ 77	10	0
177	Society National Bank, Cleveland	36,087	36,463	183	+6	200	6,650
178	Sovran Bank/Central South, Nashville, Tenn.	35,946	52,758	133		2,661	7,326
179	Texas Independent Bank, Irving, Tex.	35,677	33,105	195	+ 16	35,640	54,145
180	First National Bank, Wichita, Kan.	35,056	37,951	174		1,825	1,677
181	Central Trust Co. NA, Cincinnati	34,881	28,632	224	+ 43	0	0
182	AmSouth Bank NA, Birmingham, Ala.	34,207	58,748	120		98,024	11,940
183	Union Planters National Bank, Memphis, Tenn.	34,155	33,625	192	+9	367	286
184	First Bank North NA, Duluth, Minn.	33,680	32,870	197	+ 13	200	25
185	First American Bank of Georgia NA, Atlanta	33,654	24,104	247	+ 62	1,858	3,155
186	Puget Sound National Bank, Tacoma, Wash.	33,523	23,171	255	+ 69	0	0
187	Merchants Bank, Kansas City, Mo.	33,352	22,311	260	+ 73	111,548	75,470
188	First Bank Washington, Omak	32,800	32,800	198	+ 10	0	0
189	National Community Bank, Rutherford, N.J.	32,535	22,881	258	+ 69	178	132
190	First National Bank, Albuquerque, N.M.	32,415	44,563	153		131	1,044
191	LaSalle National Bank, Chicago	32,037	37,594	175		35,526	63,015
192	Magna Bank NA, Belleville, Ill.	31,956	37,306	177		530	800
193	American Security Bank NA, Washington, D.C.	31,700	37,359	176		8,206	107,211
194	FirsTier Bank NA, Omaha, Neb.	31,287	42,695	159		274	798
195	Bank One Dayton NA, Ohio	31,221	2,816	...		26,400	22,400
196	Independent Bankers' Bank of Florida, Orlando	31,015	24,560	242	+ 46	0	4,766
197	Florida National Bank of Jacksonville	30,947	20,058	276	+ 79	3,810	9,903
198	Commercial National Bank, Kansas City, Kan.	30,756	29,940	213	+ 15	0	200
199	Third National Bank, Nashville, Tenn.	30,461	47,328	145		1,820	10,136
200	Commercial National Bank, Shreveport, La.	30,306	33,835	189		351	1,557

Data Source: American Banker questionnaire. Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base. **Total correspondent balances** is the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Edge Bank clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. For non-reporting banks, Edge data were provided by the Federal Reserve Board, Washington D.C. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. **(a)**— A newly chartered bank created by the FDIC on 7/21/89. It was formed by the merger of 24 banks of the former Texas American Bancshares. Data for 6/30/88 are for the former Texas American Bank/Fort Worth NA.

Compiled by American Banker, Copyright 1989.

Continued on Page 18

Rising Interest Rates Drive Correspondent Balances Down 10.5%

▸ Continued from Page 15

all decline in the correspondent banking market and the substitution of fees for compensating balances as the primary method of payment for some correspondent services.

The correspondent banking market weakened for various reasons, including heavy merger activity of the mid-1980's, which reduced the number of medium-size U.S. banks, typically the largest users of correspondent services.

In the thrift segment of the market, increased competition from regional Federal Home Loan banks and other thrift institutions reduced the demand for correspondent services.

In addition, capital pressures at thrifts made the payment of fees for correspondent services preferable to balances. And foreign banks began to rely more and more on their own branches and affiliates in the United States for their correspondent services.

Other Survey Findings

- Citibank, New York, remained the top bank in total correspondent balances with $2.3 billion on June 30, 1989, down 25% from the year before. And it also held on to the top spot in foreign correspondent balances with $1.6 billion, down 14%.
- Bankers Trust Co., New York, again was the top bank in domestic correspondent balances with $1.1 billion at midyear, down 34%. Spurred by a 20% gain in foreign correspondent balances, Bankers Trust now ranks second to Citibank in both foreign and total correspondent balances. The bank's foreign correspondent balances totaled $1.15 billion at midyear, up from $961 million a year earlier, when it ranked fifth; and its total correspondent balances totaled $2.2 billion, down from $2.6 billion a year earlier, when it ranked third.

Bankers Trust initiated a strategic plan four years ago to develope its correspondent business, or global operating and information services. Since implementing of the plan, Bankers Trust has moved up in the rankings. On June 30, 1985, Bankers Trust ranked 18th in domestic correspondent balances with $369 million; fifth in foreign balances with $605 million; and seventh in total balances with $974 million.

- The largest gain in total correspondent balances that was not merger-related was posted by the three-year old Sumitomo Trust and Banking Co. USA, New York, a subsidiary of Sumitomo Trust and Banking Co. Ltd., Osaka, Japan. Its balances, all of which are demand deposits due foreign banks, jumped up 186% to $120.1 million at midyear from $41.9 million the year before. According to Robert Bielunas, a vice president at the bank, "the gain was attributable to the growth in the bank's custody business."
- According to one analyst, Sumitomo is following a pattern established by other Japanese banks in the U.S. It establishes a subsidiary; learns the business, which in this case is securities custody and safekeeping; and then has its Japanese customers switch from other banks in the U.S. to its new affiliate.
- Bank of America, San Francisco, is now the largest bank in thrift correspondent balances, moving past two other California-based banks: Union Bank, San Francisco, and Security Pacific National Bank, Los Angeles. Bank of America's thrift correspondent balances totaled $334 million on June 30, up 79% from $187 million a year earlier.

Union Bank dropped one notch to second place this year with $231.2 million in deposits, down 33%. And Security Pacific is now fifth with $146.9 million in these balances, down 24%.■

Correspondent Balances at All U.S. Banks

(Dollars in millions)

	6/30/89	6/30/88	% Chg.
Demand deposits due other U.S. commercial banks[1]	25,410	$29,208	-13.0%
Demand deposits due other U.S. depository institutions[1]	5,115	5,507	-7.1
Total domestic correspondent balances[1]	30,525	34,715	-12.1
Foreign correspondent balances in U.S. banks[1]	8,507	9,989	-14.8
Foreign correspondent balances in Edge banks[2]	1,461	1,518	-3.8
Total foreign correspondent balances	9,968	11,507	-13.4
Total correspondent balances:	$40,493	$46,222	-12.4

[1] Data are for all FDIC-insured banks

[2] Data are "clearing balances" at all U.S. Edge banking offices

Compiled by the American Banker from data provided by the Federal Reserve Board and the Federal Deposit Insurance Corp.

Stemmer Leaves Unicorp, Subsidiary

By PHIL ROOSEVELT

NEW YORK — Wayne J. Stemmer has resigned as president of Unicorp American Corp. and its thrift subsidiary, Lincoln Savings Bank, New York.

Mr. Stemmer said shifts by both Unicorp and Lincoln away from his specialty, real estate investment, "make this an appropriate time for me to resign." He had been president of Unicorp American for six years.

Unicorp American has made a strategic decision to withdraw from real estate investing, while the thrift-bailout law has posed obstacles for a real estate unit of Lincoln.

"The emphasis for the company and the bank going forward necessarily has shifted toward more traditional real estate lending activities," Mr. Stemmer said.

Unicorp said Thomas V. Ogletree, chief financial officer of both Unicorp and Lincoln, has been named president and director of the thrift and a director of the parent company. ■

Priorities!
Yours is profitability
Ours is helping you increase it

The hurdles you face in today's tough, fast-changing environment are formidable. We know them. We know too that your needs don't fit a formula — that there are no set solutions to turn obstacles into opportunities . . . and opportunities into profits. It takes a unique commitment to success, one as strong as your own. It takes Nationar.

For over half a century, we've focused our ability and energy on one objective: increasing the profitability of companies in the financial services marketplace. We've done it by anticipating the changes and challenges that impact your bottom line. And by responding to those challenges with proven solutions and creative new approaches.

We can help you: Turn idle balances into profit-enhancing investments — Speed payment processing to make the float advantage yours — Turn lost data processing time into profit-making time — Tailor trust programs for investment growth and asset protection — Provide real time cash movement information for more effective funds management. And a great deal more.

Whatever the hurdles you face, we have the strength of knowledge, resources and service to overcome them and create new opportunities. When your top priority is profitability, at Nationar, ours is helping you increase it. Call Bill Sheluck, President and Chief Executive Officer at (212) 551-1801.

NATIONAR
The Name Built on Trust

330 Madison Avenue, New York, NY 10017

Top Banks in Total Correspondent Balances

Banks with demand deposits due all banks of $25 million or more on June 30, 1989 (dollar figures in thousands)

Rank 6/89		Demand Deposits Due to All Banks 6/30/89	Demand Deposits Due to All Banks 6/30/88	Rank 6/30/88	Gain In Rank	Time and Savings Deposits Due to All Banks 6/30/89	Time and Savings Deposits Due to All Banks 6/30/88
201	**Texas Commerce Bank-Sugarland NA**	30,035	....	...		0	....
202	**Meridian Bank, Reading, Pa.**	29,525	30,956	207	+5	5,182	33,306
203	**Texas Commerce Bank-Conroe NA**	29,501	....	...		0	....
204	**Indian Head National Bank, Nashua, N.H.**	29,370	16,381	...		700	19,050
205	**Bankers' Bank of Wisconsin, Madison**	29,255	27,704	226	+ 21	0	206
206	**Worthen Bank & Trust Co. NA, Little Rock, Ark.**	29,095	38,040	173		2,349	3,255
207	**Bank IV Topeka NA, Topeka, Kan.**	29,033	41,123	161		0	0
208	**First City Texas-Beaumont NA**	29,016	23,649	250	+ 42	4,102	3,069
209	**Deposit Guaranty National Bank, Jackson, Miss.**	28,784	58,110	124		17,774	32,610
210	**Bank of Boston Connecticut, Waterbury**	28,652	28,826	221	+ 11	113	122
211	**Chemical Bank (Delaware), Wilmington**	28,541	40,003	167		8,000	0
212	**First City, Texas-Corpus Christi**	28,471	18,704	...		13,216	17,118
213	**First Interstate Bank of Oregon NA, Portland**	28,383	42,780	157		0	0
214	**United New Mexico Bank, Albuquerque**	28,267	2,815	...		10,783	6,600
215	**First American National Bank, Nashville, Tenn.**	28,259	49,229	138		26,483	27,533
216	**First Interstate Bank of Arizona NA, Phoenix**	28,040	36,102	184		0	0
217	**NBD Grand Rapids NA, Mich.**	27,832	7,650	...		0	0
218	**Michigan National Bank, Farmington Hills**	27,672	11,865	...		0	0
219	**Davenport Bank & Trust Co., Iowa**	27,420	29,888	214		2,949	21,091
220	**Ameritrust National Bank, Elkhart, Ind.**	27,295	27,831	225	+5	30,400	1,500
221	**First Union National Bank of Florida, Jacksonville**	27,235	45,061	152		0	0
222	**Chester Bank, Conn.**	27,000	27,000	231	+9	402	712
223	**NBD Evanston Bank NA, Ill.**	26,716	....	...		0	....
224	**Whitney National Bank, New Orleans**	26,235	32,322	201		123	523
225	**Independent State Bank of Minnesota, Minneapolis**	26,231	31,301	203		0	850
226	**Extebank, Stony Brook, N.Y.**	26,004	14,648	...		1,948	0
227	**United Missouri Bank of St. Louis NA**	25,876	29,849	215		0	0
228	**First National Bankers' Bank, Baton Rouge, La.**	25,624	21,032	265	+ 37	207	0
229	**Fort Wayne National Bank, Ind.**	25,202	20,932	267	+ 38	100	200
	Totals for banks with $25 million or more in these balances[1]	**36,315,857**	**40,566,191‡**	**−10.5%**		**9,360,069**	**11,598,653‡**

Data Source: American Banker questionnaire. Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base. **Total correspondent balances** are the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Edge Bank clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. For non-reporting banks, Edge data were provided by the Federal Reserve Board, Washington D.C. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. **(¹)**— The 1988 totals are for the 241 banks with $25 million or more in total correspondent balances on June 30, 1988. **(‡)**— Revised.

Compiled by American Banker, Copyright 1989.

Table 2

Top Banks in Foreign Correspondent Balances

Banks with demand deposits due foreign banks of $25 million or more on June 30, 1989 (dollar figures in thousands) (Dollar Figures in Thousands)

Rank 6/89		Demand Deposits Due Foreign Banks 6/30/89	Demand Deposits Due Foreign Banks 6/30/88	Rank 6/30/88	Gain In Rank	Time/Savings Deposits Due Foreign Banks 6/30/89	Time/Savings Deposits Due Foreign Banks 6/30/88
1	**Citibank NA, New York**	1,602,713	1,865,000	1		18,000	37,000
2	**Bankers Trust Co., New York**	1,151,290	961,062	5	+3	0	1,036
3	**Chase Manhattan Bank NA, New York**	1,144,046	1,440,040	2		29,183	28,361
4	**Irving Trust Co., New York (a)**	1,011,680	1,185,729	3		3,734	22,853
5	**Manufacturers Hanover Trust Co., New York**	679,421	1,039,892	4		58,119	97,787
6	**Morgan Guaranty Trust Co., New York**	522,522	764,016	6		51,142	60,887
7	**Bank of America NT&SA, San Francisco**	411,025	407,552	8	+1	59,246	341,660
8	**Philadelphia National Bank**	302,624	302,391	10	+2	500	834
9	**Brown Brothers Harriman & Co., New York**	276,511	298,009	11	+2	21,286	14,815
10	**Marine Midland Bank NA, Buffalo, N.Y.**	210,438	187,909	13	+3	22	197
11	**First National Bank of Chicago**	200,601	251,957	12	+1	27,608	26,628
12	**Bank of California NA, San Francisco**	192,240	160,417	15	+3	200	1,000
13	**National Westminster Bank USA, New York**	183,032	142,311	17	+4	1,856	7,209
14	**Harris Trust & Savings Bank, Chicago**	161,880	73,635	24	+ 10	36	241
15	**Sumitomo Trust & Banking Co. USA, New York**	120,067	41,928	28	+ 13	0	0
16	**Security Pacific National Bank, Los Angeles**	115,207	41,155†	29	+ 13	2,091	10,179†
17	**Citizens & Southern National Bank, Atlanta**	109,482	87,066	21	+4	4,100	273,060
18	**First National Bank, Boston**	108,254	172,514	14		11,268	12,507
19	**First Interstate Bank of California, Los Angeles**	105,277	97,758	20	+1	4,066	13,201
20	**Mitsui Manufacturers Bank, Los Angeles**	101,789	152,447	16		0	549
21	**Mellon Bank NA, Pittsburgh**	87,936	105,161	19		460	552
22	**Riggs National Bank, Washington, D.C.**	75,410	70,113	25	+3	5,917	24,606
23	**Seattle-First National Bank**	57,285	13,987	...		104	127
24	**Chemical Bank, New York**	57,000	308,000	9		74,000	68,000
25	**Bank of New York**	51,171	52,624†	26‡	+1	0	0
26	**Republic National Bank, New York**	42,774	32,608	30	+4	0	0
27	**European American Bank, New York**	37,923	43,044	27		1	278
28	**Northern Trust Co., Chicago**	36,475	75,184	23		144	144
29	**Fidelity Bank NA, Philadelphia**	34,419	8,000	...		1,355	0
30	**Wells Fargo Bank NA, San Francisco**	34,188	47,630	26		81	85
31	**Bank of New England NA, Boston**	32,919	2,566	...		15,464	5,981
32	**IBJ Schroder Bank & Trust Co., New York**	29,900	23,610	33	+1	40,413	13,369
33	**NCNB Texas National Bank, Dallas (b)**	27,273	20,679	34	+1	0	0
34	**Extebank, Stony Brook, N.Y.**	26,004	14,648	...		1,948	0
	Totals for banks with $25 million or more in these balances[1]	**9,340,776**	**10,659,757†**	**−12.4%**		**432,344**	**1,075,398†**

Data Source: American Banker questionnaire. Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base . **Foreign correspondent balances** are demand deposits due to foreign banks and include: domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and "clearing balances" in the bank's domestic Edge bank subsidiaries. **Clearing balances** are transaction accounts due: foreign government and official institutions; commercial banks in the U.S.; and foreign banks in foreign countries. **Time and savings deposits due to foreign banks** are nontransaction accounts due foreign banks. **(†)**— Edge bank data were not available. Therefore, the 6/30/89 and 6/30/88 data for this bank are not comparable. **(a)**— Merged into Bank of New York on 10/6/89. **(b)**— The bank was created on 7/30/88 by the FDIC when 40 bank subsidiaries of the former First RepublicBank Corp. were merged into one institution. Data for 6/30/88 are for First RepublicBank Dallas NA. **(†)**— Revised to include Edge bank data. **(‡)**— Revised for reporting error by bank. **(¹)**— The 1988 totals are for the 32 banks with $25 million or more in foreign correspondent balances on June 30, 1988. **(†)**— Revised.

Compiled by American Banker, Copyright 1989.

Table 3

Top Banks in Domestic Correspondent Balances

Banks with demand deposits due U.S. banks of $25 million or more on June 30, 1989 (dollar figures in thousands)

Rank 6/89		Demand Deposits Due U.S. Banks		Rank 6/30/88	Gain In Rank	Time and Svgs Dep. Due U.S. Banks	
		6/30/89	6/30/88			6/30/89	6/30/88
1	Bankers Trust Co., New York	1,078,585	1,645,158	1		573,928	589,405
2	Manufacturers Hanover Trust Co., New York	1,010,000	1,211,000	3	+1	256,000	229,000
3	Bank of America NT&SA, San Francisco	999,000	805,000	6	+3	28,000	31,000
4	Security Pacific National Bank, Los Angeles	820,121	811,082	5	+1	4,856	11,869
5	Chase Manhattan Bank NA, New York	779,570	1,257,247	2		149,080	67,285
6	Citibank NA, New York	653,000	1,145,000	4		31,000	146,000
7	Union Bank, San Francisco (a)	592,453	59,375	108	+101	8,981	0
8	NCNB Texas National Bank, Dallas (b)	586,106	488,447	11	+3	209,250	496,194
9	First Interstate Bank of California, Los Angeles	539,520	716,533	7		8,514	9,521
10	Morgan Guaranty Trust Co., New York	520,968	354,690	17	+7	443,174	163,638
11	Chemical Bank, New York	453,000	436,000	12	+1	39,000	295,000
12	First National Bank of Chicago	429,913	494,565	10		384,126	200,018
13	National Bank of Detroit	375,682	384,022	13		202,268	204,942
14	Philadelphia National Bank	368,396	368,466	16	+2	63,742	165,674
15	Continental Bank NA, Chicago	360,015	379,008	15		224,668	443,681
16	Boatmen's National Bank, St. Louis, Mo.	351,313	213,540	33	+ 17	282,130	57,097
17	Harris Trust & Savings Bank, Chicago	327,780	382,538	14		2,206	3,000
18	First National Bank of Atlanta	327,388	225,683	30	+ 12	31,968	35,146
19	Mellon Bank NA, Pittsburgh	277,084	321,081	19		67,082	253,626
20	First National Bank, Boston	274,371	198,307	37	+ 17	101,426	12,200
21	First Tennessee Bank NA, Memphis	267,435	288,824	21		0	0
22	Connecticut National Bank, Hartford	266,233	301,615	20		1,851	805
23	Southeast Bank NA, Miami	237,311	235,765	27	+4	999	13,796
24	First Wisconsin National Bank, Milwaukee	236,809	215,275	32	+8	66,445	71,261
25	Community Bank, Pasadena, Calif.	232,548	267,256	23		3,900	8,265
26	First Pennsylvania Bank NA, Philadelphia	230,459	128,075	59	+ 33	28,950	33,700
27	INB National Bank, Indianapolis	222,690	241,090	26		179,214	155,215
28	Wells Fargo Bank NA, San Francisco	218,936	200,448	35	+7	4,257	5,757
29	First National Bank of Commerce, New Orleans	209,385	179,821	41	+ 12	2,000	2,170
30	American National Bank & Trust Co., Chicago	203,436	245,495	24		11,250	0
31	United Bank of Denver NA	201,805	229,066	28		32,927	46,584
32	First Bank NA, Minneapolis	194,176	218,829	31		57,254	169,297
33	Crestar Bank, Richmond	188,757	157,570	45	+ 12	102,710	265,810
34	Texas Commerce Bank-Dallas NA	187,319	268,237	22		6,041	5,934
35	Barnett Bank of Jacksonville NA, Fla.	180,880	133,295	55	+ 20	0	0
36	Boatmen's First National Bank, Kansas City, Mo.	177,239	173,726	42	+6	7,139	37,920
37	First Fidelity Bank NA, Newark, N.J.	169,416	112,471	61	+ 24	9,557	18,163
38	Norwest Bank Minneapolis NA	169,338	180,527	40	+2	2,550	6,156
39	Northern Trust Co., Chicago	168,845	229,065	29		15,584	13,604
40	NCNB National Bank of Florida NA, Tampa	168,549	187,563	39		0	0
41	Mellon Bank (East), Philadelphia	163,651	141,674	52	+ 11	71,151	79,569
42	Bank of New York	158,284	201,385	34		2,400	1,100
43	Marine Midland Bank NA, Buffalo, N.Y.	155,247	154,063	47	+4	493,159	144,543
44	Valley National Bank, Phoenix, Ariz.	154,454	191,087	38		571	2,990
45	Bank One, Texas, NA, Dallas (c)	153,469	344,041	18		427,289	545,986
46	Trust Company Bank, Atlanta	152,431	135,642	53	+7	3,495	7,168
47	Nationar, New York (d)	152,401	132,762	56	+9	791	1,128
48	Irving Trust Co., New York (e)	150,011	653,962	9		75,939	127,973
49	Texas Commerce Bank NA, Houston	145,718	199,282	36		1,155	3,210
50	First Florida Bank NA, Tampa	144,161	107,880	63	+ 13	0	0
51	Bank of New England NA, Boston	136,862	143,440	51		87,695	149,590
52	U.S. Bank of Washington NA, Seattle	135,434	58,218	113	+ 61	3,920	2,102
53	Merchants National Bank & Trust Co., Indianapolis	135,209	110,386	62	+9	6,718	11,387
54	Maryland National Bank, Baltimore	130,873	130,300	57	+3	690	0
55	Provident National Bank, Philadelphia	130,165	147,949	49		130,874	142,081
56	Sovran Bank NA, Richmond	129,826	84,404	80	+ 24	71,046	116,432
57	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	129,398	161,958	44		26,600	287,810
58	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	127,431	146,175	50		15,756	27,904
59	Liberty National Bank & Trust Co., Louisville, Ky.	126,394	164,725	43		20,970	19,684
60	United Missouri Bank of Kansas City NA	126,125	152,082	48		119,470	25,767
61	Shawmut Bank NA, Boston	123,901	105,015	65	+4	0	700
62	SouthTrust Bank of Alabama NA, Birmingham	122,736	98,085	71	+9	11,735	21,194
63	Old Kent Bank & Trust Co., Grand Rapids, Mich.	116,953	26,373	223	+160	25,000	0
64	Sun Bank NA, Orlando, Fla.	114,130	93,752	74	+ 10	0	0
65	Mercantile Bank NA, St. Louis, Mo.	111,670	99,066	70	+5	50,627	87,635
66	City National Bank, Beverly Hills, Calif.	111,520	69,077	92	+ 26	11,020	1,800
67	Commerce Bank of Kansas City NA, Mo.	110,862	129,528	58		7,404	9,483
68	Pittsburgh National Bank	110,530	102,362	67		312,993	159,257
69	First City, Texas-Houston NA	105,301	134,763	54		409,411	631,929
70	Bank One Milwaukee NA, Wis.	105,161	93,818	72	+2	64,605	92,250
71	Connecticut Bank & Trust Co. NA, Hartford	104,213	93,459	75	+4	16,316	8,092
72	First National Bank, Louisville, Ky.	99,278	107,757	64		27,242	20,596
73	Colorado National Bank, Denver	99,254	81,141	84	+ 11	46,208	16,003
74	Bank One Indianapolis NA	98,342	93,766	73		85,840	44,562
75	Frost National Bank, San Antonio, Tex.	95,526	81,777	83	+8	0	0
76	Barnett Bank of South Florida NA, Miami	92,055	86,362	78	+2	0	0
77	First Interstate Bank of Texas NA, Houston	91,979	104,706	66		15,197	54,927
78	First City, Texas-Dallas	90,477	78,509	86	+8	54,684	70,074
79	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	89,014	155,523	46		0	0
80	Midlantic National Bank, Newark, N.J.	88,493	41,783	150	+ 70	35	27
81	Dominion Bank NA, Roanoke, Va.	87,640	58,415	111	+ 30	1,480	8,193
82	Bank South NA, Atlanta	87,359	85,476	79		15,107	21,448
83	Seattle-First National Bank	83,211	82,512	81		6,716	18,214
84	Midlantic National Bank/North, West Paterson, N.J.	82,121	67,551	95	+ 11	0	0
85	Fifth Third Bank, Cincinnati	80,687	59,563	107	+ 22	12,699	15,222
86	National City Bank, Cleveland	80,001	60,928	104	+ 18	4,296	5,682
87	South Carolina National Bank, Columbia	76,665	78,738	85		0	16,920
88	Star Bank NA, Cincinnati	75,768	65,764	99	+ 11	171,130	33,770
89	Bank One Columbus NA, Ohio	74,911	26,310	224	+135	126,996	18,000
90	Manufacturers National Bank, Detroit	74,506	59,563	106	+ 16	56,254	57,957
91	Barnett Bank of Tampa NA, Fla.	73,941	64,350	101	+ 10	0	0
92	First National Bank, Lubbock, Tex.	73,767	48,850	132	+ 40	4,110	500
93	First National Bank, Omaha, Neb.	71,747	51,338	127	+ 34	26,481	600
94	Texas American Bridge Bank NA, Fort Worth (f)	68,559	101,357	68		123,589	345,976
95	Security Pacific Bank-Arizona, Phoenix	64,299	57,016	117	+ 22	6	38
96	National Bank of Commerce T&S Assn., Lincoln, Neb.	63,847	64,602	100	+4	100	100
97	First Interstate Bank of Denver NA	62,656	67,719	94		50,886	66,733
98	Marquette Bank Minneapolis NA	61,636	57,556	115	+ 17	17,948	10,227
99	Exchange National Bank, Chicago	61,154	68,590	93		100	300
100	First Commercial Bank NA, Little Rock, Ark.	61,105	63,285	103	+3	0	0

Data Source: American Banker questionnaire. Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base. **Domestic correspondent balances** are demand deposits due U.S. banks and include: domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other commercial banks in the U.S. **Time and savings deposits due to domestic banks** are nontransaction accounts due domestic banks and thrifts. **(a)**— On 10/31/88, California First Bank merged Union Bank, Los Angeles and changed title. Data for 6/30/88 are for California First Bank. **(b)**— The bank was created on 7/30/88 by the FDIC when 40 bank subsidiaries of the former First RepublicBank Corp. were merged into one institution. Data for 6/30/88 are for First RepublicBank Dallas NA. **(c)**— The bank— formerly known as Deposit Insurance Bridge Bank NA— was formed by the FDIC on 3/29/89 through the merger of 20 former MCorp banks taken over by the FDIC. The bank assumed its current title on 7/5/89. Data for 6/30/88 are for MBank Dallas NA. **(d)**— Formerly known as Savings Banks Trust Co. **(e)**— Merged into Bank of New York on 10/6/89. **(f)**— A newly chartered bank created by the FDIC on 7/21/89. It was formed by the merger of 24 banks of the former Texas American Bancshares. Data for 6/30/88 are for the former Texas American Bank/Fort Worth NA.

Compiled by American Banker, Copyright 1989.

Continued on Page 22

Top Banks in Domestic Correspondent Balances

Banks with demand deposits due U.S. banks of $25 million or more on June 30, 1989 (dollar figures in thousands)

Rank		Demand Deposits Due U.S. Banks		Rank	Gain	Time and Svgs Dep. Due U.S. Banks	
6/89		6/30/89	6/30/88	6/30/88	In Rank	6/30/89	6/30/88
101	Trustmark National Bank, Jackson, Miss.	61,044	50,175	130	+ 29	17,706	1,341
102	Mercantile-Safe Deposit & Trust Co., Baltimore	60,375	50,234	129	+ 27	0	0
103	Security Pacific Bank Oregon, Portland	60,275	38,733	162	+ 59	0	379
104	Security Pacific Bank Washington, Seattle	58,650	54,578	122	+ 18	7,456	11,786
105	Merchants National Bank, Cedar Rapids, Iowa	58,378	70,343	90		7,724	11,570
106	Bank of Oklahoma NA, Tulsa	57,833	53,641	124	+ 18	13,528	50,600
107	Comerica Bank-Detroit	57,777	36,216	172	+ 65	6,819	11,881
108	Central Bank of the South, Birmingham, Ala.	57,749	53,984	123	+ 15	3,133	42,130
109	Liberty National Bank & Trust Co., Oklahoma City	57,366	63,935	102		142	2,008
110	American National Bank & Trust Co., St. Paul, Minn.	56,035	58,853	110		69,263	19,999
111	Zions First National Bank, Salt Lake City, Utah	55,199	48,438	135	+ 24	1,000	1,000
112	Sun Bank/Miami NA	53,928	48,677	133	+ 21	0	5,032
113	National Bank of Commerce, Memphis	52,898	56,541	119	+6	1,450	5,100
114	United Carolina Bank, Whiteville, N.C.	52,841	33,470	182	+ 68	0	0
115	Ameritrust Co. NA, Cleveland	52,291	82,212	82		4,372	1,451
116	State Street Bank & Trust Co., Boston	52,277	38,810	161	+ 45	75,114	15,178
117	FirsTier Bank NA, Lincoln, Neb.	52,230	74,393	88		3,579	6,186
118	Signet Bank/Maryland, Baltimore	52,050	48,024	136	+ 18	0	4,100
119	First Interstate Bank of Oklahoma NA, Oklahoma City	51,873	60,401	105		2,065	160
120	BayBank Boston NA	51,464	66,465	97		0	0
121	Equitable Bank NA, Baltimore	51,188	70,165	91		1,356	3,343
122	United Jersey Bank, Hackensack, N.J.	50,321	51,872	126	+4	0	0
123	NCNB National Bank of North Carolina, Charlotte	49,854	56,303	120		11,500	18,600
124	Central Bank of Denver	49,699	58,385	112		1,500	1,260
125	Bank IV Wichita NA, Kan.	49,674	67,220	96		35,486	3,175
126	Victoria Bank & Trust Co., Tex.	49,257	47,277	137	+ 11	77	1,876
127	United States National Bank, Portland, Ore.	47,913	47,172	139	+ 12	0	0
128	Comerica Bank-Jackson NA, Mich.	47,694	37,291	166	+ 38	0	0
129	Fidelity Bank NA, Philadelphia	47,578	124,584	60		80,967	1,823
130	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	47,572	26,863	221	+ 91	58,577	9,997
131	Security National Bank, Sioux City, Iowa	47,534	44,241	145	+ 14	400	0
132	Hibernia National Bank, New Orleans	47,236	43,445	147	+ 15	6,192	24,410
133	INB National Bank, Northwest, Lafayette, Ind.	45,275	....	...		1,610	....
134	Shawmut Worcester County Bank NA, Worcester, Mass.	45,184	36,668	169	+ 35	100	500
135	Norwest Bank Nebraska NA, Omaha, Neb.	44,974	45,194	142	+7	0	0
136	First National Bank & Trust Co., Tulsa, Okla.	44,688	46,103	140	+4	50	5,753
137	Citizens & Southern Trust Co. (Georgia) NA, Atlanta	44,500	....	...		0	....
138	MBank Corpus Christi NA, Tex.	44,380	73,273	89		73,565	61,942
139	Citizens & Southern Trust Co. (South Carolina) NA, Columbia	44,000	....	...		0	....
140	Independence One Bank NA, Rapid City, SD	43,987	....	...		0	....
141	Norwest Bank Des Moines NA, Iowa	43,655	56,708	118		200	851
142	Premier Bank, NA, Baton Rouge, La.	43,408	11,157	...		2,570	3,434
143	Sovran Bank Delaware, New Castle	42,500	40,500	154	+ 11	0	0
144	Citizens & Southern Trust Co. (Florida) NA, Fort Myers	42,500	....	...		0	....
145	First Bank Milwaukee NA	42,143	39,976	158	+ 13	178,800	110,973
146	Equitable Bank of Delaware, Dover	41,400	40,410	155	+9	0	0
147	Chemical Bank NA, Jericho, N.Y.	41,000	40,000	157	+ 10	0	0
148	Daiwa Bank Trust Co., New York	40,884	43,930	146		0	0
149	First Interstate Bank of Des Moines NA, Iowa	40,636	45,475	141		0	0
150	First Interstate Bancard Co. NA, Simi Valley, Calif.	40,104	35,000	176	+ 26	0	0
151	Sunshine Bank, Pensacola, Fla.	40,079	20,000	268	+117	104	0
152	PNC National Bank, Wilmington, Del.	40,000	0	...		22,000	38,300
153	Chemical Bank Texas NA, Richardson	40,000	....	...		0	....
154	Key Bank USA NA, Albany, N.Y.	39,807	39,637	159	+5	1,006	0
155	Riggs National Bank, Washington, D.C.	39,612	41,000	152		616	5,567
156	United States Trust Co., Boston	39,448	30,781	198	+ 42	10,596	0
157	Associated Kellogg Bank, Green Bay, Wis.	38,200	40,774	153		150	150
158	Bank of Hawaii, Honolulu	38,156	32,003	192	+ 34	0	0
159	National Bank of Waterloo, Iowa	38,120	31,009	196	+ 37	0	1
160	Citizens & Southern National Bank, Atlanta	38,114	58,945	109		32,922	21,504
161	Old National Bank, Evansville, Ind.	37,911	35,421	175	+ 14	3,660	211
162	First Security Bank of Utah NA, Ogden	37,780	33,621	181	+ 19	0	0
163	Barnett Bank of Central Florida NA, Orlando	36,954	33,291	184	+ 21	0	0
164	Citizens National Bank, Evansville, Ind.	36,515	32,924	186	+ 22	36	0
165	Commerce Bank of Omaha NA, Neb.	36,500	36,501	170	+5	0	0
166	Citibank (Arizona), Phoenix	36,329	23,425	241	+ 75	0	0
167	Texas Independent Bank, Irving, Tex.	35,677	33,105	185	+ 18	35,640	54,145
168	First National Bank, Wichita, Kan.	35,056	37,951	164		1,825	1,677
169	First National Bank of Maryland, Baltimore	34,032	91,280	76		0	0
170	Central Trust Co. NA, Cincinnati	33,735	27,663	216	+ 46	0	0
171	Union Planters National Bank, Memphis, Tenn.	33,690	33,327	183	+ 12	367	286
172	First Bank North NA, Duluth, Minn.	33,680	32,870	187	+ 15	200	25
173	First American Bank of Georgia NA, Atlanta	33,654	24,104	234	+ 61	1,858	3,155
174	Society National Bank, Cleveland	33,451	32,569	190	+ 16	200	6,650
175	Puget Sound National Bank, Tacoma, Wash.	33,364	23,063	244	+ 69	0	0
176	Merchants Bank, Kansas City, Mo.	33,352	22,311	249	+ 73	111,548	75,470
177	AmSouth Bank NA, Birmingham, Ala.	33,167	57,383	116		98,024	11,940
178	First Bank Washington, Omak	32,800	32,800	188	+ 10	0	0
179	First National Bank, Albuquerque, N.M.	32,415	44,563	144		131	1,044
180	Magna Bank NA, Belleville, Ill.	31,956	37,306	165		530	800
181	FirsTier Bank NA, Omaha, Neb.	31,199	42,621	149		274	798
182	Sovran Bank/Central South, Nashville, Tenn.	31,043	50,364	128		2,661	7,326
183	Independent Bankers' Bank of Florida, Orlando	31,015	24,560	231	+ 48	0	4,766
184	Bank One Dayton NA, Ohio	30,928	2,617	...		26,400	22,400
185	Commercial National Bank, Kansas City, Kan.	30,756	29,940	201	+ 16	0	200
186	Commercial National Bank, Shreveport, La.	30,306	33,835	179		351	1,557
187	Third National Bank, Nashville, Tenn.	30,035	47,224	138		1,820	10,136
188	Texas Commerce Bank-Sugarland NA	30,035	....	...		0	....
189	National Community Bank, Rutherford, N.J.	29,748	21,111	256	+ 67	178	132
190	European American Bank, New York	29,704	74,703	87		700	1,100
191	Texas Commerce Bank-Conroe NA	29,501	....	...		0	....
192	Indian Head National Bank, Nashua, N.H.	29,370	16,381	...		700	19,050
193	Bankers' Bank of Wisconsin, Madison	29,255	27,704	214	+ 21	0	206
194	Worthen Bank & Trust Co. NA, Little Rock, Ark.	29,095	38,040	163		2,349	3,255
195	Bank IV Topeka NA, Topeka, Kan.	29,033	41,123	151		0	0
196	First City Texas-Beaumont NA	29,016	23,649	238	+ 42	4,102	3,069
197	Bank of Boston Connecticut, Waterbury	28,652	28,826	209	+ 12	113	122
198	Chemical Bank (Delaware), Wilmington	28,541	40,003	156		8,000	0
199	First City, Texas-Corpus Christi	28,471	18,704	...		13,216	17,118
200	Deposit Guaranty National Bank, Jackson, Miss.	28,402	57,916	114		17,774	32,610

Data Source: American Banker questionnaire. Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base. **Domestic correspondent balances** are demand deposits due U.S. banks and include: domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other commercial banks in the U.S. **Time and savings deposits due to domestic banks** are nontransaction accounts due domestic banks and thrifts.

Compiled by American Banker, Copyright 1989.

Continued on Page 24

Top Banks in Domestic Correspondent Balances

Banks with demand deposits due U.S. banks of $25 million or more on June 30, 1989 (dollar figures in thousands)

Rank 6/89		Demand Deposits Due U.S. Banks		Rank	Gain	Time and Svgs Dep. Due U.S. Banks	
		6/30/89	6/30/88	6/30/88	In Rank	6/30/89	6/30/88
201	United New Mexico Bank, Albuquerque	28,267	2,815	...	—	10,783	6,600
202	First American National Bank, Nashville, Tenn.	28,092	49,147	131		26,483	27,533
203	NBD Grand Rapids NA, Mich.	27,832	7,650	...		0	0
204	First Interstate Bank of Arizona NA, Phoenix	27,699	34,773	177		0	0
205	First American Bank NA, Washington, D.C.	27,645	22,307	250	+ 45	0	0
206	Davenport Bank & Trust Co., Iowa	27,420	29,888	202		2,949	21,091
207	Ameritrust National Bank, Elkhart, Ind.	27,295	27,831	213	+6	30,400	1,500
208	Meridian Bank, Reading, Pa.	27,267	29,652	207		5,182	33,306
209	First Union National Bank of Florida, Jacksonville	27,235	45,061	143		0	0
210	Michigan National Bank, Farmington Hills	27,149	11,419	...		0	0
211	Chester Bank, Conn.	27,000	27,000	220	+9	402	712
212	NBD Evanston Bank NA, Ill.	26,716	....	...		0	....
213	Independent State Bank of Minnesota, Minneapolis	26,231	31,301	193		0	850
214	United Missouri Bank of St. Louis NA	25,876	29,849	203		0	0
215	First National Bankers' Bank, Baton Rouge, La.	25,624	21,032	257	+ 42	207	0
216	First Interstate Bank of Oregon NA, Portland	25,432	36,291	171		0	0
217	Fort Wayne National Bank, Ind.	25,202	20,932	258	+ 41	100	200
	Totals for banks with $25 million or more in these balances[1]	**26,249,262**	**29,208,495**	**-10.1%**		**8,102,789**	**9,455,092**

Data Source: American Banker questionnaire: Data for all FDIC-insured banks were checked against the Federal Regulatory Report of Condition. For non-reporting banks, data were provided by **ADP Data Services Division, New York,** from their "Bancall" data base. **Domestic correspondent balances** are demand deposits due U.S. banks and include: domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other commercial banks in the U.S. **Time and savings deposits due to domestic banks** are nontransaction accounts due domestic banks and thrifts. **(1)**— The 1988 totals are for the 230 banks with $25 million or more in domestic correspondent balances on June 30, 1988.

Compiled by American Banker Copyright 1989.

Table 4

Top 100 Banks in Thrift Correspondent Balances

On June 30, 1989, compared with June 30, 1988 (dollar figures in thousands)

Rank 6/89		Deposits Due to Thrifts		
		6/30/89	6/30/88	% Chg.
1	Bank of America NT&SA, San Francisco	334,000	187,000	78.61
2	Union Bank, San Francisco (a)	231,222	57,343	303.23
3	Manufacturers Hanover Trust Co., New York	154,000	124,000	24.19
4	Nationar, New York (b)	152,401	132,762	14.79
5	Security Pacific National Bank, Los Angeles	146,892	194,532	- 24.49
6	First Interstate Bank of California, Los Angeles	105,419	130,077	- 18.96
7	NCNB National Bank of Florida NA, Tampa	103,880	15,406	574.28
8	U.S. Bank of Washington NA, Seattle	103,092	27,143	279.81
9	Chemical Bank, New York	84,000	41,000	104.88
10	Irving Trust Co., New York (c)	79,521	68,971	15.30
11	First National Bank of Atlanta	72,684	42,178	72.33
12	Bank of New England NA, Boston	72,533	74,985	-3.27
13	Chase Manhattan Bank NA, New York	68,869	26,745	157.50
14	Connecticut National Bank, Hartford	61,998	55,701	11.31
15	First National Bank, Boston	60,646	76,151	- 20.36
16	Crestar Bank, Richmond	59,247	37,912	56.28
17	Southeast Bank NA, Miami	58,238	73,076	- 20.30
18	Valley National Bank, Phoenix, Ariz.	54,685	53,513	2.19
19	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	54,157	53,261	1.68
20	First Fidelity Bank NA, Newark, N.J.	53,917	36,287	48.58
21	Citibank NA, New York	52,000	28,000	85.71
22	Signet Bank/Maryland, Baltimore	46,699	42,986	8.64
23	First Florida Bank NA, Tampa	44,942	38,849	15.68
24	Harris Trust & Savings Bank, Chicago	42,313	52,248	- 19.02
25	Maryland National Bank, Baltimore	38,560	24,892	54.91
26	Connecticut Bank & Trust Co. NA, Hartford	38,309	41,370	-7.40
27	Midlantic National Bank/North, West Paterson, N.J.	38,205	25,977	47.07
28	State Street Bank & Trust Co., Boston	36,557	35,326	3.48
29	Bank of Hawaii, Honolulu	35,823	28,817	24.31
30	Security Pacific Bank-Arizona, Phoenix	34,516	19,792	74.39
31	United Jersey Bank, Hackensack, N.J.	30,786	30,295	1.62
32	First Wisconsin National Bank, Milwaukee	30,473	39,663	- 23.17
33	Sovran Bank NA, Richmond	30,367	26,847	13.11
34	First Bank Milwaukee NA	30,317	32,753	-7.44
35	National Bank of Detroit	28,775	15,625	84.16
36	NBD Grand Rapids NA, Mich.	27,832	2,468	1,027.71
37	Pittsburgh National Bank	27,148	29,529	-8.06
38	Shawmut Bank NA, Boston	25,988	25,783	0.80
39	NCNB Texas National Bank, Dallas	25,306	3,433	637.14
40	First National Bank of Maryland, Baltimore	24,753	29,144	- 15.07
41	Security Pacific Bank Washington, Seattle	24,529	30,221	- 18.83
42	Boston Safe Deposit & Trust Co.	24,062	34,391	- 30.03
43	Seattle-First National Bank	23,577	20,925	12.67
44	First Interstate Bank of Arizona NA, Phoenix	23,228	11,644	99.48
45	First Pennsylvania Bank NA, Philadelphia	23,146	24,999	-7.41
46	Bank of Boston Connecticut, Waterbury	23,131	23,403	-1.16
47	Star Bank NA, Cincinnati	23,077	15,188	51.94
48	Bankers Trust Co., New York	22,972	26,364	- 12.87
49	Hibernia National Bank, New Orleans	21,139	19,325	9.39
50	Sun Bank NA, Orlando, Fla.	20,986	28,928	- 27.45
51	Sun Bank/Miami NA	20,964	19,297	8.64
52	First National Bank of Chicago	20,472	20,874	-1.93
53	First American Bank of Georgia NA, Atlanta	20,168	15,932	26.59
54	Union Trust Co., Stamford, Conn.	19,795	15,510	27.63
55	Bank of New England-West NA, Springfield, Mass.	19,330	18,043	7.13
56	City National Bank, Beverly Hills, Calif.	18,827	20,510	-8.21
57	Puget Sound National Bank, Tacoma, Wash.	18,812	15,873	18.52
58	United States National Bank, Portland, Ore.	18,000	19,882	-9.47
59	Casco Northern Bank NA, Portland, Me.	17,671	17,015	3.86
60	European American Bank, New York	16,831	20,179	- 16.59
61	First Fidelity Bank NA/South Jersey, Burlington Twp.	16,779	11,314	48.30
62	National Community Bank, Rutherford, N.J.	16,734	9,185	82.19
63	Wilmington Trust Co., Del.	16,706	14,871	12.34
64	Key Bank NA, Albany, N.Y.	16,436	26,545	- 38.08
65	Wells Fargo Bank NA, San Francisco	16,421	11,868	38.36
66	American National Bank & Trust Co., Chicago	16,414	13,030	25.97
67	First Tennessee Bank NA, Memphis	16,367	19,801	- 17.34
68	Central Bank, San Francisco	16,146	14,322	12.74
69	Florida National Bank of Jacksonville	16,131	11,639	38.59
70	Central Bank of the South, Birmingham, Ala.	15,818	16,448	-3.83
71	United Bank of Denver NA	15,661	17,841	- 12.22
72	National State Bank, Elizabeth, N.J.	15,518	24,769	- 37.35
73	First Security Bank of Utah NA, Ogden	15,122	11,757	28.62
74	Shawmut Worcester Cnty. Bk NA, Worcester, Mass.	15,115	13,728	10.10
75	Fidelity Bank NA, Philadelphia	15,085	25,204	- 40.15
76	Continental Bank NA, Chicago	14,768	11,187	32.01
77	Bank One, Texas, NA, Dallas	14,503	15,197	-4.57
78	First National Bank, Louisville, Ky.	14,418	16,925	- 14.81
79	Provident National Bank, Philadelphia	14,213	9,020	57.57
80	Marine Midland Bank NA, Buffalo, N.Y.	13,344	17,219	- 22.50
81	Eastland Bank, Woodsocket, R.I.	13,054	......	....
82	BancOhio National Bank, Columbus	12,992	14,175	-8.35
83	BayBank Middlesex, Burlington, Mass.	12,818	13,117	-2.28
84	Sanwa Bank California, San Francisco	12,732	8,025	58.65
85	Sunwest Bank of Albuquerque NA, N.M.	12,328	13,540	-8.95
86	Bank of New York	12,234	16,042	- 23.74
87	American Security Bank NA, Washington, D.C.	11,780	15,561	- 24.30
88	Fifth Third Bank, Cincinnati	11,718	11,798	-0.68
89	First City, Texas-Houston NA	11,529	9,916	16.27
90	Citizens National Bank, Evansville, Ind.	11,163	7,219	54.63
91	Republic National Bank, New York	11,095	6,978	59.00
92	Southwest Bank, Vista, Calif.	10,354	5,435	90.51
93	Midlantic National Bank, Newark, N.J.	10,160	17,626	- 42.36
94	South Carolina National Bank, Columbia	10,049	18,940	- 46.94
95	National Westminster Bank USA, New York	9,751	19,562	- 50.15
96	National City Bank, Cleveland	9,614	8,130	18.25
97	Ameritrust Co. NA, Cleveland	9,344	33,969	- 72.49
98	Liberty National Bank & Trust Co., Louisville, Ky.	9,201	8,345	10.26
99	Texas Commerce Bank NA, Houston	9,198	2,002	359.44
100	BayBank Boston NA	8,791	6,056	45.16
	Totals for the top 100‡	**3,753,391**	**3,496,294**	**+7.4%**

Thrift correspondent balances are demand deposits due mutual and stock savings banks, building or savings and loan associations, homestead associations, cooperative banks, and credit unions. Unless otherwise noted after the name of the bank, data were drawn from the universe of banks with $10 million or more in total interbank deposits— demand and time deposits due foreign and domestic banks. **(‡)**— The 1988 total is for the top 100 that year. **(a)**— On 10/31/88, California First Bank merged Union Bank, Los Angeles and changed title. The 1988 data are for California First Bank. The former Union Bank was the top bank in thrift correspondent balances in 1988 with $345.1 million on 6/30/88. **(b)**— Formerly known as Savings Banks Trust Co. **(c)**— Merged into Bank of New York on 10/6/89.

Compiled by American Banker, Copyright 1989.

C01751

American Banker

ATM SECURITY — PAGE 11

The Daily Financial Services New

NEWSPAPER
150222000015 2/ 5/07 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

VOL. CLIV NO. 236 Tuesday, December 5, 1989 154th Year

Banks Say No Deal To SIA's Proposal, Citing Imbalances

By ROBERT M. GARSSON

NEWS ANALYSIS

WASHINGTON — The Securities Industry Association's Glass-Steagall initiative falls far short of creating the two-way street that seemed to be in the offing last week, banking groups said Monday.

"We would hope they aren't proposing to replace the Berlin Wall with a high-powered electrical fence," said Edward L. Yingling, executive director for government relations at the American Bankers Association.

Mr. Yingling said early reports of the SIA's proposal were disheartening. "While we are encouraged that they recognize the Glass-Steagall Act is badly out of date," he said, "we have real concerns with what appears to be the alternative they offer."

In its proposal, announced Friday in Boca Raton, Fla., after a week of highly visible news accounts, the association in effect asked that it be given access to the most valuable parts of the commercial banking franchise. But it was vague on the powers it would offer banks in return.

Indeed, the trade group did not even call for repeal of the 1933 Glass-Steagall Act, which established a barrier between the commercial and investment banking industries.

Donald J. Crawford, the SIA's senior vice president for government relations, said the trade group contemplates that, "as part of the legislative process," banks will be given the same underwriting authority brokerage firms now enjoy.

"Glass-Steagall was literally never discussed" by the trade group's board, he said. "We never got down to decid-

See BANKS: Page 23 ►

Wall Resigns, Says He Was a Scapegoat

Wall's Short Tenure

- **July 1, 1987:** Becomes nation's top thrift regulator.
- **Summer 1988:** Faces growing criticism on Capitol Hill for underestimating the cost of bailing out the S&L industry.
- **December 1988:** Rushes through 24 yearend sales of insolvent thrifts, committing government to billions in tax benefits and guarantees.
- **Nov. 21, 1989:** Testifies before House Banking Committee that he did not improperly delay Lincoln S&L's closing, which now may cost government more than $2 billion.
- **Dec. 4, 1989:** Announces resignation.

Regulator Faced Eroding Support

By JIM McTAGUE

WASHINGTON — With his political support deteriorating rapidly, M. Danny Wall resigned Monday as director of the Office of Thrift Supervision.

Claiming that Congress had made him the scapegoat for the nation's thrift debacle, Mr. Wall said he plans to leave the agency after a successor takes over. The Treasury Department, which oversees the thrift regulatory agency, has begun seeking a replacement.

Mr. Wall's departure came after House Banking Committee hearings this fall that had focused on his handling of the $2 billion failure last April of Lincoln Savings & Loan Association, Irvine, Calif.

As recently as last week, Mr. Wall said he had no immediate intention to quit. His reversal surprised his staff at the OTS, who were not told until Monday morning.

"We don't run from a fight where I come from," Mr. Wall wrote in a letter dated Dec. 4 to President Bush. "But I am not willing to stand and fight at the expense of the goals of your administration or the achievements that have been accomplished at both the Federal Home Loan Bank Board and the Office of Thrift Supervision by me and all the people who have served with me."

Mr. Bush had not asked him to step down, the thrift chief added.

Mr. Wall's job performance became a frequent topic of conversation among Washington insiders, and editorials in some of the nation's largest newspapers demanded that he resign. He had been the nation's top thrift regulator since July 1987, when the agency was known as the Federal Home Loan Bank Board.

See WALL: Page 24 ►

Lincoln Probe Spreading to Other S&Ls, Including One Connected to Bush's Son

By JIM McTAGUE

WASHINGTON – Fallout from the $2 billion Lincoln Savings and Loan scandal, already one of the biggest and messiest in financial history, is drifting toward the White House.

Federal regulators are investigating suspicious transactions involving Lincoln and several other thrifts, including one where Neil Bush, the President's 34-year-old son, was a director, regulatory sources said.

Thrift regulators, the Federal Bureau of Investigation, and the Securities and Exchange Commission are investigating whether the seven thrifts, six of which have failed, were engaged in a giant shell game, hiding questionable loans from regulators by shuffling the credits among themselves.

The thrifts are also suspected of inflating their assets by selling billions of dollars of junk bonds to each other at escalating prices. Drexel Burnham Lambert Inc., which is said to have received millions of dollars in fees for valuing the bonds and for arranging the transactions, is also being investigated. Drexel declined to comment.

The House Banking Committee, which has been holding hearings on Lincoln's demise, also has gathered information about the inter-thrift transactions, and committee Chairman Henry B. Gonzalez, D-Tex., reportedly is ready to pursue the leads, especially the ones involving the now-defunct Silverado Banking, a $2.4 billion Denver

See LINCOLN: Page 24 ►

Today

The FDIC is expected to issue rules prohibiting undercapitalized institutions from taking brokered deposits. ____ 2

Wells Fargo & Co.'s stock price has languished recently amid investor concerns about California real estate. ____ 2

Banks lose hundreds of millions of dollars annually because of wire fraud and related crimes, and the losses are escalating, say bankers and law enforcement officials. ____ 3

BankAmerica Corp. has completed the acquisition of a Nevada bank and a Washington State thrift. ____ 2

The Shadow Financial Regulatory Committee chastised the RTC for the pace and pattern of the S&L rescue. 2

Financial Services Stocks ____ 26
Inside Financing ____ 31
International ____ 8
People ____ 10
Real Estate ____ 6

QUOTABLE SUCCESS

"EDS PROVIDES A COMPREHENSIVE ANSWER TO ALL OF OUR DATA PROCESSING CONCERNS; HARDWARE, SOFTWARE, COMMUNICATIONS, AND MOST IMPORTANTLY, PEOPLE."

TIM BREEDLOVE
SENIOR VICE PRESIDENT
RETAIL FINANCIAL SERVICES
REPUBLIC FEDERAL SAVINGS
WOODLAND HILLS, CALIFORNIA

TO BEGIN YOUR SUCCESS STORY, CALL EDS TODAY.
1-800-433-4055. IN TEXAS, 214-604-2691

EDS

ONE
STOP
ESOP

One firm is the industry leader for analysis, design, implementation and administration of ESOP's for financial institutions, all under one roof. [illegible] for a consultation, [illegible]82-0611

BANKING
CONSULTANTS
OF AMERICA

COMMENT

Hitch in Thrift Law Shoots Down Collateral Deals

By **JOHN B. CAIRNS**
and **WHITNEY HOLMES**
Willkie Farr & Gallagher

A little-noticed provision of the new thrift-bailout law threatens the ability of banks and thrift institutions to provide satisfactory collateral for their obligations. The provisions of the law apply broadly to all transactions in which banks must provide collateral.

The law gives the Federal Deposit Insurance Corp. far broader ability to seize and liquidate assets of failed institutions than was previously the case. It may now recover assets even if they have been pledged as collateral to a third party, except under certain narrow conditions.

The situation arises because the scope of section 13(e) of the Federal Deposit Insurance Act has been expanded by Title II of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Provisions Are Stronger

Section 13(e) now invalidates any agreement that "tends to diminish or defeat" the interest of the FDIC as receiver of the assets of banks and thrifts unless the following conditions are met: the agreement is in writing, was executed "contemporaneously" with the acquisition of the assets provided as collateral, was approved by the institution's board or loan committee, and was continuously an official record of the institution.

Formerly, section 13(e) applied only to agreements relating to assets acquired by the FDIC by purchase or as collateral for an assistance loan.

Until Congress or the FDIC fixes this problem, it is doubtful that lawyers can offer unqualified opinions on the enforceability of collateral agreements against the FDIC. Without a clean opinion, securities that depend on an investment-grade rating may prove to be unmarketable.

Banks almost always use their existing assets as collateral rather than acquiring new assets for the purpose. Thus, virtually every potential collateral agreement would be affected by the new law.

Section 13(e) generally has been viewed as permitting the FDIC to take assets of a failed bank free and clear of secret side agreements. However, that section applies regardless of secrecy or fraudulent intent. The courts have insisted on strict compliance with those requirements, and the decisions provide little comfort that application of the section can be limited to secret side agreements. The problem infects many common transactions.

For example, if a bank sells assets to a trust and agrees with the trustee to repurchase these assets under certain circumstances, it often collateralizes its repurchase obligation by granting the trustee a security interest in other existing assets. Under section 13(e), the trustee's right to liquidate the collateral would not be valid if the FDIC were to be appointed receiver.

Even if the collateral was acquired when the agreement was executed, any additions to collateral because of market fluctuations would not be protected, nor would any substitutions.

Consider also an ordinary repurchase transaction. If a bank sells securities under a repurchase agreement, and if the transaction is viewed as a secured loan to the bank – as it generally is – section 13(e) would invalidate the repurchase agreement upon the FDIC's appointment as receiver.

The contemporaneous acquisition requirement, and the resulting overcollateralization to protect against market risk, will render most transactions economically unfeasible.

Even if the acquisition requirement is met, secured creditors must be concerned with another requirement beyond their control: the agreement must be maintained continuously as a record of the institution. A secured creditor can do little to assure itself that this requirement will be satisfied.

The implications of section 13(e) are not limited to collateralized bank and thrift obligations. Other provisions of the thrift law interact with the section to create uncertainties for many common transactions.

Many Transactions Involved

For example, the protections against seizure by the FDIC that are provided in the new law for "qualified financial contracts" are contingent to some extent on compliance with the requirements of section 13(e). Included in this definition are many ordinary transactions, such as sales of securities, commodities, or other forward contracts.

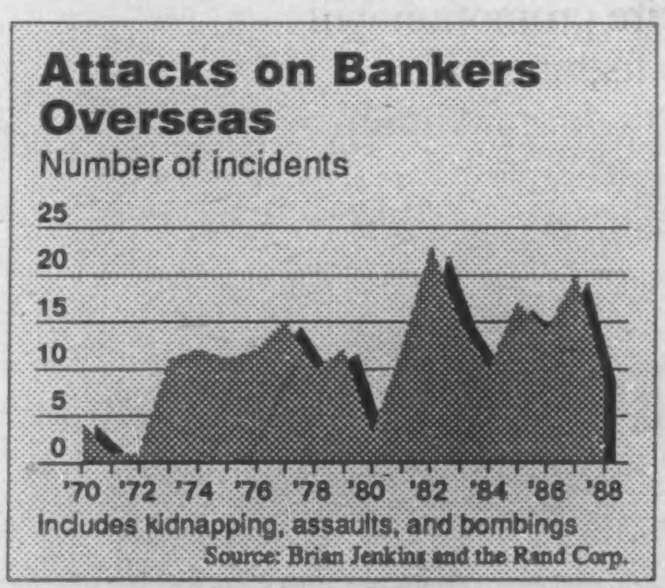
Also, section 11(d)(9) of the Federal Deposit Insurance Act, as amended, provides that an agreement may not

See COMMENT: Page 23▸

Mr. Cairns is a partner and Mr. Holmes an associate in the law firm of Willkie Farr & Gallagher. They represent both financial institutions and underwriters of the securities of financial institutions.

Crime Blotter

By **TOM LEANDER**



Source: Brian Jenkins and the Rand Corp.

Consultant Offers Tips On Avoiding Risk Abroad

The terrorist bombing last week that killed a prominent West German banker has renewed interest in security measures to protect U.S. bankers overseas.

Don Walker, an expert on corporate security, offers a number of pointers for banks seeking to bolster protection for executives stationed abroad.

Don Walker

- A careful assessment of the prospective country's risk level should be carried out by a consultant. A consultant can also provide strategic defense information such as the most common assassination methods used by local terrorist groups and names of contacts among foreign police and embassy staffs.
- U.S. banking executives should avoid being conspicuous in foreign countries. They should drive in automobiles manufactured locally, and reserve airline tickets without reference to their position.

Mr. Walker's Nashville-based firm, Business Risks International, has advised over 60 banks on corporate security. Foreign risk assessments also are offered by Kroll Associates, a New York investigation firm, and London-based Control Risk.

• • •

Suspect Nabbed in Wiring Of Bank Teller with Bomb

A man accused of abducting tellers and forcing them to rob banks has been apprehended by Pennsylvania police.

Ralph Stephen Gambin, 42, has been indicted in Pennsylvania in connection with the robbery of a Security Pacific National Bank branch in Torrance, Calif., last year. Mr. Gambin is accused of kidnapping a bank teller, strapping explosives around her waist, and forcing her to steal $410,000 from the bank branch where she worked.

The FBI said it suspects Mr. Gambin and two accomplices of also breaking into the Buena Vista, Calif., apartment of a bank teller and holding her family hostage while they forced her to return to the bank where she worked and steal $190,000.

The FBI also suspects Mr. Gambin and his accomplices of three other California bank heists involving the kidnapping of tellers. Their combined robberies netted them almost $1 million, according to Jim Neilson, a spokesman for the Los Angeles Federal Bureau of Investigation.

NCNB Visa Holders Billed For X-Rated Phone Calls

Visa customers of NCNB have been hit by a nettlesome fraud: phony charges from a California dial-a-porn service.

The Charlotte, N.C.-based bank has received 25 to 50 complaint calls a month since the beginning of this year from customers saying the charges have improperly been placed on their accounts, according to Ellison Clary, a spokesman for NCNB.

Officials at NCNB's bank credit card division say that holders are not responsible for the charges, which usually do not run more than a few dollars. But each time the bank receives a complaint, it has to close an account and issue a new card – a time-consuming and costly task.

The pornographic service has been investigated by NCNB and is not connected with the fraud, the bank said.

• • •

Dallas Grand Jury Indicts Vernon S&L Customers

The collapse of Dallas-based Vernon Savings and Loan two years ago has led to the indictment of two of the thrift's biggest customers.

W.O. Rothwell and R.H. Westmoreland, both of Dallas, were indicted by a federal grand jury for conspiracy to conceal more than $815,000 in commission income from real estate transactions financed by Vernon.

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 133 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President
Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription Rates: U.S. $635 a year; Canada $815. Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER Cable Address: AMERBANKER New York. Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

American Banker

SPECIAL REPORT

'Security issues will have a major impact on ATMs in the 1990s.'
– Linda Fenner Zimmer
–page 14–

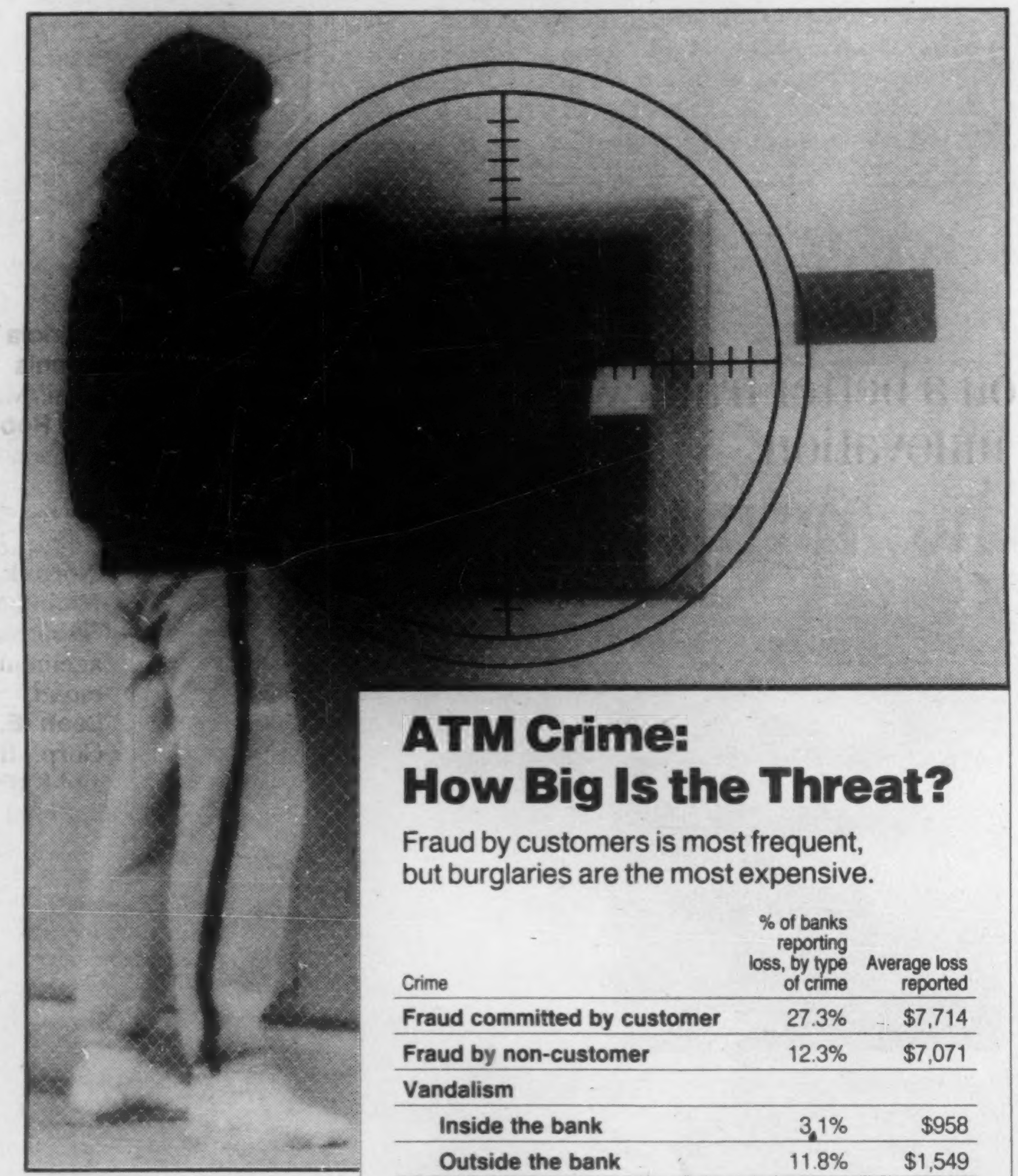
ATM *Security*

OVERVIEW

Are Automated Tellers Also Automatic Threats?

Probably not yet. But crimes related to ATM use are increasing and banks face lawsuits seeking damages. Legislation on safety, which appears inevitable, could also significantly increase costs.

By REBECCA COX



Robert Paul Molay

ATM Crime: How Big Is the Threat?

Fraud by customers is most frequent, but burglaries are the most expensive.

Crime	% of banks reporting loss, by type of crime	Average loss reported
Fraud committed by customer	27.3%	$7,714
Fraud by non-customer	12.3%	$7,071
Vandalism		
Inside the bank	3.1%	$958
Outside the bank	11.8%	$1,549
Off-site	5%	$1,844
Burglaries		
Inside the bank	0	0
Outside the bank	0.7%	$4,933
Off-site	0.2%	$27,000
Criminal acts against customers		
Inside the bank	0.6%	$466
Outside the bank	3.7%	$449
Off-site	0.6%	$227

Source: American Bankers Association survey of 873 banks

WHAT began as a boon for bank customers is turning into a bane for banks as more financial institutions realize they could be held liable for crimes related to automated teller machines.

"Everyone is worried about lawsuits," says C. Howie Hodges 2d, manager of the security and risk division of the American Bankers Association. "This area is very hazy from a bank-defense point of view."

Bankers' consternation over being held liable for such crimes has increased as the possibility of new federal, state, and local laws seems more likely. Debate over possible legislation will not only draw more attention to the situation, but it could also considerably increase banks' expenses in offering ATM services. ATM crime – an issue bankers might like to ignore – could cost banks big bucks.

"Bankers are concerned," says Noel H. Nation, a partner with the law firm Baker & McKenzie, Miami. "It is a marketing issue and a consumer issue that any businessman should be concerned about."

Up to now, bank losses from ATM crime and resulting lawsuits have been limited. The number of reported robberies has been low, as have the sums lost and the threat to safety.

But crimes are perceived to be on the rise, as are potential losses to banks through lawsuits.

In one lawsuit, a Florida court awarded $1 million to a man who was shot in the face while depositing funds in a the night depository of a Barnett Bank. Lawyers say this case provides some precedent for prosecuting cases involving similar crimes at ATM sites.

Another lawsuit, brought against Cash Station and its 379 member financial institutions after the murder of a Chicago woman who was forced to withdraw funds from a local ATM, is still moving through the courts.

"The law is split in how it perceives the responsibility of a financial institution," says Mr. Nation, who represents an ATM-related trade group. "A small number of jurisdictions take the view that it will be a long day in coming before a court will impose a duty [fine] on a financial institution for a crime it did not cause.

"On the other end of the spectrum is a view in the law supported by the Barnett Bank case, where they found that prior criminal activity at a site did give rise to responsibility on the part of the bank to provide greater protection to customers."

Lawsuits can be complicated by a host of legal issues that have yet to be addressed. For example, if an ATM is located in a dangerous neighborhood, should it be closed?

If the ATM is not closed, and a customer is attacked, the bank leaves itself open for a lawsuit. But then, if the ATM is shut down, the bank could be opening itself up to a challenge from activists under the Community Reinvestment Act.

However, "in most cases the bank simply cannot be found negligent unless they disconnect their camera or let the light bulbs burn out, or show some kind of reckless disregard," says Brian Muys, a spokesman for the ABA.

Legislation at the local, state, and federal levels has attempted to answer such liability questions. Most of the legislation aims to set down guidelines for safety, including lighting, surveillance cameras, and silent alarms.

The Chicago city council, for example, contemplated passing guidelines on ATM safety after the death of the Chicago woman. But the legislation was abandoned after trade groups, bankers, and ATM networks agreed to form a task force to outline safety standards for ATMs.

Los Angeles also is considering setting lighting requirements for ATMs.

Bankers currently follow loosely defined industry guidelines on the degree of lighting needed at ATM sites and the placement of cameras, for example.

"Right now, banks are using industry standards for security that are self-regulating," says Mr. Hodges of the ABA.

The Federal Reserve Board of Governors is considering adding details on ATM usage and installation to Regulation P of the Bank Protection Act of 1969.

"Every time our security group gets together, it's a hot topic," says Mr. Hodges.

"They will probably mandate some type of enhanced standards of security," he adds. The regulation does not now address ATMs, and only outlines safety guidelines for night depositories, bank vaults, and other bank security matters.

However, Mr. Nation says he is wary of hasty legislation, which would fuel lawsuits against banks. "If a law provides a laundry list of things to be considered in connection with a site, it gives a plaintiff's lawyer the ability to say 'Ah ha, you don't have this, why not?'

"I think financial institutions are better off with evolving tort law theory, and informing the public with leaflets and envelope stuffers," concludes Mr. Nation.

Security issues were first raised when industry trade groups began studying ATM-related crimes in 1986. The studies indicated a growing problem and a need for greater security, but crime figures are sketchy at best.

The problem of identifying such crimes is compounded by the difficulty of gathering statistics and the lack of an accurate definition of an ATM crime.

Often, ATM crimes are secondary to other crimes – a robber, rapist, or kidnapper may bring his victim to a machine to withdraw funds.

"If you are accosted in your home and you happen to have an ATM card in your hand, law enforcement officers classify that as an ATM crime," says Mr. Hodges. "But from the banking perspective, it's an ATM crime only if you get hit while you are pulling the card and the money out of the machine."

Because of contention over the definition of an ATM crime (which trade

Continued on Page 20 ▸

Inside This Section:

Five mini-profiles of ATM cops who watch over machines. 12

Q&A with ATM maven Linda Fenner Zimmer: Banks must learn from past mistakes. 14

American Banker asks experts if banks are doing enough to insure safety. 16

Bankers say 'incidents' are rare but legislators are still likely to intervene. 17

Despite the murder of an ATM customer last spring, Chicagoans are using local networks more than ever. 18

Network strategies include audits, spot-checks, and a precise definition of crime. 18

Cameras serve double duty: crime deterrents, detection devices. 20

How can banks mount the best defense to their growing liability? 21

Are service teams sitting ducks? 22

BUY ONE
ONE HALF PRICE
PAN AM
DollarDryDock Travel Services

Photos by Robert Paul Molay

PRACTICING WHAT SHE PREACHES: Linda Fenner Zimmer is not afraid to use ATMs. "There are more humans involved, lives endangered, and harm done in bank lobbies that at ATMs."

Safety Issues Shaping Future ATMs

Banks must learn from past mistakes while there's still time, warns specialist.

BANKS have spent $3 billion on automated teller machines since the late 1960s, says payment services specialist Linda Fenner Zimmer, but they still are adrift, without goals or strategies for maximizing the payoff on that investment.

"Not enough priority has been given to ATMs and the retail side of electronic funds transfer to merit action," she says. "Corporate EFT is the hot button right now, but attention will come back to the retail side if we get some innovative approaches, leadership, strategies, and a sense of direction and purpose."

Now, network consolidation and increased attention to ATM security are giving banks an opportunity to make up for past mistakes. In an interview with *American Banker,* Ms. Fenner Zimmer discusses the implications of those two forces on the future of bank ATM services.

Julie A. Monahan conducted the interview.

Q Are the networks and the banks doing enough to insure customer safety and to protect themselves against fraud?

Ms. Zimmer: Fraud is not the concern. We can recover from fraud.

It's people and it's injuries. The banks and the networks have been slow to take action on some of the secure aspects of ATMs. As we progress and more incidents have happened, some banks have paid more attention to their locations. But there are still locations out there in dark spots with shrubs that need trimming. Banks that are active have installed phones and cameras, cut back the bushes, and increased lighting.

Q How serious a threat is ATM crime?

Ms. Zimmer: There are more humans involved, lives endangered, and harm done in bank lobbies than at ATMs, but it's the ATMs that are hitting the headlines. It's being blown out of perspective, but darn it, the industry should react by helping the consumer use common sense and perhaps even relocating their machines.

We might have to move in that direction. Maybe you won't see freestanding ATMs – at least not in the center of a parking lot. Maybe a utility will take responsibility for these off-premise machines, spread the liability, and keep it safe and secure. It could force us back to cash dispensers. It could spur individual institutions to install more machines in secure locations, such as supermarkets, hospitals, and corporations.

Q What do you think will be the major catalyst spurring the industry onward in the 1990s?

Ms. Zimmer: I suspect that security issues will have a major impact on the shape of ATMs in the 1990s. It could be that banks will want to go back – and we're hypothesizing here – to a proprietary program on-premise and join a utility or a shared program off-premise. The advantage of that is banks could go back to calling their own shots and serving their consumers and working on product differentiation but still serve the needs of the traveler.

Q What impact will continued consolidation of regional networks have on bank ATM programs?

Ms. Zimmer: This is a prime opportunity. As networks consolidate, it gives members a chance to say, "Wait a minute. I'm becoming a smaller fish in a bigger pond with less to say. Why am I in here?"

Everybody will stay in the networks, but it will be a different relationship. The networks are going to have different things to offer. There has to be more standards and fewer offerings, in my mind, if we are getting this bigger network. It's a wonderful opportunity to sit back and take a hard look at our ATM programs, especially if we're going into replacement. Almost 50% of ATM orders are for replacement machines. If we say by rule of thumb that a new machine is $30,000, then 10 are $300,000. Well, we're in tight-money times, so let's say, "Hold it. What do we want from ATMs?"

Q Are ATMs meeting the desired objectives?

Ms. Zimmer: ATMs are still not exactly profit centers at the majority of financial institutions. They are a necessary evil in the minds of senior management. One thing that could get ATMs going again would be to get top management involved again. Right now ATMs are just squeaking by on skeletal funds. Philadelphia National, Bay Banks, and Citibank are exemplary examples of what you can do. They have the strategy, top management support, the funding, and the direction.

Q Are there some bright spots for ATMs as we head into the 1990s?

Ms. Zimmer: EFTA [the Electronic Funds Transfer Association] is revamping. Maybe it will come back and provide a leadership role but the association is more promotional and education-oriented.

The ABA has established a new policy payment systems committee. Perhaps that will bring back senior management interest and involvement.

These branches and banks of the future are an intriguing spot on the horizon. Now that Mac [ATM network] is committing to it and planning to install these banks of the future, it may well play into the '90s, where we're talking about "How do I make my bank different from the bank next door with technology and self-service?" A bank may say, "I don't want the network to be able to use my statement printer. This is my service for my customer, and that's why they bank with me and not the guy across the street."

Q What new services or options do you see being added to ATMs?

Ms. Zimmer: Everybody seems to be caught up with trying to put as much as possible on one machine. They are trying to generate volume, but sometimes I think banks have not thought it through very well. They haven't thought about what they are trying to do when they put a statement printer on an ATM. If the machine is in a high volume location, anything that holds up that line is going to give you headaches. People will step out of the line and go back to the lobby or maybe elsewhere.

It seems to me the machine is vulnerable with statement printers and other options in less secure locations. Certainly you wouldn't put them on off-premise machines. You might have some of these machines loaded to the hilt in a semisecure environment. We're also going back to the branch of the future where there is a family of terminals. There is a place for bells and whistles, but I would like to see them separate, which is what Philadelphia National is doing.

Q Do you think the industry is stumbling in pricing ATM transactions?

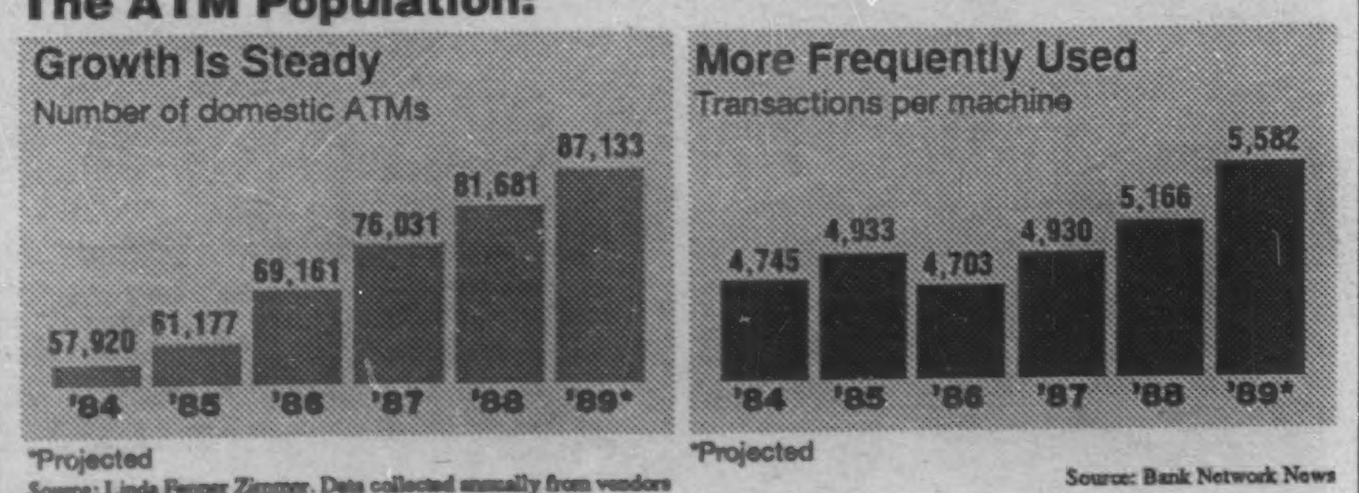
Ms. Zimmer: ATMs and preauthorized payroll deposits are all exceptions to our paper-based checking accounts. What is EFT doing to this paper-based system? Bankers say the ATMs can print customers' last seven transactions, but the charge is $1. After seeing all these fees, it may be easier [for consumers] to go back to writing checks and using the teller in the lobby – and I do see some hints of that. We should give customers a few free rides on the statement and the balance inquiries before we charge them each month.

> 'After seeing all these fees, it may be easier [for consumers] to go back to writing checks and using the teller in the lobby.'
>
> — Linda Fenner Zimmer
> Payment Services
> Specialist

Q Do you see increasing attention to ATMs by the government?

Ms. Zimmer: The fact that California is mandating that banks provide access to their ATMs by the handicapped does not concern me, but there's this little voice in the back of my head getting nervous. Government is starting to step in more and more in the EFT/ATM environment, which [means more] restrictions. Rules and regulations multiply incredibly and add all kinds of costs, which will be passed on to consumers, who are already getting price-sensitive. The federal government is also considering security measures for ATMs. Illinois is considering licensing ATMs or shutting them down after 9 p.m. ■

The ATM Population:



*Projected
Source: Linda Fenner Zimmer. Data collected annually from vendors

*Projected
Source: Bank Network News

Julie A. Monahan is a business writer based in New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 11, 14, 20,
22

Cameras at ATMs Serve Double Duty

Some function as crime deterrents, others help apprehend the criminals.

By LISABETH WEINER

SOME say one picture is worth a thousand words. But in the case of a Cleveland serial rapist, one picture turned out to be worth about 1,055 years – in jail.

And the picture that provided the clue that led to the capture, arrest and conviction of this man came from a surveillance camera at a teller machine.

A number of crimes have been solved with the cameras that record ATM transactions. In Dayton, Ohio, a transaction camera was helpful in tracking a rapist. On the other side of the coin, if a camera had been in place in 1987 at First Atlanta bank, it could have helped capture a kidnapper and killer who brought his victim to an ATM to withdraw cash.

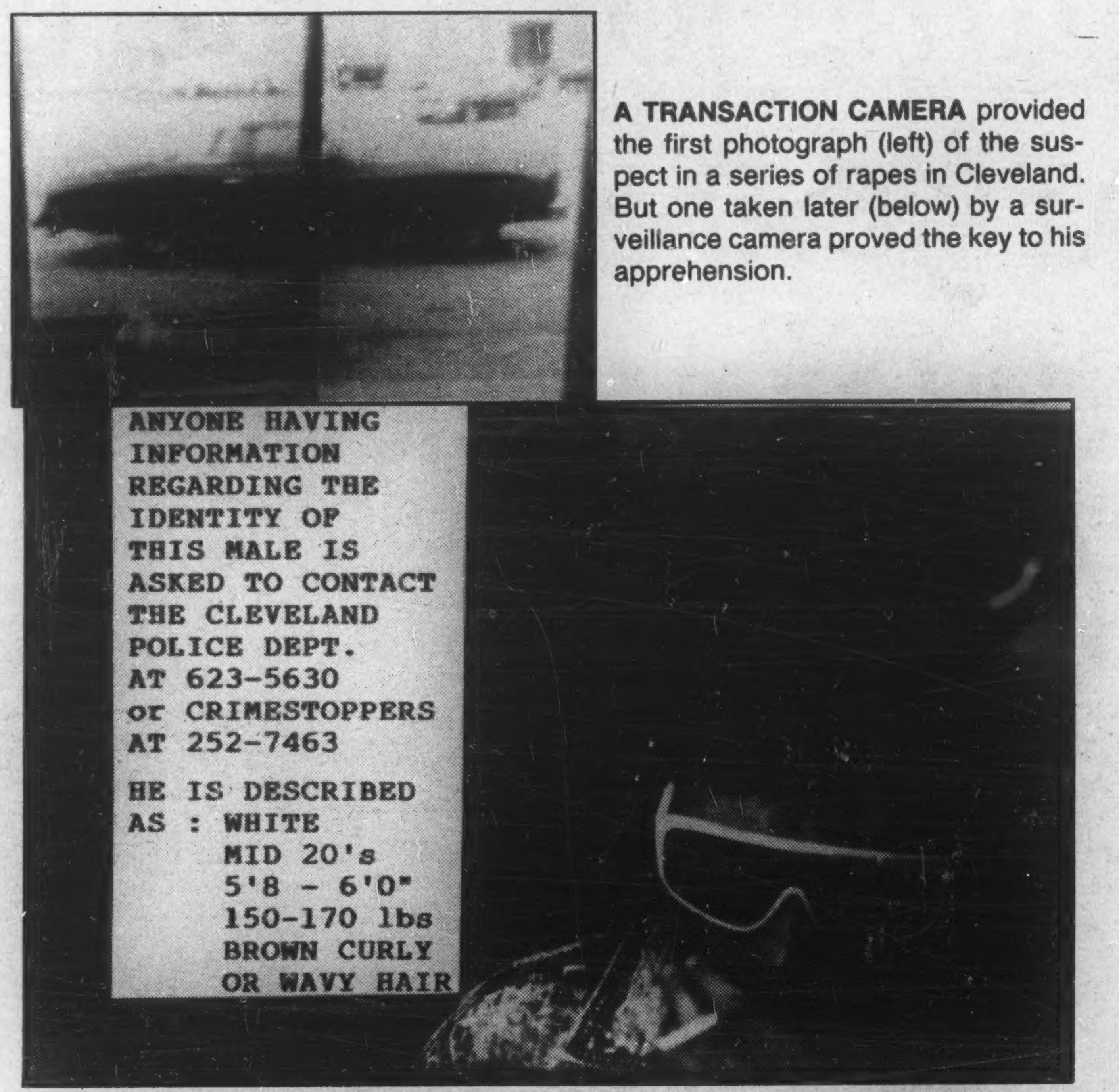
Banks are not required to have cameras at their ATM sites. But banks' responsibilities concerning the processing of what is recorded and their role in law enforcement are under increasing scrutiny. In fact, some say cameras are vital. One group of bankers is lobbying the Pulse network to raise interchange fees for sites without cameras.

But like many issues facing banks, the use of cameras for security purposes must be measured in terms of cost. Transaction and surveillance cameras can cost between $300 and $1,200, says Paul Feaser, manager of product management and marketing for Diebold Inc. of Canton, Ohio, which sells ATMs and security devices. Other estimates put the cost as high as $6,000.

Cost Is a Determinant

Many banks think the best way to deal with the problem is just to educate their customers about ATM safety. In the meantime, banks must determine where the cost of these cameras can be justified.

Boris Melnikoff of First Atlanta Bank and a spokesman for the American Bankers Association on ATM security, says at best the camera should be viewed not as a deterrent to crime but as an apprehension device.



A TRANSACTION CAMERA provided the first photograph (left) of the suspect in a series of rapes in Cleveland. But one taken later (below) by a surveillance camera proved the key to his apprehension.

Robert Dunn, who heads investigations at Ameritrust, says, "It's like anything else. A lot of times something just sits there until it's needed. And then it's very helpful."

In the Cleveland rape case, the camera was key.

For four years, 28-year-old Ronnie Shelton, a Cleveland-area resident, had been terrorizing the women of the city on Lake Erie. He broke into their homes at night and raped them.

When he first began his spree, he took any money that was available. But during the last year of his rampage, he began taking his victims' ATM cards and personal identification numbers.

Because the ATMs were such an integral part of the crimes, the Cleveland police department was able to determine the pattern to his crime.

"He really understood how to use ATMs. There were no false starts. He knew how to ask for a balance inquiry so he never overdrew the account or did anything to create suspicion," one police officer familiar with the investigation says.

And the more the rapist used the ATMs, the more proficient he got.

For instance at one point the transaction camera at an ATM he used snapped his picture.

"He was wearing a pair of sunglasses that were very large and distinctive. It was a good picture – a very narrow, very tight focus of his head and shoulders. So we distributed that to crimestoppers and his picture appeared on TV," the police officer says.

But the next time the rapist spotted a transaction camera at an ATM, he hid his face behind a newspaper.

At one point he used one machine twice. Cooperating with the police, the owner of the ATM, National City Bank, put a surveillance camera at the facility in case he decided to come back for a third time. He did not.

During all of this, the Cleveland police department learned a lot about ATMs.

First they learned that security measures are entirely discretionary and that security cameras can take many forms. In addition to being either surveillance or transaction cameras, they can be continuous or the kind that take pictures at intervals. Some cameras are obvious, designed to serve as a deterrent to crime, while others are hidden.

Cameras Are Varied

Transaction cameras are most useful in tracking down fraudulent use of the ATM. Surveillance cameras may be most helpful in areas that have problems with crime or are perceived as being unsafe.

It was a surveillance camera that helped capture Mr. Shelton.

Last October, Mr. Shelton committed a rape in early morning. At about 5 a.m., he took the bank card from his victim and drove to a nearby shopping center to use the ATM at First Federal of Lakewood, Ohio.

Unknown to him, a surveillance camera, one that scanned the outside of the facility taking pictures intermittently, photographed his car as he parked it on the street. It photographed him as he walked into the ATM lobby. Mr. Shelton put a newspaper over his face while he conducted the transaction. But the surveillance camera caught shots of the passenger side of the car as he backed into the parking lot and drove away.

The police made the connection between the pictures and the assailant based on the time of the rape and the time the victim's account was activated.

Mr. Dunn, who heads investigations at Ameritrust where the rape victim had her account, says "Several weeks after the pictures were taken, an off-duty supervisor spotted the car and got the license number. He was captured shortly after that." The rapist was convicted and is now serving a long prison sentence. ■

Are Automated Tellers Also Automatic Threats?

► Continued from Page 11

groups prefer to call an 'incident'), some bankers are playing down the impact it could have on customers. A lack of reliable statistics also makes it hard for critics to prove their fears are not just a reaction to the latest headline.

"We are always concerned about our customers' well-being, but to date we have not had any problems in this area," says John R. Hawken, director of security for Boatmen's Bancshares Inc., a $15 billion-asset bank in St. Louis. "We have had no indication that customers are worried about using ATMs."

Trade groups also try to deemphasize the frequency of ATM crimes.

"The number of incidents reported is not even a percentage point when compared with the number of transactions," says Mr. Hodges.

"People walking into a bank branch stand a better chance of witnessing a robbery than they do witnessing one at an ATM."

But, says Mary Beth Resin, assistant vice president and director of loss prevention for AmeriTrust, Cleveland, "The issue is there. It's not being ignored by any means, [but] I think what is happening is that a few incidents are getting an awful lot of attention."

One incident that generated an enormous amount of notice, and one that spurred bankers to take a closer look at security, and their liability in case of an attack, happened in Illinois last June.

A 24-year-old Chicago woman was accosted in her apartment building and forced to withdraw $400 from a Cash Station ATM before she was shot in the head. The woman, Dana Feitler, died several weeks later from the wound. Two other Cash Station users brought a class action against the network and its member banks. The suit has not been resolved.

In mid-November, a General Motors executive and his wife were murdered in suburban Detroit after they were abducted and forced to withdraw cash from an ATM.

Such violent crimes, following or preceding robberies, appear to be increasing.

In January, *The Nilson Report*, a credit card newsletter, predicted that 1,531 violent crimes – murders, muggings, robberies, rapes – related to use of ATMs would occur in the United States this year. That is an average of 4.2 crimes daily and one for every 45 machines.

At that rate, Bank of America, which owns the most ATMs, would average one violent crime every 10 days, and Wells Fargo and Citibank one every two weeks, not including crimes against service personnel, according to *The Nilson Report.*

"ATM crime on a national scale can be estimated in advance with the same degree of accuracy as the number of traffic accidents over a holiday weekend," the newsletter concluded in January.

ATM crimes can be estimated with similar accuracy with a system developed by Cap Index. The company, based in King of Prussia, Pa., uses a mathematical model based on Census Bureau information and criminal justice data to predict the vulnerability of specific ATMs to criminal activity.

The index assesses the probability of homicide, rape, robbery, assault, burglary, larceny, and auto theft per installation.

"What we've done is taken a mathematical model and predict where violent crime is likely to occur, and it's highly accurate," says Frederick A. Bornhofen, vice president and general manager of Cap Index. "We actually developed it for convenience stores."

Cap Index has been hired by Northern Trust Bank, Chicago; First City Bancorporation of Texas, Houston; AmeriTrust Co., Cleveland; and First Bank, Minneapolis, to evaluate their security systems, including branch and ATM vulnerability to crimes.

An ATM's location seems to be closely related to the amount of crime. Two weeks before Ms. Feitler was shot, Cap Index assigned a nearby ATM the highest risk rating possible.

"We rated an ATM for Northern Trust in Chicago about a block away from where the incident occurred," recalls Mr. Bornhofen. "It had the highest rating number we had seen – 1,500 – so we remembered it."

The system is only a year old, and banks using it say it is one of many factors used to determine the safety of a branch or an ATM location.

Although violent crimes have grabbed most of the headlines, they are just one of bankers' safety concerns. Fraud and stolen data, not crimes, account for banks' largest losses from ATMs.

The Bank Administration Institute reported that in 1986 $40 million was lost through fraud, and 90% of that was through customer fraud.

As technological expertise becomes more common, criminals become more sophisticated and seek larger sums, according to consultants. ■

American Banker
FEATURES DEPARTMENT

Patricia Stundza
Feature Editions Editor

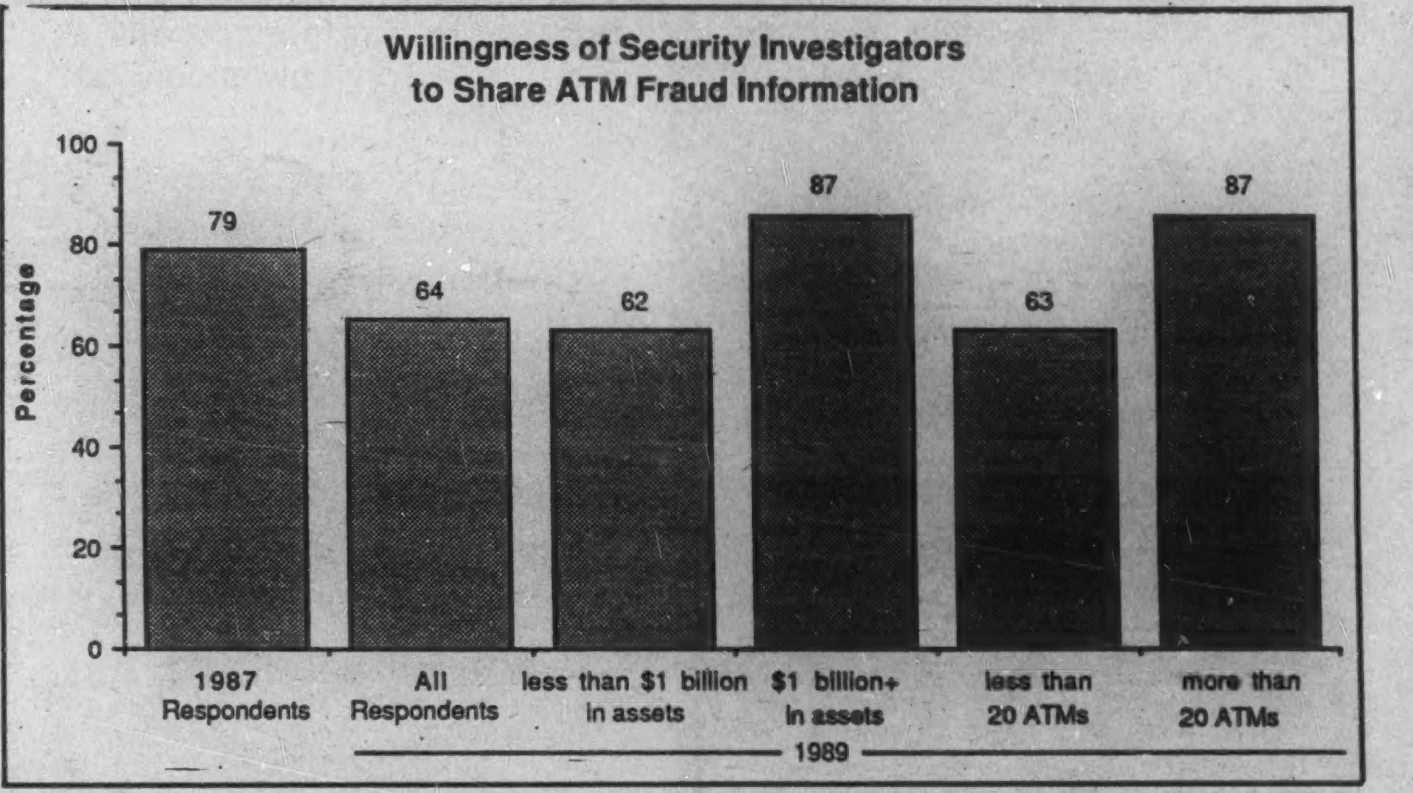
Suzanne Christy
Assistant Feature Editions Editor

Judy Ferring
Assistant Feature Editions Editor

ATM Anti-Fraud Measures Evolving

Operators surveyed on thefts' detection, claims processing, and prosecution.

By MARJOLIJN VAN DER VELDE
Bank Administration Institute
Rolling Meadows, Ill.



AUTOMATED teller machine fraud is a concern of all operators, regardless of asset size, geographic location, or size of the ATM base.

To determine how financial institutions manage ATM fraud, Bank Administration Institute did a nationwide research study of bankers' policies to detect and report fraud, practices in fraud claim processing, and relationship with legal authorities.

A total of 1,219 financial institutions responded to the survey, providing information on calendar year 1988. This research updates and expands on information gathered in the institute's first study, in 1987, which was based on 1986 data.

Financial institutions participating in the most recent research had an installed base of 16,502 ATMs; they had issued 22,607,700 validated ATM cards and 4,935,800 ATM-usable credit cards. Monthly volume per ATM averaged 5,794 transactions.

The research indicated the average financial institution had 62 cases of ATM fraud in 1988 for a total loss per institution of $5,556. One case of fraud was reported for every 28,070 ATM transactions.

Detecting and Reporting Fraud

The proportion of financial institutions that routinely review usage reports to detect suspect activity rose from 54% in the 1987 survey to 60% in 1989. Using kiting reports is the more favored method to detect ATM fraud.

In 1986, ATM deposits were routinely mentioned in kiting reports at 52% of the participating organizations. That percentage increased to 64% in the 1989 survey.

Asset size or numbers of installed ATMs clearly are factors in whether kiting reports are used. Financial organizations with $1 billion or more in assets and ATM operators with 100 or more machines reported the greatest usage rates. This would indicate budgets and staffing levels can affect use of this fraud management technique.

"Hot carding" an ATM card after a report that it has been lost or stolen is a nearly universal practice; 98% of the sample indicated they do this. Of the 29 financial institutions that did not "hot card," 19 had fewer than 5 ATMs; one reported a base of more than 100 ATMs.

The willingness of security investigators to share information in their geographic areas was one of the more informal techniques financial institutions used to deter fraud.

Surprisingly, the percentage of organizations sharing data declined. In the 1987 survey, 79% stated that they shared data, but only 64% did so according to the 1989 survey.

Asset size and number of ATMs were factors. Among financial institutions with assets of $1 billion or more and those with more than 20 ATMs, 87% shared information. Just 62% of the organizations with less than $1 billion in assets and 63% of those with fewer than 20 ATMs shared data.

Claim Processing

Financial institutions can use a number of techniques during claim processing to decrease ATM fraud. Among these are requiring the customer to sign an affidavit, reminding customers of penalties for false claims, and referring intentionally false claims for criminal prosecution.

Requiring customers to sign an affidavit claiming unauthorized ATM use has been, and continues to be, the most common technique used by financial institutions.

However, the level of use in 1989 (74%) was lower than that reported in 1987 (86%). Only financial organizations with 100 or more ATMs used affidavits with a frequency to match the 1987 rate of 86%. This group of ATM operators also had the highest reported rate of fraud, an average of 375 cases and a loss of $61,265 per institution.

While reminding customers of the criminal penalties for false claims was the second-most-used technique in both 1987 and 1989, the industry average fell slightly, from 68% in 1987 to 64% in 1989.

Referring customers for criminal prosecution if they intentionally make false claims was done by 71% of the respondents. Bankers also indicated they have developed strict codes of ethics for employees in claims processing – 89% stated they would refer employees suspected of misappropriating bank funds for criminal prosecution. Financial institutions with assets under $100 million were the most likely to follow this practice (90%) and organizations with $550 million to $999 million, the least likely.

State and Federal Prosecution

The relationship of a financial institution with law enforcement agencies is the final link in the industry's effort to control ATM fraud losses. A strong working relationship can enhance a financial organization's entire fraud program.

Over the past two years, the degree of cooperation survey respondents received from the local prosecuting attorney's office has met with mixed results.

While 47% in the 1989 survey reported "excellent" or "good" cooperation in ATM fraud cases they refer for prosecution – up from 39% in 1987 – the percentage of financial institutions calling the level of cooperation "fair" or "poor" also increased. The highest satisfaction ratings came from financial institutions with 50 to 99 ATMs: 45% rated the degree of cooperation with the local prosecuting attorney's office as excellent.

Bankers were also asked whether the prosecuting attorney's office required certain pieces of evidence in order to prosecute an individual in an ATM fraud case. A minimum of four pieces of evidence was most likely to be required for either state or federal prosecution. They are:

- An affidavit signed by the customer.
- ATM transaction log.
- Picture of the accused individual from a camera.
- Audit tape from the ATM.

A minimum dollar threshold was required by 24% of the state prosecuting attorneys (minimum loss of $1,500) and 31% of the federal prosecuting attorneys (minimum loss of $5,100).

Recommendations

Internal procedures to detect and report fraud are often the first line of defense.

In too many financial institutions, ATM fraud policies are established in a vacuum; they are set by only one unit in the organization. Whether the functional unit is ATM operations, security, or branch management, to name a few, this approach is short-sighted.

To be most effective, these policies should be established in a process involving all concerned parties – ATM operations, security, auditing, retail banking, and marketing.

Once general policies have been adopted, internal procedures must be developed to ensure prompt handling of any situation that falls within the guidelines. Efficient claims processing and an effective working relationship with local, state, and federal prosecutors are critical to enforcing fraud policies.

Financial organizations should take the following steps to manage their anti-fraud efforts effectively:

- 1. Determine which internal reports have the best information for detecting fraud and use them routinely.
- 2. Strengthen communications with security officers at other financial institutions in the marketplace.
- 3. Examine ATM claims-processing procedures to ensure that proper controls exist.
- 4. Be proactive in communications with law enforcement agencies.
- 5. Determine evidence and dollar amounts required by each agency for ATM fraud prosecution.

As with most issues facing the industry, no magic solution exists to ATM fraud. But a financial institution must be proactive in its approach, proactive in developing and managing the necessary information systems, proactive in maintaining staff to carry out the required policies, and proactive in improving communications with other financial institutions and law enforcement agencies.

Those who consider ATM fraud "the cost of doing business" will find that their "costs" only increase. ■

Editor's Note: This article is based on the Bank Administration Institute's new research report on ATM security, which will be released at the institute's Retail Delivery Systems Conference in New Orleans today.

How to Minimize the Danger

1. Minimize barriers – including shrubbery, landscaping, tinted glass, curtains or blinds, and signage – that block visual access to the ATM from the nearest sidewalk, street, or pedestrian walkway.

2. Establish and maintain minimum lighting standards for ATMs, and the nearest parking areas and pathways. These areas must be monitored regularly for burned-out bulbs or other changing conditions.

3. Consider the uniform use of wide-angle transaction cameras, continuous-operation transaction or surveillance cameras, and installation of a camera inside the ATM service area, with remote monitoring and recording.

4. Consider having both regular-hours and after-hours ATM servicing and replenishment (especially off-site) done by two-person service teams.

5. ATM servicing policies, including robbery policies, should be in writing. ATM service teams should receive preservice and periodic in-service training on ATM security issues, policies, and practices.

6. Consider equipping bank ATM service teams with portable two-way radios and/or other alarm devices, and/or using appropriately-trained and equipped third-party servicers.

7. Reports of ATM service team-related crime must be thoroughly documented and tracked by a central person or office in each financial institution. Reports of serious incidents and corrective actions also should be directed to corporate legal counsel. Share information between bank branches in the same city or region, and among bank security officers and local law-enforcement agencies.

And Tell Your Customers:

8. Never write a personal identification number on the back of the ATM card. One recent survey revealed that 25% of all customers make this mistake.

9. Don't write the PIN on a piece of paper and then tuck it into a wallet or purse. A purse snatcher can figure out what the number stands for and use it.

10. When selecting a PIN, stay away from birthday and anniversary dates. Most card thefts are committed by people known to the cardholder.

11. Especially when in a rush, remember to take the ATM card out of the machine. About 30% of all customers leave the card in the slot, making it easy for the next person to gain access to their accounts.

12. Don't leave a wallet or purse in an unlocked gym locker.

13. Never leave an ATM card in an unlocked car or in a purse on top of or underneath a desk at work. Don't leave the purse unattended in a restaurant either.

14. When a family member is admitted to a hospital or nursing home, make sure to take his or her ATM cards and put them in a safe place. Many of the ATM card losses reported involved cards stolen from patients. □

Reprints

To order additional copies of this special report, call Martha Hernandez at 800-367-3989 outside New York or 212-943-4845 in New York State. Fax orders will be accepted at 212-480-0165.

800

C0175-7

American Banker

The Daily Financial Services Newspaper

VOL. CLIV NO. 238 Thursday, December 7, 1989 154th Year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

ATM Crime Is Down In Past Two Years, Trade Group Finds

By YVETTE D. KANTROW

NEW ORLEANS — Despite growing public concern about crimes at automated teller machines, a Bank Administration Institute study shows that the number of ATM-related crimes has dramatically decreased over the past two years.

But institute executives and other observers of the electronic funds transfer scene say the results do not mean ATM users are safer today than they were two years ago.

According to the study, crimes were committed against ATM users last year at the rate of one for every 9.9 million transactions. That is a dramatic decrease from 1986, when a violent crime occurred once for every 3.5 million transactions.

Projecting these statistics nationwide using transaction figures reported in *Bank Network News*, a Chicago-based newsletter, 455 ATM-related crimes were committed in 1988, less than half the 1,029 incidents in 1986.

The trend runs counter to the popular perception that users of ATMs are increasingly at risk of being mugged, robbed, or worse, particularly after banking hours or in remote locations. In one particularly violent incident this year, a woman in Chicago was abducted, forced to remove money from an ATM, and then killed.

"You can't assume that ATM crime has gone down but clearly it is not as bad as it has appeared to be," said David Van L. Taylor, a group executive at the Rolling Meadows, Ill.-based trade group. "We can't prove it but we know there are pockets of problems out there."

Similar sentiments were expressed by David Robertson, research director for *The Nilson Report*, a Los Angeles-

See STUDY: Page 22 ➤

Secrecy Act Penalties

Biggest fines paid by banks
(In thousands of dollars)

	Year	Amount
Bank of America	1986	$4,750
Crocker Bank	1985	2,250
Texas Commerce	1986	1,900
Seattle First National	1985	697
Security Pacific	1986	605
MBank	1986	600
Bank Leumi	1989	**533**

Source: Treasury Department

Bank Leumi to Pay $533,000 for Role In Cash Laundering

By REBECCA COX

NEW YORK — Bank Leumi Trust Co., New York, has been assessed $533,000 in civil and criminal penalties for failing to file currency transaction reports on a customer allegedly engaged in a $9.5 million money-laundering scheme.

The total – $291,000 for civil violations of the Bank Secrecy Act and $242,000 for criminal misdemeanors – is among the largest ever paid in a case involving faulty reporting of cash transactions of more than $10,000.

The bank pleaded guilty Wednesday to the criminal charges, agreeing to pay the maximum fine on 242 federal misdemeanors related to the civil violation. The guilty plea was entered before Judge Joseph M. McLaughlin in U.S. District Court for the Eastern District of New York in Brooklyn.

Bank Leumi, a $3 billion-deposit subsidiary of an Israeli bank, is the latest to feel a crackdown by the Treasury Department on banks that have failed to comply with reporting requirements on large currency transactions. The

See BANK: Page 22 ➤

FDIC Warns of Higher Losses From Real Estate in 4th Quarter

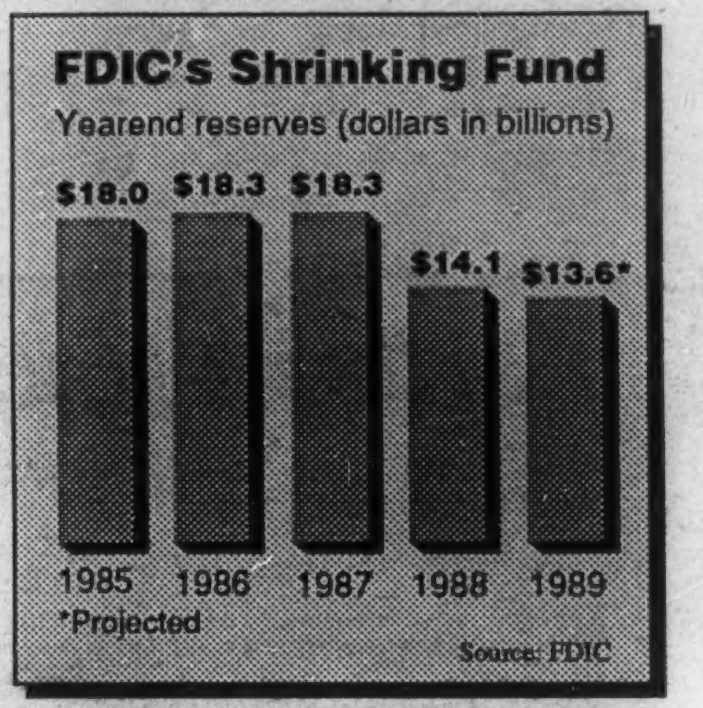
Industry Posted $744 Million Net Deficit in 3d Period

By ROBERT TRIGAUX

WASHINGTON – Huge loan-loss provisions led to a whopping third-quarter loss of $744 million by the banking industry, the Federal Deposit Insurance Corp. reported Wednesday. But while bank earnings are expected to recover by yearend, the industry's heavy reliance on real estate lending to fuel asset growth will continue to cut profits, the agency warned.

Meanwhile, the FDIC said that its bank insurance fund would decline by between $250 million and $500 million this year, the second consecutive year that the cost of resolving bank failures will have exceeded revenues from premiums and investment earnings.

In 1988, the FDIC fund lost more than $4 billion. L. William Seidman, the agency's chairman, predicted that the fund's reserves would increase next year.


FDIC's Shrinking Fund

Yearend reserves (dollars in billions)

*Projected

Source: FDIC

Mr. Seidman also said the number of banks on the FDIC's "problem" list declined by 19%, to 1,134. And he predicted that bank failures would decrease next year. Since January, 192

See FDIC: Page 20 ➤

More Thrifts Challenge Capital Rules

By JIM McTAGUE

WASHINGTON — More thrifts are mounting court challenges against the tougher capital standards that take effect today.

For many, it's a life-or-death decision. Right off the bat, the rules could sink about 200 institutions and curb the activities of 600 more while they struggle to comply.

Some experts claim that, ultimately, the rules will kill the industry they are designed to save.

Three thrifts are asking judges to let them count regulatory goodwill and cumulative preferred stock as capital. Congress excluded those items, effective today, when it passed the thrift-bailout law last August.

The government had allowed special treatment for both regulatory goodwill and preferred stock to encourage healthy S&Ls to buy sick ones. The buyers are now accusing Uncle Sam of a "bait and switch."

Northeast Savings, Hartford, Conn., sued Tuesday in U.S. District Court for the District of Columbia. The $5 billion-asset thrift, with $210 million in goodwill, barely meets the new 1.5% tangible capital requirement after excluding goodwill and cumulative pre-

See MORE: Page 23 ➤

Today

Andrew C. "Skip" Hove Jr., a Nebraska banker, has emerged as a leading candidate for the FDIC board. — 3

Bankers Trust New York Corp. raised its investment banking business to a new level in arranging the sale of 54 branches by Meritor Savings Bank. 2

The FDIC gave undercapitalized institutions two extra months to give up their dependence on brokered deposits. — 2

Timothy Hartman's success as chairman of NCNB Texas National Bank will depend as much on his people skills as on his mastery of ledger sheets. — 2

Prodigy signed a pact with Nynex to establish data bases in New York and New England. — 2

Consumer Services — 16
Inside Financing — 24
International — 6
People — 18

B-NOTICES

DID YOUR SOFTWARE COMPANY NOTICE?

If your bank isn't well-prepared, you might want to call the company whose customer banks are. Always have been. Always will be.

1-800-327-1892.

THE KIRCHMAN CORPORATION

Twenty Years of Leadership In Banking Software.

A Service Member of American Bankers Association
P.O. Box 2269, Orlando, FL 32802

ULTIMATE WEAPON AGAINST CONSUMER CREDIT FRAUD

HAWK was developed by Trans Union to detect potentially fraudulent credit applications. Relying on the industry's largest file of fraud information, it is the most effective and cost-efficient fraud-alert system credit grantors can use to help keep costly frauds off their books. Write or call Trans Union, 111 W. Jackson Blvd., Chicago, IL 60604, (312) 431-5100.

HAWK®

A service of
TRANS UNION Credit Information Co.

COMMENT

Banks Shoulder Too Much of LDC Burden

By MATTHEW W. BARRETT
President and CEO
Bank of Montreal

THE world debt challenge is not a simple bank-loan recovery matter. It is an economic development problem that has threatened the global economy for more than seven years and continues to do so.

Only governments can take the leadership role on which a fair and lasting solution depends. All parties concerned – debtors, banks, governments, and official creditor agencies, including the International Monetary Fund and the World Bank – must cooperate equitably. Such an approach can ensure the prosperity that will allow us all to grow our way out of the debt crisis.

The Bank of Montreal set aside a total of $1 billion against possible losses on lesser-developed-country debt during the 1989 fiscal year because it recognized that this kind of cooperation was absent.

Many developing countries have not serviced their foreign debts in full since 1982. Consequently, the developing world has faced a serious shortage of much needed foreign investment. There is no doubt that the debtor countries are suffering, but their problems cannot be alleviated by commercial banks alone. Should anyone be surprised that lenders are reluctant to risk new money when old money, or even the interest on it, still has not been repaid?

While banks' balance sheets have been significantly strengthened over the past few years, LDC indebtedness keeps banks under a heavy strain, one out of proportion to their share of the loans at risk.

> 'Should anyone be surprised that lenders are reluctant to risk new money when old money, or even the interest on it, still has not been repaid?'

Besides loan-loss provisions, this strain includes the new money that banks made available to lesser-developed countries under the Baker plan of 1985-88. Although the benefits were diffused widely through the international economy, the costs and risks were wholly borne by the banks and their shareholders.

Declining flows of aid and finance from official sources have exacerbated the disproportionate burden forced on the banks. It is estimated that at the end of 1988 banks held only 58% of the debt of the 15 most indebted middle-income countries such as Brazil and Mexico.

This is an unfair and dangerous sharing of the debt burden. Responsibility ought to be apportioned more equitably across the international financial system and ultimately managed by governments.

The idea that the LDC debt crisis can be solved solely by commercial banks may be convenient for many parties to the crisis, but it is fundamentally mistaken. Governments, and especially the Group of Seven (which includes Canada), have an inescapable leadership role as regulators, as major creditors themselves, and as de facto trustees for the world economy.

The most recent endeavor to address this problem appeared to take these realities into account. The so-called Brady plan put forth by the United States offered a complex package of options intended to reduce debt repayments and finance the economic recovery of developing nations.

Commercial banks generally welcomed Treasury Secretary Nicholas Brady's proposals as an overdue show of leadership by the Group of Seven

See BANKS: Page 13➤

The Lobbyists

By Barbara A. Rehm

One Bank Group In Kansas Votes To Open Borders

The **Kansas Bankers Association** voted for the first time on Nov. 29 to back an interstate banking bill in the state legislature. Kansas is renowned for its resistance to opening its borders to out-of-state banks.

Although the KBA vote was unanimous, there is no guarantee that its membership will back the position.

Francis Carr

Francis E. Carr, chairman of the association's governing council, explains that a stance in favor of interstate banking was finally adopted after several surveys of members. He said the most recent poll was the impetus for the change as a majority of the members endorsed it.

"I hope we can present a unified front on this thing," says Mr. Carr.

That's unlikely since the **Kansas Independent Bankers Association** continues its traditional stance of neutrality.

"We were disappointed to see a change in policy," says **Michael D. Fahrbach**, president of the independent bankers. "The membership poll showed only 54% of the bankers favored interstate banking. We didn't feel that was a significant enough mandate for our association to change its position."

Mr. Fahrbach, also a KBA member, is president of Haven State Bank.

Mr. Carr explains that KBA's support is conditioned on state lawmakers' agreeing that any opening of the state's borders to out-of-state banking companies would not occur before July 1, 1992.

"We want to give bankers time to adapt," says Mr. Carr, who is also chairman and president of the First National Bank in Wellington.

Dean Witter Names Director To Lead Restructuring Fight

Kelly McNamara has been named director of federal government affairs for **Dean Witter Financial Services Group.** Ms. McNamara is a seven-year veteran of the governmental affairs office of Sears, Roebuck and Co., Dean Witter's parent.

As the group's senior lobbyist, Ms. McNamara will be on the front lines when the battle over financial industry restructuring begins next year. Ms. McNamara says she is optimistic about the odds for passage of a bill, strongly supported by Sears, that would permit all types of companies to own banks.

Ms. McNamara, 29, received a law degree from George Mason University in 1982. **Robert M. Garsson**

Independents in Holy War To Keep Deposit Insurance

In a lobbying coup, the **Independent Bankers Association of America** made a sweep of the bank regulatory agencies last week, pounding home the message that deposit insurance is sacred.

The IBAA executive committee, led by association president **O. Jay Tomson,** met with six of seven Federal Reserve Board members, including Chairman **Alan Greenspan,** and with **L. William Seidman,** chairman of the Federal Deposit Insurance Corp., and **Robert L. Clarke,** comptroller of the currency.

The independent bankers are concerned that national regulators are getting only the big-city bankers' perspective on issues, particularly deposit insurance.

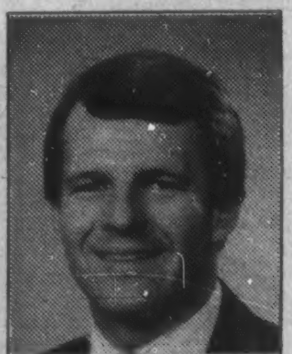
Kenneth A. Guenther, the IBAA's executive vice president, set up the meetings with regulators to counter proposals by money-center and regional bankers to cut back deposit insurance.

IBAA leaders explained to the regulators the results of a recently concluded study of consumer attitudes about deposit insurance. The IBAA-commissioned study by Market Facts Inc., Chicago, found that depositors would shift their funds to larger institutions if the current $100,000 insurance cap were reduced.

While preserving deposit insurance is the IBAA's No. 1 lobbying goal right now, Mr. Tomson and his crew also pressed the regulators on ag-lending issues, chartering policies, and thrift sales by the Resolution Trust Corp.

ABA Loses Farm Lobbyist To an Agriculture Agency

Rusty Jesser is leaving the **American Bankers Association** after five years of lobbying the House and Senate agriculture committees to take a top spot at the **U.S. Department of Agriculture.**


Rusty Jesser

Mr. Jesser expects to start his new job as the assistant administrator at the **Agricultural Marketing Service** in January. The ABA plans to replace Mr. Jesser with two people as the group returns to its traditional practice of assigning a lobbyist to both the House and Senate ag panels. The new House Agriculture Committee lobbyist is **Josh Tenuta,** who was a lobbyist for the National Rural Electric Cooperative Association. The ABA is on the verge of hiring a lobbyist for the Senate.

Mr. Jesser's expertise on ag issues is a big loss to the ABA, especially in light of **Weldon V. Barton's** recent departure from the Independent Bankers Association of America. Mr. Barton left the group in October after a decade of lobbying on agriculture issues. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman

Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President
Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription Rates: U.S. $635 a year; Canada $815. Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER Cable Address: AMERBANKER New York. Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 10-12,

16, 17, 20, 22

Municipal Bond Holdings of the 75 Largest Banks

Book value of holdings for June 30, 1989, and Dec. 31, 1988, 1987, and 1986, and percentage changes (dollar amounts in millions)

Asset Rank 6/89		Holdings 6/30/89	Holdings 12/31/88	Holdings 12/31/87	Holdings 12/31/86	Pct. Chg. 88-89	Pct. Chg. 87-88	Pct. Chg. 86-87
1	**Citibank,** New York	$1,381,000	$1,583,000	$1,791,000	$1,951,000	−12.8%	−11.6%	−8.2%
2	**Bank of America,** San Francisco	204,000	211,000	284,000	339,000	−3.3	−25.7	−16.2
3	**Chase Manhattan Bank**	1,375,607	1,565,292	1,744,211	1,970,916	−12.1	−10.3	−11.5
4	**Morgan Guaranty Trust Co.,** New York	3,591,971	3,719,634	4,001,609	4,350,264	−3.4	−7.0	−8.0
5	**Bankers Trust Co.,** New York	1,306,397	1,412,407	1,490,252	1,397,782	−7.5	−5.2	6.6
6	**Manufacturers Hanover Trust Co.,** New York	637,000	709,000	1,098,000	1,659,000	−10.2	−35.4	−33.8
7	**Security Pacific Nat. Bank,** Los Angeles	221,723	234,198	261,027	294,654	−5.3	−10.3	−11.4
8	**Chemical Bank,** New York	1,719,000	1,667,000	1,603,000	1,669,000	3.1	4.0	−4.0
9	**Wells Fargo Bank,** San Francisco	70,792	73,553	94,607	121,916	−3.8	−22.3	−22.4
10	**First National Bank of Chicago**	424,929	440,363	477,920	504,092	−3.5	−7.9	−5.2
11	**Continental Bank,** Chicago	63,534	64,176	65,271	65,691	−1.0	−1.7	−0.6
12	**NCNB Texas National Bank,** Dallas	47,402	52,373	n.a.	n.a.	−9.5	n.a.	n.a.
13	**First National Bank of Boston**	221,235	227,454	216,535	277,824	−2.7	5.0	−22.1
14	**Bank of New York**	927,673	1,235,846	1,197,411	1,191,402	−24.9	3.2	0.5
15	**Mellon Bank,** Pittsburgh	350,629	361,498	825,506	1,064,674	−3.0	−56.2	−22.5
16	**Irving Trust Co.,** New York	234,429	242,909	266,918	316,653	−3.5	−9.0	−15.7
17	**Republic National Bank,** New York	469,846	465,139	469,888	474,293	1.0	−1.0	−0.9
18	**Marine Midland Bank,** Buffalo	323,753	342,175	595,332	706,670	−5.4	−42.5	−15.8
19	**First Interstate Bank,** Los Angeles	325,684	338,107	417,562	496,912	−3.7	−19.0	−16.0
20	**NCNB National Bank,** Charlotte, N.C.	223,433	233,750	218,503	373,973	−4.4	7.0	−41.6
21	**First Union National Bank,** Charlotte, N.C.	972,714	974,864	973,129	1,003,120	−0.2	0.2	−3.0
22	**National Bank of Detroit**	932,811	918,525	931,059	933,094	1.6	−1.3	−0.2
23	**Pittsburgh National Bank**	326,255	321,822	323,219	746,214	1.4	−0.4	−56.7
24	**Union Bank,** San Francisco	305,118	319,710	389,491	452,963	−4.6	−17.9	−14.0
25	**Bank of New England,** Boston	273,121	235,631	119,274	175,696	15.9	97.6	−32.1
26	**Wachovia B&T Co.,** Winston-Salem, N.C.	527,285	541,573	564,426	615,813	−2.6	−4.0	−8.3
27	**Southeast Bank,** Miami	775,950	797,583	979,040	1,107,920	−2.7	−18.5	−11.6
28	**National Westminster Bank USA,** New York	351,050	372,557	444,005	509,796	−5.8	−16.1	−12.9
29	**First Bank,** Minneapolis	528,186	536,100	791,678	801,215	−1.5	−32.3	−1.2
30	**Boston Safe Deposit & Trust Co.**	232,230	1,266,531	971,084	876,555	−81.7	30.4	10.8
31	**Sovran Bank,** Richmond	450,889	474,304	563,646	762,255	−4.9	−15.9	−26.1
32	**Bank One Texas,** Dallas	218,268	280,553	527,139	657,808	−22.2	−46.8	−19.9
33	**Citizens and Southern National Bank,** Atlanta	543,271	553,071	632,803	591,392	−1.8	−12.6	7.0
34	**Connecticut National Bank,** Hartford	466,374	495,603	604,093	749,143	−5.9	−18.0	−19.4
35	**Citibank (South Dakota),** Sioux Falls	0	0	0	0	n.m.	n.m.	n.m.
36	**First Fidelity Bank New Jersey,** Newark	496,182	523,462	630,861	777,375	−5.2	−17.0	−18.8
37	**Texas Commerce Bank,** Houston	455,267	479,134	516,248	570,110	−5.0	−7.2	−9.4
38	**NCNB National Bank of Florida,** Tampa	548,481	568,737	668,222	693,554	−3.6	−14.9	−3.7
39	**Seattle-First National Bank,** Seattle,	25,629	25,525	27,785	34,108	0.4	−8.1	−18.5
40	**Connecticut Bank & Trust Co.,** Hartford	454,113	419,323	547,482	1,103,142	8.3	−23.4	−50.4
41	**Philadelphia National Bank**	223,061	219,919	268,802	393,180	1.4	−18.2	−31.6
42	**Crestar Bank,** Richmond	196,025	312,131	346,712	404,575	−37.2	−10.0	−14.3
43	**Harris Trust & Savings Bank,** Chicago	302,195	305,817	332,778	411,884	−1.2	−8.1	−19.2
44	**Valley National Bank of Arizona,** Phoenix	506,573	506,194	592,022	728,323	0.1	−14.5	−18.7
45	**Michigan Nat. Bank-Farmington Hills**	131,643	157,658	183,116	584,458	−16.5	−13.9	−68.7
46	**Maryland National Bank,** Baltimore	171,963	199,921	384,588	467,177	−14.0	−48.0	−17.7
47	**Fidelity Bank,** Philadelphia	345,807	366,983	361,662	372,913	−5.8	1.5	−3.0
48	**U.S. National Bank of Oregon,** Portland	458,666	499,383	546,058	585,332	−8.2	−8.5	−6.7
49	**Comerica Bank-Detroit**	442,897	471,892	530,411	540,624	−6.1	−11.0	−1.9
50	**Shawmut Bank,** Boston	413,508	405,932	468,989	611,673	1.9	−13.4	−23.3
51	**First Union Nat. Bank Florida,** Jacksonville	584,921	622,590	660,070	691,633	−6.1	−5.7	−4.6
52	**Northern Trust Co.,** Chicago	339,238	311,001	308,838	326,788	9.1	0.7	−5.5
53	**Manufacturers National Bank,** Detroit	312,817	317,059	321,466	330,004	−1.3	−1.4	−2.6
54	**Norwest Bank Minnesota,** Minneapolis	163,593	184,583	192,610	187,866	−11.4	−4.2	2.5
55	**Huntington National Bank,** Columbus, Ohio	310,897	317,555	327,543	357,663	−2.1	−3.0	−6.4
56	**AmeriTrust Co.,** Cleveland	401,530	421,606	475,405	516,132	−4.8	−11.3	−7.9
57	**State Street Bank & Trust Co.,** Boston	226,568	238,289	238,154	287,354	−4.9	0.1	−17.1
58	**Centurion Bank,** Newark, Del.	0	0	0	0	n.m.	n.m.	n.m.
59	**First National Bank of Atlanta**	261,247	271,137	277,863	296,848	−3.6	−2.4	−6.4
60	**Meridian Bank,** Reading, Pa.	511,167	567,838	469,212	522,515	−10.0	21.0	−10.2
61	**Bank of Tokyo Trust Co.,** New York	155,139	156,827	163,836	169,931	−1.1	−4.3	−3.6
62	**Signet Bank-Virginia,** Richmond	327,707	352,000	416,594	524,269	−6.9	−15.5	−20.5
63	**Boatmen's National Bank St. Louis**	347,016	339,770	311,722	286,285	2.1	9.0	8.9
64	**National City Bank,** Cleveland	504,013	519,098	651,780	682,067	−2.9	−20.4	−4.4
65	**Provident National Bank,** Bryn Mawr, Pa.	103,690	111,706	123,396	136,269	−7.2	−9.5	−9.4
66	**Florida National Bank,** Jacksonville	245,401	286,783	327,327	356,847	−14.4	−12.4	−8.3
67	**Security Pacific Bank Washington,** Seattle	134,518	141,999	154,507	162,804	−5.3	−8.1	−5.1
68	**Fleet National Bank,** Providence, R.I.	351,978	421,725	572,629	741,081	−16.5	−26.4	−22.7
69	**AmSouth Bank Birmingham,** Ala.	436,774	434,889	394,785	359,870	0.4	10.2	9.7
70	**Bank of California,** San Francisco	179,417	183,087	190,698	198,311	−2.0	−4.0	−3.8
71	**Chase Manhattan Bank USA,** Wilmington, Del.	0	0	0	0	n.m.	n.m.	n.m.
72	**First Interstate Bank of Arizona,** Phoenix	462,066	474,629	485,584	439,259	−2.6	−2.3	10.5
73	**First City National Bank of Houston**	64,113	43,427	24,204	256,171	47.6	79.4	−90.6
74	**Bank of Hawaii,** Honolulu	146,218	157,839	212,126	258,039	−7.4	−25.6	−17.8
75	**Sanwa Bank California,** San Francisco	19,503	22,305	27,453	33,722	−12.6	−18.8	−18.6

500 Largest Banks Cut Municipal Bond Holdings 6% in First Half

▸ Continued from Page 11

lion; Chase Manhattan Bank, with $1.37 billion; and Bankers Trust Co., with $1.31 billion. The largest bondholder among banks outside New York was First Union National Bank of North Carolina, Charlotte, with $973 million.

Bank of New York posted the second-largest decline in bond holdings, behind Boston Safe Deposit, for the first half of 1989, with a decline of $308 million, or 25%, to $928 million. John A. Ross, executive vice president of worldwide assets and liabilities management for the bank, said the decline resulted from a large amount of short-term notes maturing on June 30.

Since then, he said, the bank has rebuilt its portfolio, which consists mostly of bank-qualified notes from local issuers in New York State – although the increase has been slower than in past years because of "more competition from other bidders."

Citibank Has Third-Largest Drop

Citibank trimmed $202 million, or 13%, of its portfolio, for the third-largest decline. A bank spokesman said the cutback "is part of a trend by money-center banks to reduce their municipals."

"There are many other tax credits available, particularly foreign credits for multinational banks," the Citibank spokesman said. "Municipals were once a major tax shelter, but with the other credits and tax law changes, they're a smaller and smaller part of the overall portfolio."

Chase Manhattan reduced its holdings by $190 million, or 12%, for the fourth-largest decrease. Bank officials would not comment on the decline.

Morgan Guaranty Trust Co.'s portfolio decreased $128 million, or 3.4%, in the fifth-largest decline. A Morgan spokesman's only comment was that the decline resulted "from a combination of sales and maturities."

Chemical Bank added the most municipal bonds of any bank during the first six months of 1989, increasing its portfolio by $52 million, or 3%. Only eight other banks added more than $20 million during the period.

Officials at the bank did not return telephone calls for this article.

Two banks adding bonds: Bank of New England in Boston, up $37 million, and Connecticut Bank & Trust Co. in Hartford, up $35 million. The two are in the same bank holding company, Bank of New England Corp.

William Morse, vice president and tax-exempt portfolio manager for the corporation, said, "Tax-exempt bonds are a good value, particularly those issued in New England, relative to government and agency securities and mortgage-backeds." He noted that 10-year, bank-qualified municipal bonds have a tax-equivalent yield of 9⅜% to 9½%, compared with 7⅞% for U.S. Treasury notes and 9% for 15-year mortgage-backed securities with an average life of six to seven years.

"I certainly wish this market had more depth and breadth to it," Mr. Morse said, referring to the tight supply of bank-qualified bonds. "There's a growing interest in this paper among banks, as they clear up their loan problems and get their earnings back on track."

First Virginia Bank in Falls Church added $35 million of bonds to its portfolio in the first six months of 1989. But the bank's portfolio manager, E. Machin Sarros, said the increase, which occurred entirely between January and April, resulted because "the market was good, not from any strategic policy."

"Our ability to purchase [municipal bonds] is fleeting, because we're participants in the short end of the market only," Ms. Sarros said. "Half of the additions were 18-month to 20-month maturities, and nothing was longer than five years. Five years is out in the ozone."

Portfolio Expected to Shrink

First Virginia has not bought any bonds since May, Ms. Sarros said, and the bank expects its portfolio to shrink by $60 million by the end of 1991.

More municipal bonds are held by Top 500 banks based in New York State than in any other state. Forty-five New York banks held $14.51 billion of municipals, or 24% of the 500 banks' combined portfolios. They were followed by 30 banks in Florida, with $4.31 billion; 28 banks in New Jersey, with $3.41 billion; 38 banks in Pennsylvania, with $3.35 billion; and 27 banks in Ohio, with $2.93 billion.

> Boston Safe Deposit cut its municipal portfolio by more than $1 billion, and the selling did not stop there.

The New York banks also boasted the largest average holdings, with $322 million per bank, followed by Arizona with $260 million, North Carolina with $226 million, Connecticut with $217 million, and Oregon with $202 million.

In addition, the New York banks also sold off the most bonds in the first six months, with a $1.22 billion reduction. Massachusetts was second with a $1.07 billion, or 38%, decline – almost all of it by Boston Safe Deposit.

Next came Florida, down $179 million; Virginia, down $166 million; and Ohio, down $160 million.

Banks in six states increased their combined municipal holdings in the first six months of 1989: Illinois, up a combined $32 million, or 2%; Kentucky, up $5 million, or 1%; New Hampshire, up $28 million, or 56%; New Mexico, up $1 million, or 0.5%; South Carolina, up $2 million, or 0.3%; and West Virginia, up $3 million, or 3%. New Hampshire's gain was due almost entirely to one bank, BankEast in Manchester, which increased its portfolio by $29 million, or 145%.

— ***The Bond Buyer* is a sister publication of the *American Banker*.**

Banking Coverage Where It Counts
WASHINGTON MONDAY
Every Week in American Banker

Good News.

YOUR BANK
Cash Card
4000 1234 5678 9010
4000
VISA

It seems we're attracting a crowd.

In fact, over 700 financial institutions are now part of the Visa® Debit program. We just couldn't fit them all on the page.

That's because it's growing incredibly fast—by over 30% in the past six months.

You, too, can expect to grow as part of the program. By simply adding the Visa marks to your ATM card, you can realize higher DDA operating profits from both interchange income and periodic fees.

In other words, it can be more profitable for you than checking.

It's also more convenient for your customers. Giving them access to their checking accounts without their checkbooks.

CONSUMER FINANCIAL SERVICES

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

We created a lower-price credit card that gives the cardholder a benefit for being a contributor to the charity.

— David C. Mann, president of Affinity Group Marketing, New York

Market View

Mail-Order Checks Threaten Banks

While only 2% of all bank customers currently order their checks from direct-mail suppliers, bankers should be aware that the trend could grow – and lead to revenue losses, warns David Mills, a vice president in charge of sales and marketing at Rocky Mountain Bank Note Co., Denver.

"Although I wouldn't anticipate the number of customers using mail-order check suppliers ever exceeding 5%, it's significant enough that banks should be aware of the potential and develop a clear strategy for responding," Mr. Mills said in a recent mailing to banks served by his check-printing company.

According to Mr. Mills, when consumers buy checks themselves rather than through their banks, the banks lose control over check quality and are exposed to fraud losses as more people have access to valid account numbers. Mr. Mills is recommending that banks train their employees to gently persuade consumers to order their checks at the bank. Statement stuffers that explain the pitfalls of direct-mail suppliers are another good idea, as is rolling the cost of checks into a flat fee that consumers pay for a checking account, Mr. Mills said.

Small Business a CBA Priority

The small-business market will be the focus of a Consumer Bankers Association conference to be held Feb. 13-15 in Atlanta. The Arlington, Va.-based trade group, which has historically focused on retail banking issues, will unveil the results of a survey it is conducting on how banks meet the needs of small-business customers.

Topics to be covered at the conference include relationship banking, market segmentation, the Community Reinvestment Act, and lending to women business owners. A special session conducted by representatives of the small-business community is also on the schedule.

Douglas K. Freeman, a Wells Fargo Bank executive vice president who was recently put in charge of that bank's small-business lending effort, will reveal the results of the Consumer Bankers Association survey. Mr. Freeman was formerly senior vice president for the San Francisco bank's consumer business.

William E. MacDonald 3d, executive vice president at National City Bank in Cleveland, and Edward E. Furash, president of Furash & Co., Washington, are also scheduled to lead conference sessions.

A 'Gone with the Wind' Card

Aficionados of "Gone with the Wind" are the latest group of loosely knit consumers to be offered an affinity credit card.

As the film passes its 50th anniversary, the Citizens and Southern National Bank, Atlanta, and MasterCard International are billing the new Gone with the Wind card as the world's first "continuity card." They mean that holders will receive a newly designed card every two years. Each card in the four-card series will sport actual scenes from the movie, including Scarlett at Tara, Rhett Butler, and Rhett and Scarlett together.

"Fans of 'Gone with the Wind' are very devoted to this classic piece of Americana," said Stephen J. Bartell, a MasterCard vice president. "Their loyalty represents an appropriate audience for a lifestyle-type MasterCard."

The first applications for the GWTW MasterCard will be available at the Fox Theatre in Atlanta, where "Gone with the Wind" is due to repremiere on Dec. 15. The bank will then market the card nationally, accepting applications via a toll-free telephone number.

Japan Edges U.S. in Number of ATMs

Study Says It Also Leads In Units per Population

By JEFFREY KUTLER

JAPAN has surpassed the United States in number of automated teller machines, but not by as wide a margin as some industry analysts have assumed, a survey of international ATM markets suggests.

The survey, published by the Battelle Institute in London and based on data gathered last January, shows the U.S. and Japanese banking industries in a dead heat, with 75,000 ATMs and cash dispensers in each country.

No other country has as many as 15,000 units, according to the study. All of western Europe has 56,000, with Britain and France accounting for almost half those machines.

By virtue of its faster growth rate, Japan would be expected to have surpassed the United States by now.

At the time of the previous Battelle report in 1987, the United States led with 67,000 ATMs, compared with Japan's 55,000. But since then, the U.S. total has grown by 8,000, or 12%, and the Japanese tally has jumped by 20,000, or 36%.

Conflicting Estimates

In any event, Battelle finds the two countries much closer in ATM numbers than does *The Nilson Report*, a Los Angeles-based electronic banking industry newsletter. Nilson had Japan leading the United States in 1985 by about 64,000 to 59,000. By 1988, the last time Nilson published an international survey, Japan widened the margin substantially, with 81,000 machines to the United States' 64,000.

Spencer Nilson, publisher of *The Nilson Report*, is closer to Battelle in his Japanese estimate than to other U.S. researchers in his domestic count. He has consistently been more conservative than other researchers – including Battelle – in tracking the U.S. market. His publication of the 64,000 figure last year drew criticism from John F. Love, publisher of the Chicago-based newsletter *Bank Network News*. Mr. Love placed the U.S. total at 75,632 in September 1989, up from 71,875 a year earlier.

Linda Fenner Zimmer, an independent researcher based in Marlborough, Conn., put the U.S. total still higher at 81,681 last year, with a projected increase to 87,133 by the end of 1989. Mrs. Zimmer gets her data from equipment vendors, while Mr. Love primarily surveys banks and ATM networks, and Mr. Nilson says he tries to reconcile all those sources. All of the researchers attempt to avoid double-counting of machines in multiple networks.

Regardless of which numbers are accepted for the United States and Japan, the two countries are clear leaders in most country-by-country comparisons. Although they are virtually tied in gross ATM installations, according to the Battelle data, Japan is in a league by itself in machines relative to population.

While the U.S. banking system has installed 306 machines for each million citizens, the Japanese banks have done twice as well, with 614 ATMs and cash dispensers per million people.

By this measure, Japan far outperforms even Finland and Norway, two of the more sparsely populated countries, which are renowned in Europe for high per capi-

See JAPAN: Next Page ▸

World ATM Standings

January 1989 data

	No. of ATMs	ATMs per million population	Transactions per ATM per month
Japan	75,000	614	NA
United States	75,000	306	5,800
Britain	14,116	250	5,100
France	11,457	209	2,800
Spain	8,916	233	2,700
Canada	6,000	240	NA
West Germany	5,160	84	3,900
Australia	5,000	313	NA
Italy	4,227	74	2,000

NA – Not available

Sources: Battelle Institute; U.S. transactions from *Bank Network News*

Big Jewish Charity to Offer Affinity Card

By YVETTE D. KANTROW

THE major Jewish charity in New York has joined a growing list of charitable organizations – many of them with a religious cast – using affinity credit cards to aid in fund-raising efforts.

With the help of Affinity Group Marketing Inc. and the Bank of New York, the United Jewish Appeal-Federation of Jewish Philanthropies of New York Inc. launched the Legacy Advantage MasterCard this week. Cardholders will be able to charge contributions to the UJA-Federation on the Legacy card while taking full advantage of tax deductions on those donations.

Unlike other organizations involved in affinity programs, the UJA will not collect a portion of each sale made with the Legacy card.

"We created a lower-price credit card that gives the cardholder a benefit for being a contributor to the charity," said David C. Mann, president of Affinity Group Marketing, a New York-based consulting firm. "We think the net effect will be more money going to the UJA."

LEGACY
ADVANTAGE
MasterCard

CHARGE FOR CHARITY: The Legacy-MasterCard omits bank name.

Cardholders who contribute at least $3,600 to the UJA pay no annual fee for the Legacy card. Those who give at least $2,400 pay $7.50. The annual fee for noncontributors and those who give less than $2,400 is $15, which is competitive with standard MasterCard and Visa fees.

About one year ago, Catholic Charities USA began its affinity offering, the Caritas MasterCard, through an agreement with Magna Carda Inc., a marketing subsidiary of International Bank Cards. Catholic Charities divided the card-issuing and processing business between two financial institutions, First Financial Bank, Milwaukee, and State Street Bank and Trust Co., Boston.

Anytime a Caritas cardholder uses the card, 0.5% of the sale amount goes to Catholic Charities.

The fund-raising group hopes to have 250,000 cardholders by 1994.

Affinity Group Marketing is handling all solicitations for the Legacy card, and although the Bank of New York will technically issue the card, its name will not appear on its front. Mr. Mann said the UJA program will be small – he expects only 50,000 people to carry the Legacy card. The company will target the affluent New York Jewish community, seeking prospects in places like Bloomingdales' list of charge card customers.

Affinity Group Marketing is owned by a partnership of Mr. Mann, the labor negotiator Theodore W. Kheel, and the Bank of New York (Delaware). It worked with the New York bank on one of the biggest affinity card programs, the AFL-CIO MasterCard. The marketing company's programs have resulted in Bank of New York's issuing more than 1.6 million affinity cards.

"We've never done a charitable card before because we did not feel there was a real opportunity there," Mr. Mann said. "But we saw this [the UJA program] as an opportunity to do it right." ■

Japan, U.S. Are Head and Shoulders Above Other Nations in ATMs

Continued from Page 16

ta installation rates. Although Finland's banks own 2,114 ATMs, and Norway's only 1,557, their ATM-per-million ratios are 431 and 380.

Australia, whose financial institutions have installed about 5,000 machines, slightly exceeds the United States in units per million at 313. Switzerland, with 1,942 machines, has 299 per million people. Britain, with 14,116 – the third-highest ATM total after Japan and the United States – has 250 per million.

The Battelle researchers, led by Peter Hirsch and Ian Brookes, also compiled national transaction rates, measured in average cash withdrawals per machine per month. But there are no comparable data for Japan, for the same reason that the Japanese ATM count is difficult to pin down: Many Japanese ATMs are in bank offices, open only during banking hours, and their performance data are not widely published.

Among the top countries in ATM count that have per-machine transaction rates available, the United States tops the list, based on *Bank Network News'* recent estimate of 437 million transactions per month nationwide.

> Japan far outperforms even Finland and Norway, two of the more sparsely populated countries, which are renowned in Europe for high per capita installation rates.

That averages to about 5,800 transactions for each of 75,000 machines.

Britain came next, with 5,100 transactions per machine per month, followed by West Germany at 3,900.

But, as in the ATMs-per-population measure, less populous countries had the highest monthly transaction rates per machine: Sweden's 1,742 machines handle 8,000 withdrawals per month, Belgium's 985 units handle 6,800, Ireland's 371 machines handle 6,300, and the Netherlands' 1,166 machines 5,900.

Among other findings in the Battelle report, "ATMs and Cash Dispensers: An International Survey 1989," are the following:

- The worldwide total of ATMs and cash dispensers, at 235,000, has grown by a third since 1987 and has almost doubled since 1984.
- The largest single network of ATMs, the Carte Bancaire system in France, connects virtually all of the 11,457 machines in that country and is the only one of the world's 10 largest shared systems not located in Japan or the United States.
- While the 17 western European countries increased their ATM total 124% since 1985, to about 56,000, the Netherlands is the fastest-growing single country. Its ATM figure grew 143% in the past year alone, to 1,166, and those machines are among the continent's most active, with an average 5,900 cash withdrawals per month.
- Only two European countries have fewer than 100 machines – Greece, with 90, and Luxembourg, with 42. Greece also has the lowest number of machines per inhabitant, at 9, and the lowest usage rate, at 910 withdrawals per machine per month.
- European financial institutions have issued 180 million ATM cards, about equal to the U.S. total. Three-fourths of the European cards are multifunctional, meaning they can also be used as debit cards, credit cards, check guarantee cards, or some combination thereof.
- Diebold Inc., the dominant ATM manufacturer in the United States, with more than 40% of the market, has only 5% of the European market. NCR Corp. leads with 33%, followed by International Business Machines Corp. at 20%. IBM led NCR as recently as two years ago. ■

American Express Extends ATM Net With Portugal Deal

AMERICAN Express Travel Related Services Co. said Wednesday that it had extended its international automated teller machine network into Portugal, adding 500 machines and bringing its worldwide total close to 40,000.

The network, called Express Cash, allows American Express cardholders to obtain cash through bank-owned machines. Reciprocally, customers of the banks can obtain travelers checks through 150 ATM-like units at airports and American Express travel offices.

Of the 40,000 Express Cash Machines worldwide, 13,000 in Japan are accessible only to Japanese customers for technical reasons. The truly international portion of the network consists of 26,600 ATMs.

The Visa International ATM network remains the largest interchange of its kind, with about 40,000 machines available to all cardholders.

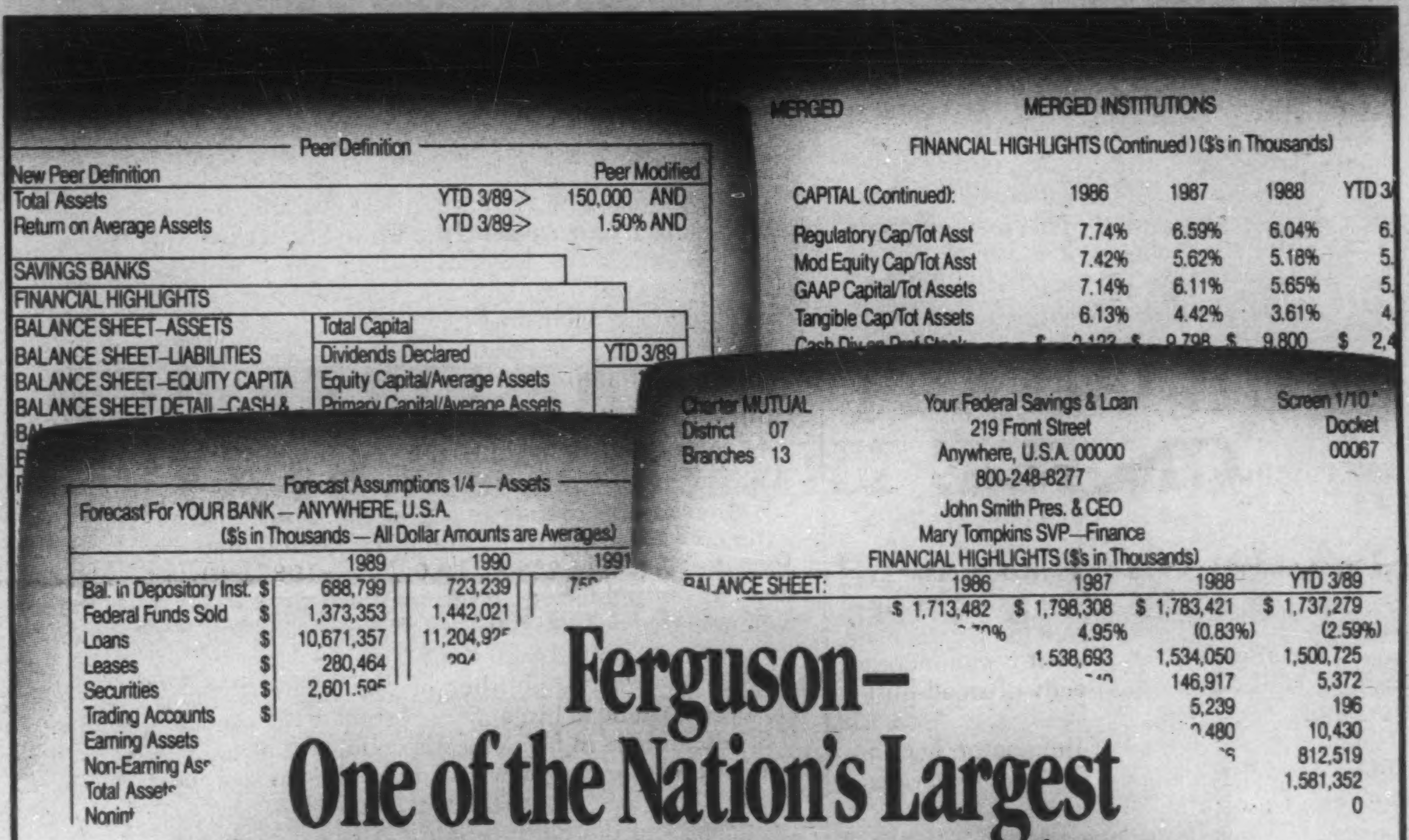
To expand into Portugal, American Express struck a deal with Sociedade Interbancaria de Servicios, a Lisbon-based provider of transaction processing services to most of the country's major financial institutions.

"The agreement [with American Express] reflects SIBS's policy of collaborating with major payment systems by offering a universal service in the framework of the European market," said Felipe Lesdesma dos Santos, joint director general of SIBS.

Such openness policies have been adopted in other western European countries in preparation for the lowering of trade barriers by 1992. James T. Larkin, an executive vice president of American Express in New York, has been critical of some national banking associations for conspiring to exclude American Express, but he praised the Portuguese group for its receptivity.

Following a similar agreement last year with Sistema 4B, a consortium in Spain similar to SIBS, American Express added 1,400 ATMs to its network. Belgium, Italy, Greece, and two machines in the Soviet Union were also connected over the past year, bringing Express Cash to 8,100 machines in Europe.

—Jeffrey Kutler


Peer Definition
New Peer Definition
Peer Modified
Total Assets YTD 3/89> 150,000 AND
Return on Average Assets YTD 3/89> 1.50% AND
SAVINGS BANKS
FINANCIAL HIGHLIGHTS
BALANCE SHEET–ASSETS
BALANCE SHEET–LIABILITIES
BALANCE SHEET–EQUITY CAPITA
Total Capital
Dividends Declared
Equity Capital/Average Assets
YTD 3/89
MERGED
MERGED INSTITUTIONS
FINANCIAL HIGHLIGHTS (Continued) ($'s in Thousands)
CAPITAL (Continued): 1986 1987 1988
Regulatory Cap/Tot Asst 7.74% 6.59% 6.04%
Mod Equity Cap/Tot Asst 7.42% 5.62% 5.18%
GAAP Capital/Tot Assets 7.14% 6.11% 5.65%
Tangible Cap/Tot Assets 6.13% 4.42% 3.61%
Forecast Assumptions 1/4 — Assets
Forecast For YOUR BANK — ANYWHERE, U.S.A.
($'s in Thousands — All Dollar Amounts are Averages)
1989 1990
Bal. in Depository Inst. $ 688,799 723,239
Federal Funds Sold $ 1,373,353 1,442,021
Loans $ 10,671,357
Leases $ 280,464
Securities
Trading Accounts
Earning Assets
Charter MUTUAL
District 07
Branches 13
Your Federal Savings & Loan
219 Front Street
Anywhere, U.S.A. 00000
800-248-8277
John Smith Pres. & CEO
Mary Tompkins SVP—Finance
FINANCIAL HIGHLIGHTS ($'s in Thousands)
Screen 1/10
Docket 00067
1986 1987 1988 YTD 3/89
$ 1,713,482 $ 1,798,308 $ 1,783,421 $ 1,737,279
4.95% (0.83%) (2.59%)
1,538,693 1,534,050 1,500,725
146,917 5,372
5,239 196
10,430
812,519
1,581,352
0

Ferguson–
One of the Nation's Largest
Financial Institution Consultants–
Offers You the Same Powerful Software
They Built for Themselves.

***BANKSOURCE,™* a bank analysis and forecasting PC system. *TAFS,™* a thrift analysis and forecasting PC system.**

Both provide you with sophisticated, user-friendly databases … on commercial banks, holding companies, savings and loans, savings banks … either nationally, by district, or state.

Choose Ferguson software to review a savings institution's financial history. Run a performance forecast on a bank or bank holding company. Merge two or more savings banks. Or, assemble different peer groups and compare, or rank, their performance against criteria in the database.

BankSource and TAFS beat their competition three ways: (1) Both deliver user-defined reports on all financial data, national totals and subtotals by state. (2) Both provide forecasting capability. (3) Both are substantially lower in cost.

Act now to order.
Call 1-800-248-8277.
We will supply you with a list of users, a brochure, and a free demo disk.

600 E. Las Colinas Blvd.
Suite 1700
Irving, Texas 75039
214-869-1177

FERGUSON & COMPANY

1667 K Street, N.W.
Suite 640
Washington, D.C. 20006
202-659-8300

© 1989 W.C. Ferguson. All rights reserved.

Financial Institution Consultants

FDIC Says Real Estate Loans Threaten Bank Profits

▸ Continued from Page 1

banks have failed, and the year's total should not break 1988's record of 211, he said.

In releasing the FDIC's quarterly profile of bank performance, Mr. Seidman said, "We expect real estate losses to accelerate in the fourth quarter." The FDIC cited the Southwest, New England, parts of the Southeast, and elsewhere as markets with real estate problems. It noted that real estate lending has made up nearly 66% of all bank asset growth in the past year.

Traced to Loan-Loss Reserves

The dismal third-quarter performance by the banking industry stemmed largely from the decision of five money-center banks to raise their loan-loss reserves against nonperforming loans to less developed countries. Excluding the extra reserves, earnings were flat compared to those a year ago, Mr. Seidman said.

Fourth-quarter earnings will depend, among other things, on whether other large banks increase loan-loss reserves and on how much further certain real estate markets will deteriorate, the FDIC said.

"The present difficulties may foretell more problems down the road," the FDIC chairman said. "Forewarned is forearmed."

New England Woes Develop

For real estate lenders, the markets hit hardest continue to be in Arizona, Texas and Alaska – the three states with the highest ratio of noncurrent real estate loans to total real estate loans. But New England states, including Massachusetts, Connecticut, and New Hampshire, are experiencing unusually high rates of growth in noncurrent real estate loans, the FDIC said.

> The FDIC chairman predicted bank failures would decrease next year.

"The new problems are particularly evident in the Northeast, Arizona, and parts of Florida," Mr. Seidman said Tuesday to the National Council of Savings Institutions. "Certain northeastern areas, like Stamford, Conn., and central New Jersey, have some of the highest commercial vacancy rates in the country," he said.

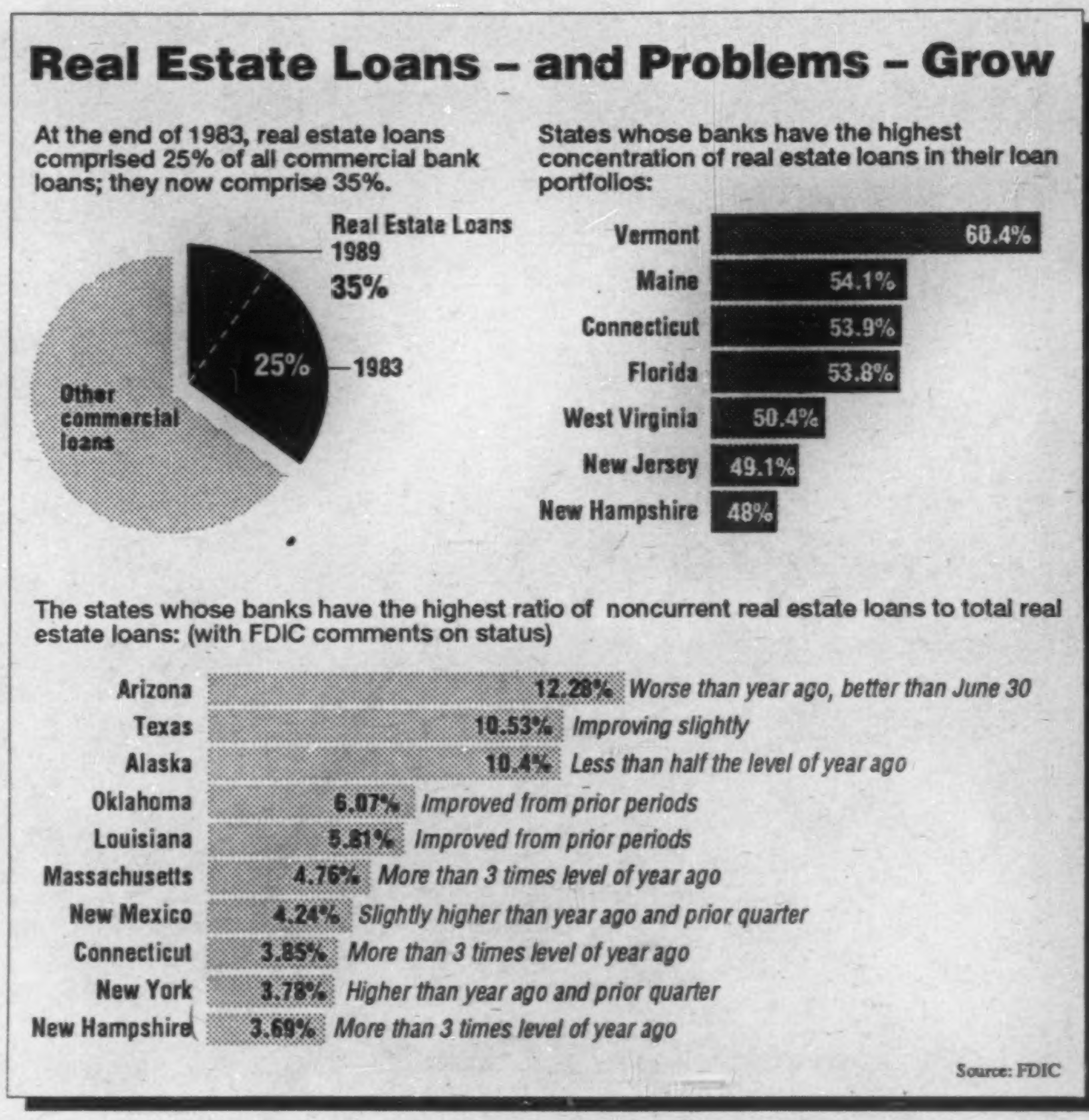
Federal regulators from the FDIC, the Comptroller of the Currency, and the Federal Reserve System for months have sounded public warnings against excessive real estate lending. And while the regulators say they do not tell banks where to lend, they are starting to take legal enforcement actions against those banks that are failing to maintain proper lending standards. Banking lawyers say enforcement actions against banks in the New England region have been brisk in recent months.

Seidman as Scrooge

"I don't want to Scrooge up Christmas, but I'm afraid the fourth quarter will show a continuation of the [real estate] trends we see here," Mr. Seidman said at a press conference Wednesday.

In its "beige book" report on regional economic conditions, released Wednesday, the Federal Reserve reported weak real estate and construction activity in Boston, Atlanta, and Minneapolis and increasing commercial vacancy rates in New York and St. Louis.

Nonperforming real estate loans comprise nearly half of all nonperforming assets in the banking system, Mr. Seidman said. The numbers would look even worse if the FDIC, in assisting commercial banks, had not pulled bad assets out of the industry. FDIC guarantees at NCNB Texas National Bank alone have removed $5 billion in nonperforming real estate assets from the bank's balance sheets, he said. ■



Source: FDIC

Toll Free 800-221-1910 LEGAL ADVERTISING Toll Free 800-221-1910

Auction Notices

AUCTION SALE
SALE BY ORDER OF THE
PROVIDENT LOAN SOCIETY OF
NEW YORK

Jewelry, Second-Hand Watches, Silver and Silver Plated Ware, U.S. Stamps and Coins and Miscellaneous articles of Personal Property being the collateral for loans in default represented by tickets of the following offices, numbers and dates inclusive:

PARK AVENUE SOUTH
25167 April 1, 1988 to
28492 August 31, 1988

EAST 60th STREET
14861 April 19, 1988 to
17119 August 31, 1988

LENOX HILL OFFICE
31138 April 19, 1988 to
32525 August 31 1988

FORDHAM OFFICE
58564 March 9, 1988 to
63659 August 31,1988

FLATBUSH OFFICE
62045 February 19, 1988 to
70885 August 31, 1988

BAY RIDGE OFFICE
06316 April 1, 1988 to
07901 August 31, 1988

FLUSHING OFFICE
45359 March 2, 1988 to
49937 August 31, 1988

Collateral to be sold at Public Auction on December 13-14, 1989 beginning at 10:00 A.M. each day at William Doyle Galleries, Inc.
175 East 87th Street,
New York, N.Y. 10028
Consumer Affairs License #697378

AUCTIONEERS:
William J. Doyle, Peter Cleary, Rodney Lang, Joanne Porrino Mournet, Riccardo Salmona, Susan Abeles Flanagan

---

DEFAULT In Security Agreement Made By Cibby Corp To Herbert L. Weissberg, Jan N. Weissberg, Gertrudge Weissberg & Kary Ellen Weissberg I Will Sell Dec 8, 1989 at 3 PM at 54 Pine St., NYC Right, Title & Interest In & To Fixtures, Equipment & Inventory. Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. Frank E. Seipp, Auct'r Lic #732234 of F.E.S. AUCTIONS INC, As Agents.

Ronald Zaza Auct'r Lic #840731 sells 12/21/89 11 AM at 115 Kings H'way Bklyn, '85 Olds #1G3JC6905FK333079 Re: G. E. Credit. Published 12/7 & 12/14/89.

C. LAUDISI & ASSOCS., INC., auct'rs sell December 15, 1989 at 9 AM at 25 Edison Drive, Huntington Station, N.Y. 1985 Cadillac #1G6DW6988F9726756 Acct. Gamma Six Sales Corp. &/or Park Ave Limosines Inc.; 1988 Lincoln #1LNBM81F9JY743656 Acct. Gamma Six Sales Corp. &/or GRG Limosine LTD Inc.; 1985 Cadillac #1G6DW6982F9720886 Acct. Gamma Six Sales Corp &/or G & L Limosine Inc.; 10 AM at 151-20 6th Rd., Qns 1987 Nissan #JN1PS24S9HW005631 Acct. N. Cuevas; 11 AM at 198-25 Jamaica Ave., Qns 1989 Lincoln #1LNBM81F8KY603731 Acct. Term Leasing; 12 PM at 216-20 Hempstead Ave., Qns 1988 Suzuki #JS4JC51C6J4241716 Acct. B.E. Armstead; 1989 Chevy #1G1LW14W5KE102358 Acct. L. Orr; 1 PM at 43-12 102nd St., Qns 1982 Toyota #JT2RA64C1C6014186 Acct. Esmeralda Corp.; 1:30 PM at 70-11 50th Ave., Qns 1985 Chrysler #1C3BT56G7FC246217 Acct. J. H. Douthit; 2 PM at 55-11 Northern Blvd., Qns 1988 Nissan #JN1PB24S7JU043375 Acct. M. P. Lemons. Published November 30 & December 7, 1989.

R. A. Felder Lic Auctr #793917 sells on 12/15/89 11:30 AM at 158 Roebling St, Bklyn, '77 Linc #7Y89A970597 Re: M. Ragsdale; sells 11 AM at Bryant Pond Rd, Mayhopac, '87 Ford #1FABP50D2HA135688 Re: Wheels Inc.; 10 AM at 416 Elmgrove Rd, Rochester, '65 Ritz #NY5332BR Re: P. Teck; 10 AM '47 Steelcraft #NY7583AS Re: J. Caternolo & J & D Licata, '64 Owens #NY2291BL Re: D. Robinson & A. Tribunella. Published 11/30 & 12/7/89.

DEFAULT In Security Agreement Made By Double W Delicatessen Inc. To Progressive Milk Inc. I Will Sell Dec 8, 1989 at 1 PM at 123 Third Ave, NYC Right, Title & Interest In & To Fixtures, Equipment & Inventory. Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. Frank E. Seipp, Auct'r Lic #732234 of F.E.S. AUCTIONS INC. As Agents.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC # 841437 Sell December 14, 1989 10:00 A.M. 1455 36th St Bklyn 1979 Datsun 2 Dr Sdn KHLG810002293 Re: J. Morsilla: 10:30 A.M. 222 16th St Bklyn 1977 Jeep Subn J7A17MZ071852 Re: A.R. Negron: 11:00 A.M. 131 22nd St Bklyn 1985 Oldsmobile 2 Dr Sdn 1G3NT27U8FM204354 Re: F. Semple: 11:30 A.M. 4213 2nd Ave Bklyn 1985 Chevrolet 4 Dr Sdn J81RF69KXF8424319 Re: P. Smith: 12:00 P.M. 5001 2nd Ave Bklyn 1964 Diamond T Truck P5020549974 Re: E. 17th St Fuel Oil Corp: 12:30 P.M. 361 91st St Bklyn 1980 Buick 2 Dr Sdn 4M47AAG179128 Re: S. Sartzetakis: 1:30 P.M. 393 Tompkins Ave S.I. 1988 Honda 4 Dr Sdn 1HGCA5646JA179661 Re: P. & D. Bilotti: 2:00 P.M. 930 Richmond Ave S.I. 1981 Oldsmobile 4 Dr Sdn 1G3AX69N0BM116912 Re: G. Felitti. Metropolitan Auctioneers, Inc. Published November 28, 1989 & December 7, 1989.

Foundation Notice

NOTICE

The annual report of **THE PAUL M. POINT DODYK CHARITABLE FOUNDATION** for the calendar year ended Dec. 31, 1989 is available at its principal office located at 34 Maynard Court, Ridgewood, N.J. 07450 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Paul M. Dodyk (212)474-1214.
Dated: Dec. 7, 1989.

NOTICE

The annual report of **CAMILLUS FOUNDATION** for the fiscal year ended May 31, 1989 is available at its principal office located at Main Street, Camillus, NY 13031, (315) 672-8111 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is James W. Furgal.

Notices of Foreclosure

NOTICE OF SALE SUPREME COURT: BRONX COUNTY EAGLE SA FUNDING COMPANY Plaintiff, vs ARK REALTY DEVELOPMENT CORP. et al., Defendants. Alexander T. Singer, Atty. for Plaintiff, 26 Court St., Brooklyn, N.Y. Pursuant to judgment of foreclosure and sale entered herein and dated Oct. 18, 1989, I will sell at Public Auction to the highest bidder, at the Bronx Supreme Court Building, 851 Grand Concourse, Bronx, N.Y. Room 118 Mezzanine, on the 21st day of Dec. 1989, at 10:00 a.m., premises in Bronx, New York, to be sold in the following order. PARCEL I - beginning at the corner formed by the intersection of the southerly side of Pell St. with the westerly side of City Island Ave., and being a regular parcel of land 100 ft. x 125 ft. Premises known as 139 City Island Avenue, Bronx, N.Y. PARCEL II - beginning at a point on the southerly side of Sutherland St., distant 175.02 ft. easterly from the corner formed by the intersection of the easterly side of King Ave. and the southerly side of Sutherland St., and being a parcel of land 100.01 ft. x 34.01 ft. x 100 ft. x 96.01 ft. Premises known as 216 Sutherland St., Bronx, N.Y. Sold subject to all of the terms and conditions contained in said judgment and terms of sale. Approximate amount of judgment - $436,788.00 plus interest and costs. Index No. 14149/88 VINCENT JOHNSON, Referee.

Auction Notices

Ronald Zaza Auct'r Lic #840731 sells 12/21/89 9 AM at 151 Flatbush Ave, Bklyn '79 Dodge #EH42G9A166879 Re: Joyce Motor Corp.; 10 AM at 24-37 49th St, Astoria '85 Buick #1G4BP69Y9FX422795 Re: M. Corbett. Published 12/7 & 12/14/89.

Classified Notices Keep Growing
They Must Work! ● Call Nancy Lynch
212/943-5284 or 800/221-1910

Bank Leumi to Pay $533,000 for Role in Money-Laundering Case

▸ Continued from Page 1

Treasury and Justice departments have focused on enforcing these rules in an effort to deter money laundering.

Since 1985, the Treasury has penalized 44 banks a total of about $21 million, according to department spokesman Larry Batdorf. The Treasury's largest civil penalty, $4.75 million, was levied against Bank of America, San Francisco, in January 1986.

4 Banks Penalized This Year

So far this year, the Treasury has penalized four banks, including Bank Leumi, a total of $1.1 million, according to Mr. Batdorf. That figure does not include the $242,000 criminal fine that Bank Leumi will pay.

Bank Leumi was penalized for not filing reports on 242 deposits totaling $9.5 million at two of its branches between Jan. 1, 1981, and Dec. 31, 1985.

A single account for a Queens, N.Y., pizzeria called America's Best Family Showplace was the subject of the investigation. Although the account was maintained in the bank's Forest Hills branch, most deposits were made in a Bank Leumi office in Brooklyn, according to the Justice Department.

"It is clear from this case that the importance of financial institutions' compliance with the nation's currency laws is essential," Andrew J. Maloney, U.S. attorney for the Eastern District of New York, said in a prepared statement. "Without the cooperation of financial institutions in their criminal ventures, tax evaders and money launderers could not conduct their schemes and succeed in laundering the millions of dollars that they do."

The America's Best account was cited in a separate grand jury indictment this year. It alleged that the account holders managed to have their account fraudulently placed on a list of Bank Leumi customers exempt from filing transaction reports on specific accounts.

"The customer presented himself as a legitimate retail customer and, on that basis, was exempted from the reporting requirements," said Herbert Small, a spokesman for Bank Leumi.

But one transaction-reporting consultant said that banks can never be too careful.

"This is a classic example of the misuse of an exemption by a customer," said Arlington, Va.-based consultant Charles G. Morley. "It shows that banks have to carefully review customers, and understand their businesses, before exempting them."

Mr. Small of Bank Leumi said bank employees were not involved in the fraudulent listing.

But the U.S. attorney said that, although the bank's top management was not implicated, "the investigation did reveal a systematic and prolonged pattern of flagrant disregard for the currency laws by employees at the two branches of Bank Leumi."

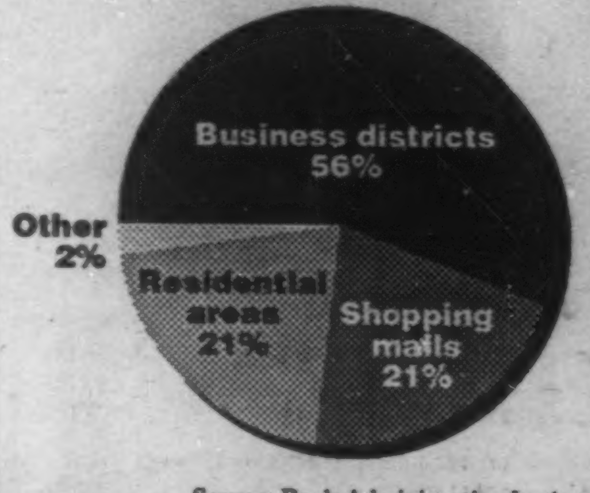
Money launderers and other criminals seek out branch employees, and particularly branch managers, to help them circumvent currency transaction reporting requirements, according to law enforcement officers.

A similar case involving a branch employee came to light last month in a New Jersey federal court. Roberto Calleja, a former branch manager of First Fidelity Bank, Newark, pleaded guilty to helping launder $6.5 million to $11 million during four years ending in July 1985.

He exchanged small bills for larger-valued notes without completing currency-transaction reports. ■

Preying on Consumers

Where ATM crimes occur



Source: Bank Administration Institute

Study Says Crime At ATMs Is Down

▸ Continued from Page 1

based newsletter than has criticized the Bank Administration Institute in the past for underestimating the frequency of ATM-related crimes.

"Given the fact that crime in general is going up, it is illogical to assume that ATM crime is going down," Mr. Robertson said. "The industry has done very little and can do very little to combat crimes at ATMs."

Mr. Taylor released the findings on Wednesday of the ATM security study at the institute's conference on retail electronic delivery systems in New Orleans.

The current survey, which was conducted this fall and covers ATM security policies, practices, and customer safety in 1988, was a followup to a similar project the institute completed in 1987 and based on 1986 data.

A total of 1,219 financial institutions participated in this year's survey, a response rate of 14.6%. The responding group reported more than 900 million transactions in 1988 at 16,502 ATMs, or about 20% of the 82,000 machines believed to be operating nationwide. While this is more inclusive than the group that participated in the 1987 study, results were adjusted to insure comparability of the two studies.

According to Mr. Robertson, crime statistics based on transactions do not accurately reflect the amount of risk borne by ATM customers.

"In all fairness to BAI, a study like this is incredibly difficult to undertake," he said. Banks, especially large ones, do not like to discuss it.

BAI defined an ATM crime as one that occurs within 20 feet of a machine. Respondents reported 80 such incidents in 1988. A majority occurred in business districts, and more than 40% between 9 p.m. and midnight.

In more than half of the incidents, customers were robbed after withdrawing cash from a machine. Another 40% were forced to withdraw money.

In an interview after his presentation, Mr. Taylor urged banks to take steps to combat ATM crime and said the industry could expect federal laws mandating that soon. ■

Increase the market power of your bank's cash management services.

NEW!

CORPORATE CASH MANAGEMENT HANDBOOK
Richard Bort

Written by Richard Bort, who has extensive experience as a banker, corporate practitioner and consultant, the **Handbook** leads your staff through virtually every aspect of corporate cash management — from a general overview of how funds flow through the firm and through the banking system to the specifics of the various tools and techniques used to manage corporate funds, including:

- EDI, EFT, and ACH
- lockboxes
- reconciliation services
- balance reporting
- information services
- securities services
- trust services
- credit services
- international services
- and much more!

What better way to market your bank's cash management services than with an aggressive, knowledgeable staff of cash management sales representatives and product managers? Experts who possess a complete understanding of the cash management services and products your bank provides, and who are wholly responsive to the needs of your customers.

Now there's a resource that gives your staff instant access to the information they need to serve your customers better — and ultimately to improve the marketing and sales of your bank's cash management services. Announcing:

Corporate Cash Management Handbook.

Corporate Cash Management Handbook is the most comprehensive treatment of modern cash management tools and techniques ever to be published in one volume. It gives your cash management services staff a complete understanding of depository, concentration, and disbursement systems, how and why corporations use them, and much more.

Examine It Free For 30 Days!

Corporate Cash Management Handbook is an indispensable resource for your corporate cash management services staff. One that will help them to improve their job performance and respond better to the needs of your corporate customers. And that means greater sales and profits for your bank!

To order the **Handbook** for a free 30 day trial examination, simply return the coupon below. Or call toll free: 1-800-950-1216. Ask about our special discounts for quantity orders!

Subscriber Information: © 1989. One volume. Casebound. Annual supplementation sent on approval; none issued to date.

FREE TRIAL OFFER—ACT NOW

☐ **YES!** Please send me **Corporate Cash Management Handbook** for my free trial examination. After 30 days, I will either return the book at no cost to me or honor your invoice for $98.00 plus postage and handling. I understand that the book is kept continuously current through annual supplements sent on approval.

☐ Bill me.

☐ SAVE! WG&L pays postage and handling on prepaid orders. Check enclosed payable to Warren, Gorham & Lamont, Inc. (CA, MA, and NY residents please add applicable sales tax on prepaid orders.)

To order immediately, call toll free: 1-800-950-1216.

Name ☐ Mr ☐ Ms ____________
Title ____________
Firm ____________
Address ____________
City ________ State ________ Zip ________
Telephone (   ) ____________ ☐ Office ☐ Home
Return to: Warren, Gorham & Lamont, 210 South Street, Boston, Massachusetts 02111.

3423 AMBK 12/7/89 MS0440 CCMH 1

800

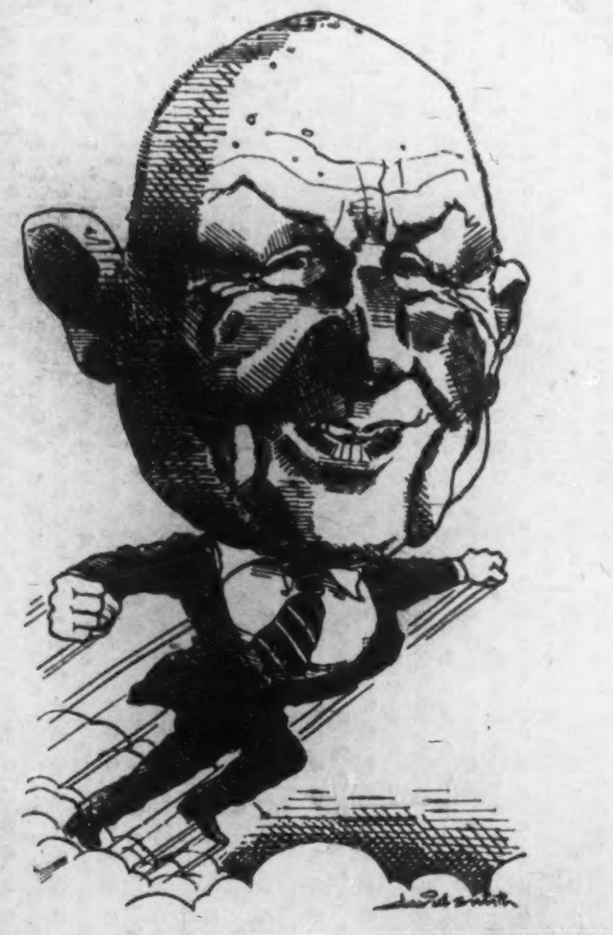
C0175-1

American Banker

The Daily Financial Services News

VOL. CLIV NO. 242 Wednesday, December 13, 1989 154th Year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814



David Smith

Seidman Is Coy As Rumors Swirl

By BARBARA A. REHM

WASHINGTON — The rumor that L. William Seidman is ready to give up government is stronger than most of the gossip that routinely flows through Washington.

In fact, after weeks of repetition, this rumor is Herculean.

Although Mr. Seidman's words and actions have fed the gossip, the 68-year-old regulator flatly denies that he has any plans to retire as chairman of either the Federal Deposit Insurance Corp. or the Resolution Trust Corp.

"I've heard the rumors," Mr. Seidman said in an interview. "I have not decided to leave. Any reports to the contrary are wrong."

On its face, the rumor does not make sense. Four months ago, President Bush handed the regulator an inch-thick law with instructions to clean up the thrift industry. Mr. Seidman fought vigorously and successfully to be put in

See SEIDMAN: Page 23 ➤

LATE NEWS

New Hanover President

Thomas S. Johnson

NEW YORK — Manufacturers Hanover Corp. on Tuesday named Thomas S. Johnson, a top executive of Chemical Banking Corp., as its president.

The action puts Mr. Johnson, president of Chemical Banking Corp. and Chemical Bank, in line to succeed John F. McGillicuddy, Hanover's 59-year-old chairman, who announced he will retire before he turns 65. Mr. McGillicuddy did not specify when he will retire.

The president's post at Hanover has been vacant for 19 months. Analysts and bankers expressed surprise at the announcement.

White House Backtracks on Talk That S&L Bailout Cost Is Growing

By ROBERT TRIGAUX

NEWS ANALYSIS

WASHINGTON — When President Bush said this week that more money may be needed to resolve the thrift crisis, he sent a brief tremor through a financial industry still trying to cope with a $50 billion bailout signed into law only four months ago.

Bank lobbyists warned that another huge bailout package could lead to new federal assessments and could undo many of the carefully crafted provisions in the August bailout law. Leaders in the thrift industry – already tapped for funds by the first bailout – warned that another bailout so soon could wipe out its shrinking group of healthy S&Ls.

But the White House on Tuesday downplayed the President's off-the-cuff remarks and backed away from any suggestion that a "Bailout II" plan from the administration was imminent. It has been no secret that another major infusion of funds will be required to bail out the struggling savings and loan industry. Experts have said for some time that the $156 billion, 10-year bailout package signed into law in August is insufficient. "That it was an inadequate Band-Aid solution to a major problem was known at the time," said

See WHITE: Page 22 ➤

Deutsche Bank Chooses a Career Man To Replace Herrhausen as Chairman

By JOHN EVANS

LONDON — Deutsche Bank of West Germany named Hilmar Kopper as its new chairman Wednesday, succeeding Alfred Herrhausen, who was slain in a terrorist bomb attack on Nov. 30.

Mr. Kopper, 54, a member of the top management board of Deutsche since 1977, is responsible for the bank's primary investment activities, all of its North American operations, and activities in the West German city of Cologne, according to an announcement by the bank in Frankfurt Tuesday.

"He is a Deutsche banker from the bottom to the top," a senior Deutsche official commented, noting Mr. Kopper had joined the bank – West Germany's largest – straight from school. "His wide international experience is a clear sign of the continuation of our bank's expansion plans at home and abroad."

Hilmar Kopper
New Chairman, Deutsche Bank

Mr. Kopper had been regarded as a strong candidate, along with Rolf

See CAREER: Page 18 ➤

Sears, 8 Banks Unite to Offer EDI Service

Joint Effort Could Spur Use Of Technology by Industry

By RICHARD LAYNE

NEW YORK — An affiliate of Sears, Roebuck and Co. said Tuesday that it has formed an alliance with eight major banks to provide electronic data interchange, a fast-growing corporate service that banks have been slow to integrate into their cash management offerings.

Bankers in the alliance said it could give a long-awaited boost to their efforts in electronic data interchange. Known as EDI, the technology eliminates paper invoices and other documents in corporation-to-corporation transactions.

Through a network operated by Sears Communications Co., the eight banks will be able to send electronic payments and details about those payments for corporations seeking to streamline their trading systems. The banks are adding a financial and funds-transfer component to an EDI system that Sears Communications has provided to more than 300 corporations.

The first user of the financial service, called the Financial Data Interchange Service, will be the Sears Merchandise Group, the retail division of the Chicago company. The Sears unit exchanges electronic data with thousands of suppliers.

"The alliance is a major step forward in showing how important the financial component of EDI is to corporations using EDI," said Edward Freitas, vice president at Harris Trust & Savings Bank, a member of the Sears alliance.

In addition to Chicago-based Harris,

See SEARS: Page 19 ➤

NOW THAT EQUASION℠ IS AVAILABLE, THE BIGGEST RISK YOU CAN TAKE IS NOT USING IT.

EQUASION.

Results from the 10 million card holder accounts being managed by EQUASION's Behavior Scoring and Adaptive Control Service are impressive. They indicate double-digit percentage reductions in credit card delinquencies and over-limit accounts. Call for detailed results and to see how EQUASION can reduce risks in your card program. Call Kurt Strawhecker, Vice President, (402) 392-5570.

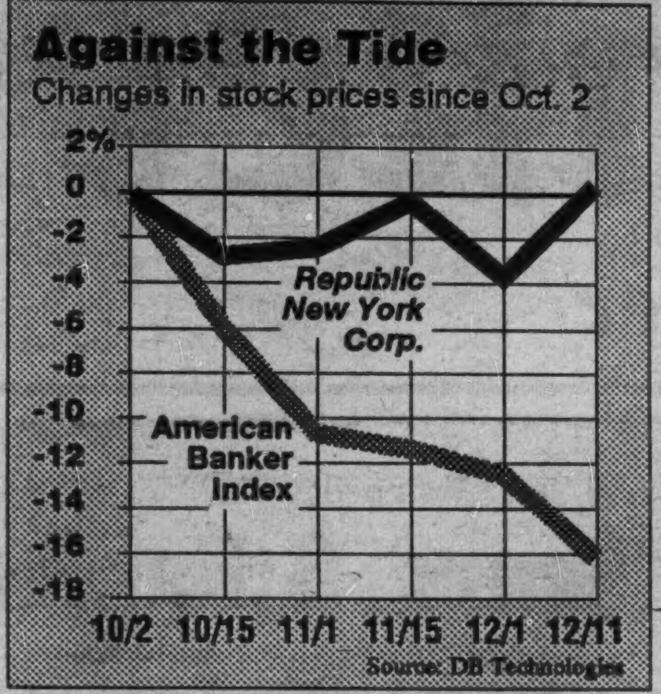
First Data Resources Inc.

Another Shared Success®

"SFS' EFT software is a sound investment – for the short-term, yes, but especially for the long-term."

–John Kaiser
Assistant Vice President
First National Bank of Ohio
Akron, Ohio

Shared Financial Systems
15301 Dallas Pkwy • Ste 600 • Dallas, TX 75248
214/233-8356 • *Outside Texas:* 800/527-4131
Ext. 115
© 1989 SFS, Inc.



Source: DB Technologies

Republic to Post $50 Million Gain From Real Estate

By JOHN P. FORDE

NEW YORK — During a quarter when it is traditional for banking companies to disclose little-suspected troubles in their loan portfolios, Republic New York Corp. on Tuesday said it will book a $50 million nonrecurring gain from the sale of a real estate option in the fourth quarter.

Announcement of the gain helped the price of Republic New York shares in a mixed stock market Tuesday. At 1 p.m., the company's stock traded at $48.50 a share, showing a gain of $1 since Monday's close.

Accountants said that the $28.8 billion-asset Republic had the option of treating the transaction as normal income, which would have been a major boost to its fourth-quarter operating results.

But in keeping with the conservative policies that have made it a favorite of bank stock analysts, the bank has chosen to recognize the gain as nonrecurring.

"The option is neither positive nor negative for the future of the bank," said Chris Kotowski, an analyst with Oppenheimer & Co. "It simply means the institution is worth about $1.50 a share more than it was yesterday."

Republic New York, which is controlled by the international financier Edmond Safra, has built a reputation as a conservatively managed bank catering to wealthy individuals.

The company opened a bank in Switzerland in 1987 that has not yet contributed much to earnings but which analysts say has turned the corner in recent months.

See REPUBLIC: Page 22 ►

Bank of Boston to Sell Credit Card Loans

$590 Million Portfolio Is Expected to Fetch a 20% Premium

By YVETTE D. KANTROW

NEW YORK — Bank of Boston Corp. has put its $590 million of credit card loans on the block, becoming the latest medium-size card issuer seeking to exit the business.

The bank – mired by $1.1 billion in troubled commercial real estate loans – has hired an investment bank to help find a buyer for its 675,000 MasterCard and Visa accounts, it announced late Monday.

Judging from similar, recently completed transactions, the portfolio is likely to fetch a 20% premium above the loan balances, or a total purchase price of $708 million.

Little Bottom-Line Effect

But analysts said that, while the move is strategically sound, a card sale by Bank of Boston will have little impact on its sagging bottom line.

"It will take some assets off their books and relieve some marginal funding problems, but it will have no real dramatic effect," said Dennis F. Shea of Morgan Stanley & Co. in New York. The sale is well-timed, however, coming during a period of accelerating consolidation in the bank card business.

Card portfolios have been changing hands at a rapid pace as the largest issuers, seeking to realize economies of scale, expand through acquisitions. In one of the biggest deals to date, Chase Manhattan Bank this year paid a 20.5% premium – and a total price of $1.325 billion – for $1.1 billion in card loans from Michigan National Corp.

But most recent sales involve medium-size portfolios, like the $552 million in card loans that First City Bancorp. of Texas, Houston, sold in October to the Bank of New York. The purchase price of $685 million yielded a premium of 24%.

In September, Bank of New York paid a $168 million premium, or 21%, to Dreyfus Corp. for $790 million in MasterCard accounts that Bank of New York had already been processing.

Bank of Boston found that "having 675,000 cardholders is an awkward size in a business that is consolidating so rapidly," said Mr. Shea of Morgan Stanley. "It's not giving you any cost efficiencies."

Bank of Boston is seeking an "agent" relationship with a buyer, under which it would continue to offer MasterCard and Visa services to its customers. The portfolio's buyer would process the accounts and own the receivables.

"While our credit card business is profitable, our ability to be a major provider in the current competitive environment depends on our being able to achieve much greater scale," said Richard W. Dalrymple, a consumer lending executive at the bank. That would require the bank to change its focus, he said. ■

Biggest Credit Card Portfolio Sales in 1989

Seller	Buyer	Card loans ($ millions)	Premium[1]
1. Lomas Financial	Merrill Lynch Capital	$1,300	39%
2. Michigan National	Chase Manhattan	1,100	21
3. Empire of America	Citibank	650	3
4. Bank of Boston	**(Pending)**	**590**	-
5. First City Bancorp.	Bank of New York	552	24
6. First Interstate	Associates National	450	10[2]
7. Imperial Savings	Wells Fargo Bank	280	24
8. Society for Savings	First Chicago	229	18
9. Goldome	Monogram Bank	148	NA
10. Freedom Savings	Southeast Bank	132	NA

[1] Acquisition price equals balances plus premium.
[2] After-tax profit to First Interstate.

Sources: Kidder, Peabody & Co. and American Banker

Jersey Thrift's Reserve Will Cause Loss for Year

By MICHAEL WEINSTEIN

NEW YORK — In the latest indication of real estate lending problems in New Jersey, Howard Savings Bank said Tuesday that it would report losses for the fourth quarter and full year.

Howard, a $5.1 billion-asset thrift based in Livingston, said it would boost its loan-loss reserve by $70 million in the fourth quarter. Howard said this action would produce an after-tax loss of about $65 million for the quarter and $45 million for 1989.

"The additional reserve projected for the fourth quarter is brought on primarily by the serious slowdown in the New Jersey real estate market," Donald F. McCormick, Howard's chief executive officer, said in a statement. "This slowdown is characterized by a significant drop in demand and a general decline in the market values of residential housing and commercial properties."

> Howard Savings Bank said it would boost its loan-loss reserve by $70 million in the fourth quarter, producing an after-tax loss of about $65 million for the quarter and $45 million for 1989.

Last month, Moody's Investors Service downgraded the debt ratings of five New Jersey banking companies because of worries about real estate in the state.

"In virtually every [New Jersey] bank, there has been an increase in nonperforming assets in 1989," said Michael L. Granger, an analyst with Prescott, Ball & Turben Inc. So far, the major New Jersey banks have avoided big increases in loan-loss provisions.

At midday, Howard's stock was trading at $8.25 a share, down $2.25. Other New Jersey bank stocks were off, too. Midlantic Corp., Edison, was trading at $31.62, down $1.87; UJB Financial Corp., Princeton, was at $19.12, down 75 cents; and First Fidelity Bancorp, Lawrenceville, was at $25, down 50 cents.

"I think there will be some additional reserves set aside" at New Jersey commercial banks in the fourth quarter, said William McCrystal, director of research at Ryan, Beck & Co., West Orange, N.J. "But I honestly don't anticipate losses at [New Jersey] commercial banks."

After the 1989 loss, Howard expects its primary capital ratio to be about 7.3%. Howard belongs to the Federal Deposit Insurance Corp., so it is not affected by capital guidelines the Financial Institutions Reform, Recovery, and Enforcement Act dictates for thrifts.

Howard said its nonperforming assets may total $400 million at yearend, compared to $252 million at the end of the third quarter.

Its loan-loss reserve at the end of the third quarter was about $21 million. "If the bank were to experience further deterioration in its commercial real estate portfolio, additional increases in the loan-loss reserve could be necessary in subsequent quarters," Mr. McCormick said.

About 36% of the thrift's $3.6 billion loan portfolio is in commercial real estate loans. ■

FINANCIAL TECHNOLOGY UPDATE

A new item processing solution has significantly reduced labor costs for Liberty National Bank, Louisville, Kentucky. NCR's 7770-3000 Intelligent Multi-Pocket System, running a software application from Data Management Products of Omaha, Nebraska has eliminated 65 hours of return item processing labor. All 42 Liberty branches have been converted to centralized processing two months ahead of schedule.

The Financial TOWER System 2 (FTS 2) improves customer service while increasing the number of product offerings. Star Bank, a Cincinnati based financial institution, recently chose NCR's Financial TOWER System 2 for its new branch automation system. In addition to improved customer service and more product offerings, Star Bank wanted to increase productivity. They found that with their new NCR system in place, platform productivity grew in excess of the 20% they expected.

NCR introduces color CRTs for ATM use in August. 5070 Interior ATMs, 5084 Cash Dispensers and 5085 Extra-Function Terminals will all be capable of utilizing these new screens. A PC is installed to drive the EGA monitor which delivers vibrant colors. Standard graphics are provided or PC Paintbrush can be used to design new graphics or modify existing programs. Plus, the CRT's potential for "advertising" at the ATM site is impressive.

The ITX Windows Software System enables multiple host system jobs to be managed through one PC. As part of the new System 10000 software tool suite, ITX Windows allows users of NCR's Banker 80 II System to handle the after-hours work of up to 9 institutions in a multi-bank installation. In addition, loan officers can use the Loan Pricing system and review applicants' account records simultaneously. ITX Windows also supports software development with edit, graphics, view, and window creation capabilities.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

COMMENT

S&Ls Must Reassess Information Technology

By CHARLES J. SIPPLE
and THOMAS R. CAPTAIN
Deloitte & Touche

BY controlling risk and requiring improved profitability and possible additions to capital, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 will put intense pressure on thrifts to process information more cheaply and better. This will lead to the biggest changes in information technology that the thrift industry has seen in decades.

The most recent surveys conducted by the U.S. League of Saving Institutions show that information technology costs are about 10% of the average thrift's noninterest operating expenses. Our research shows that as a percentage of an institution's total assets, annual information technology costs average 0.19%.

An institution may have valid reasons for falling outside this range. Lower than normal costs might be the result of fewer products, highly efficient branches, or fewer reporting and online capabilities. Higher than normal costs might be the price paid for superior customer service, lower personnel costs in customer service areas, or superior financial and analytic capability.

Making the Most of Mainframes

But some reasons are not as good. For example, a thrift may be paying a premium for extra capacity. Underutilized in-house mainframe computers may waste as much as $40,000 a month in lease payments. When usage pushes capacity to the limit, on the other hand, on-line response time for customer service and branch personnel may be too slow.

The ability to manage effectively at the margin of computer capacity is a key factor in controlling information technology costs.

Another reason for high information technology costs may be the addition of new lines of business. When a thrift diversifies into brokerage, secondary-market trading, wholesale loan servicing, or insurance, it may need more information technology staff to perform separate data management, data base maintenance, or application development functions.

> 'Each new line of business should be profitable enough to justify its technology costs.'

Personnel is usually the largest cost component of in-house information technology. As the complexity of a business increases, these personnel costs tend to increase geometrically.

Thus, each new line of business should be profitable enough to justify its information technology costs. A cost-benefit analysis can determine whether those costs are out of line, and why.

Higher than normal costs without sufficient justification indicate that there are opportunities for cost reduction, processing simplification, or improvement of methods.

New Law, New Information Needs

The thrift-rescue law will prompt many institutions to seek new types of information that provide insight into asset performance. For example, the new capital standards related to interest-rate risk, credit risk, and off-balance-sheet risk will intensify the need to assess the profitability of each business line. Scarce capital must be allocated to lines that are profitable, and lines that are unprofitable must be turned around or dropped.

Some institutions plan to meet capital needs through the earning power of their banking operation. Others will boost capital by converting from mutual to stock form or by selling shares.

Either way, better margins and higher overall earnings will become more critical than ever before. Every business line will have to be a contributor, and information measuring each one's performance will be essential.

Suppose you find that your information technology must become cheaper or better, or both. How can you lead the process of change? Because of the many innovations in today's information technology marketplace, the options and tradeoffs are complex.

Sophisticated Software

To provide better management information, for example, you might consider such technically sophisticated software packages as asset/liability applications, microcomputer downloading, and mark-to-market portfolio analysis. To track business line items in more detail, you might consider the costs and benefits of a relational data base management system.

Used in concert with a fourth-generation language, a relational data base will probably require more processing power, and therefore greater hardware expenditures. But it will also reduce both the initial software development cost and long-term outlay for software maintenance.

This could be a good tradeoff, because the past few years have brought a major shift in the cost structure of information technology: hardware costs are decreasing and software development costs are rising.

Another benefit of relational data base technology is the ability to answer ad hoc queries of existing information within minutes, enabling management to respond to market changes quickly.

See S&Ls: Page 6 ➤

Mr. Sipple is a partner in the Kansas City, Mo., office of Deloitte & Touche and national director of the firm's thrift consulting practice. Mr. Captain is a senior manager of the company's Pacific Northwest practice, specializing in operations improvement in information technology.

Grapevine

By JED HOROWITZ

The Boss Wants More. The investment banking group of **Mitsui Bank** in New York, which is just 3½ years old, felt ambitious recently when it projected a 60% increase in profits for its 1990 budget, sources said. But its bosses in Tokyo were not impressed. They told the group to raise its target to 90%, according to a beleaguered Mitsui banker in New York.

A compromise 70% target was reached, but Tokyo refuses to send more bankers to help the unit reach its goal, sources said.

Other help may be on the way. Mitsui has sought Federal Reserve Board permission to invest in a U.S. investment banking boutique, according to sources. They would not name the firm, but believe the investment will give the bank access to more U.S. clients. The bulk of Mitsui's U.S. business is done for affiliate companies of its parent, which is part of the Mitsui manufacturing and financial services conglomerate.

* * *

Carding the Merchants. Midwest marketing maven Richard G. Barlow says **First Chicago** Corp. is considering asking merchants who participate in the bank's credit card promotions to split the marketing costs. He says the bank is talking to dry cleaners, restaurant owners, and others. What's in it for the merchants? Bank customer lists. "We'd be giving information on millions of cardholders in an identifiable group," says Mr. Barlow, president of **Frequency Marketing** Inc. in Milford, Ohio.

Banks have long offered discounted merchandise and other premiums to entice consumers to charge on their bank-issued credit cards. But they have also paid all the costs of such programs.

* * *

Poison Loan Protection. Mortgage lenders who fear being stuck with tainted repossessed property are developing a plan to defray the costs of decontaminating radon-infected homes.

Banking groups in Wyoming, North Dakota, South Dakota, Montana, and Colorado are asking the American Bankers Association to support laws requiring home sellers to establish "radon escrow accounts." The sellers would be required to park between $1,000 and $2,000 in a bank account for one year. That's the amount of time it takes to accurately gauge levels of radon contamination in a home, said Wyoming-based bank consultant Michael Stone.

If a house is not contaminated, the money would be returned to the seller with interest. Mr. Stone says the plan has won support from the Department of Housing and Urban Development and should please lenders. "The banker gets to use the money for a year," he says.

* * *

Private's Progress. **J.P. Morgan** & Co.'s private-placement unit will move from its Morgan Guaranty bank to its J.P. Morgan Securities subsidiary in early January, a bank spokesman said. The shift will mirror one recently made by Bankers Trust Co. The objective: to build a big base of revenues in so-called "eligible" securities against which the allowable level of newly approved "ineligible" securities can be calculated. The Federal Reserve Board limits revenues from the new activities, such as corporate debt underwriting, to 10% of the subsidiary's total.

One sour note: private-placement bankers work closely with bank lenders in financing issuers of private securities, but the Fed has imposed "firewalls" preventing lenders from working with their in-house investment bankers. Morgan has chipped away slightly at the restrictions. It recently won approval to lend money on a limited basis to issuers of securities that its subsidiary places. Morgan's holding company and nonbank subsidiaries also won the right to buy up to 50% of the securities placed by J.P. Morgan Securities.

— Rebecca Cox and Yvette Kantrow contributed to this column.

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman

Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription Rates: U.S. $635 a year; Canada $815. Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER Cable Address: AMERBANKER New York. Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 2, 4

C0175-1

800

American Banker

TOP 300 THRIFTS — TABLES BEGIN ON PAGE 6

The Daily Financial Servic

VOL. CLIV NO. 244 Friday, December 15, 1989 154th Year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

1st Interstate Cites More Shaky Loans At Its Texas Bank

By STEVE KLINKERMAN

DALLAS — First Interstate Bancorp disclosed that an additional $1.14 billion of loans at its Texas unit could end up in default, raising the prospect that loan-loss reserves will be bolstered even further than the $300 million provision announced last week.

At Sept. 30, First Interstate's Texas unit held $560 million of nonperforming assets. After the $300 million fourth-quarter provision, First Interstate Bank of Texas will hold $890 of reserves for every $1,000 of nonperforming assets.

But First Interstate's disclosure – in the registration statement for a $400 million stock offering planned in January – indicated that the reserve position could be inadequate for future problems.

About $1.14 billion of Texas loans in addition to the nonperforming assets were in trouble at Sept. 30, First Interstate said, and "a substantial portion of [these] assets may migrate to nonperforming during the course of the next several years."

Ken Preston, a spokesman for First Interstate, said Thursday that the movement of troubled loans to nonperforming status "is just a natural progression that is to be expected." He refused to elaborate.

"There's no way First Interstate can say there isn't additional exposure in Texas," said Edward Thompson 3d, a vice president with Keefe BankWatch Inc., an affiliate of the *American Banker*.

Recent Texas transactions indicate that the loan portfolio of First Interstate's Texas unit is likely to deteriorate further.

Analysts said it is clear that First Interstate's Texas unit will need far more than its $300 million share of the

See FIRST: Back Page ➤

S&L Bailout Law Shakes Up Many Of Top 50 Thrifts, Sick and Well

By L. MICHAEL CACACE

NEW YORK — A ranking of the nation's largest thrifts demonstrates how the top institutions, both ailing and healthy, are being affected by the requirements of the bailout law enacted four months ago.

On June 1, only two large thrifts – Lincoln Savings and Loan Association and Gibraltar Savings – seemed to be facing serious problems.

But just six months later, 12 other big thrifts also are experiencing difficulties:

- Two have been placed in federal conservatorship programs.
- Two appear headed for conservatorship.
- The Resolution Trust Corp. has sold one of the thrifts in the program to a commercial bank.
- The Office of Thrift Supervision issued a cease-and-desist order to another.
- Three have sold their branch networks or other assets to meet the new

See S&L: Page 14 ➤

Bailout Law's Impact On Top 50 Thrifts

SEIZED BY REGULATORS
- City Federal Savings
- Gibraltar Savings
- Lincoln Savings
- University Federal Savings
- Western S&L

NEED TO RAISE CAPITAL
- Atlantic Financial
- CenTrust Bank
- MeraBank

SELLING OFF ASSETS
- Columbia S&L
- Goldome
- Meritor Savings Bank

BUILDING LOAN RESERVES
- Glendale Federal Bank
- Great American Bank
- Great Western Bank

Source: American Banker

CoreStates Is Heartened by Success Of Its Futuristic Branch Prototype

By RICHARD LAYNE

NEW YORK — After a eight months of trials, CoreStates Financial Corp. has concluded that its $1 million "branch of the future" works well enough to warrant a second test location.

CoreStates executives estimate that their high-tech-and-neon approach can knock $150,000 annually off the cost of running a branch.

The CoreStates branch, which delivers a wide range of automated services at low cost, is one of several pioneering efforts around the country to apply principles of retail merchandising to branch banking. Most others – including Bank One Columbus, Chemical Bank, and Shawmut Bank – focus less on cost cutting than on building revenue through one-on-one selling.

At CoreStates' Philadelphia National Bank, the early payoff has been an enormous increase in deposits, assets, and new accounts since the redesigned branch opened in March.

Five years from now, self-service branches may be the norm, according to Bipin C. Shah, vice chairman of Philadelphia-based CoreStates. Mr. Shah said at least six banks, not affiliated with CoreStates, are considering purchasing the technology.

Other bankers say Mr. Shah is correct to pursue a strategy of cost cutting and better service. But they doubt

See BRANCH: Next Page ➤

Gonzalez Gears For Campaign To Curb Fed

Chairman Cites Influence Of Banks in Shaping Policy

By ROBERT M. GARSSON

WASHINGTON — Lawmakers eager to trim the independent status of the Federal Reserve System gained the support of a key ally on Thursday. In a speech House Banking Committee Chairman Henry B. Gonzalez accused the Fed of conducting monetary policy in "splendid isolation" without regard for the wishes of the public, and said he is planning to take a broad look at restructuring the central bank.

In his speech before the Consumer Federation of America, Mr. Gonzalez said the Fed "operates as some separate government, free to veto economic policy spelled out by the administration, the Congress – and the American people at the voting booths."

However, neither in his speech nor in comments later to reporters did Mr. Gonzalez specify how he would change the Fed policymaking process to make it more responsive to administration and congressional policies.

But the Texas Democrat did suggest to reporters Thursday that he plans to take aim at the commercial banking system's special role in selecting the central bank's leadership and guiding its policies.

"Maybe we should enlarge the membership of the board, to include more than just the private banking system," he said.

Other critics of the Fed have expressed dismay that the presidents of the 12 district Federal Reserve Banks are selected by the banks' board of directors, which in turn is elected pri-

See GONZALEZ: Page 15 ➤

Today

President Bush will renominate Edward W. "Mike" Kelley to the Fed, and, in a change of heart, Mr. Kelley will accept, according to industry sources. 3

CapitaLink Securities Corp. plans to begin an electronic service allowing companies to bypass underwriters on new bond issues. 3

Heritage Bancorp, Holyoke, Mass., said it would post a "substantial" loss for the fourth quarter because of a $20 million addition to its reserve. 2

Hawaii is aggressively promoting Honolulu as a potential international banking center. 13

Shawmut Mortgage Co. is offering next-day mortgage approval. 5

Inside Financing 16
International 13
Mortgages 5
People 16

Smash the paper barrier with the machine that makes money.

Introducing InfoImage IIPS.
The check imaging system that reduces operation costs and increases productivity. The one that punches through the paper barrier of millions of checks by digitizing them and putting them on screens where they belong. The imaging system that makes you money. Call us at 1-800-547-8362.

UNISYS AND YOU
The power of²

UNISYS

Economic Linkages Erode National Sovereignty

By HENRY KAUFMAN
President, Henry Kaufman & Co.

ONE distinguishing feature of the coming decade is already in place: The business and financial worlds will be more closely linked than at any time in history.

In the manufacturing industry, world markets have emerged for a vast range of products. Nearly complete interdependence now exists among countries for industrial parts and components, as well as advanced capital goods.

Technology, communications, and transportation have all reached a level of sophistication that encourages establishment of production facilities in regions inaccessible just a few years ago. This will continue.

In finance, the deregulation and interconnection of markets, the plethora of new credit instruments, and an irrepressible entrepreneurial drive have combined to create a global credit market that will enable major corporations and institutions, wherever they may be headquartered, to increase their efforts to maximize profits through intensive management of assets and liabilities.

Protectionist Agriculture

Only in agriculture and in certain service industries, where protectionist national policies prevail, will meaningful obstacles remain to integrated global markets.

The corollary to the emergence of a more tightly linked economic and financial environment is the continued loss of some aspects of national sovereignty. It is largely an illusion that any country, even the United States, has tight control over its economic destiny.

European countries have acknowledged this, and that understanding has animated their drive toward greater economic and financial union. That integration will make Europe more self-confident and more powerful politically as well as economically.

A New World Regionalism

The outlines of a new world regionalism are thus taking shape. Regardless of whether Europe becomes an economic fortress, it will take on new distinctive characteristics. Economic activity generated from within will surely be more important than in the past.

European countries with a surplus, such as West Germany, will become an even more important source of funds to other participants on the European continent and a less important source to the United States. The drive by business and financial institutions to be domiciled in Europe will intensify from a fear of Fortress Europe, as well as from the lure of potential profits.

The newly united Europe will also benefit from the opening up of the Communist bloc nations in the East. Its proximity, ample resources to finance products and service transfers, and its historical linkages to the East will contribute to an accelerated pace of economic and financial interchange.

The likely large volume of borrowing by the communist countries in the 1990s from Western Europe, however, will probably become the international debt problem of the late 1990s or the early part of the new century. It will then strain European banks, just as Latin American debt is a continuing burden on U.S. banks.

At one time, the major Latin American countries were net importers of U.S. goods (heavily financed by American loans). Now, they try hard to be net exporters to the United States in an effort to meet at least a portion of their debt-service burden. This will continue to be a drawback for the U.S. while Europe enlarges its exports to the East.

This is not to say that our business linkages with the rest of the world will be blotted out by the new regionalism in Europe or, perhaps, the emergence of a variant form in the Far East. Our business and financial ties with Japan, for example, will increase rather than lessen, regardless of any regional trade compact that may be reached in Asia, because of the strong complementary linkages between us.

Bolstering U.S. Position

These developments, however, should prod us to focus on our own domestic opportunities and needs and to make sure that the changing structure of our economy and financial institutions strengthens, rather than undermines, our position.

Let us face facts squarely. The United States, towering over other nations, was the overwhelming political and economic leader for much of the postwar period. But not any more.

Today, our own leaders speak of partnerships with other nations. Such partnership responsibilities differ from the singular U.S. lead role of the past. Our diminishing international responsibilities should give us the opportunity to revitalize a much changed and changing America. ■

This commentary is excerpted from a Nov. 16 speech that Mr. Kaufman gave to the Money Marketeers of New York University.

Funny Money

By TOM LEANDER

Don't Leave Home . . .

MasterCard's president, Alex W. Hart, tried in a speech last week to convince his audience that the MasterCard name is superior to that of its archrival, Visa.

Charles Russell

People worldwide know what a MasterCard is, he told the Bank Administration Retail Delivery Systems Conference in New Orleans, while Visa can mean many different things. Mr. Hart then offered that in France, Visa is a popular brand name of condoms.

Visa chief Charles T. Russell was unruffled by Mr. Hart's ribbing. Taking the podium after Mr. Hart, Mr. Russell simply proclaimed: "I'm happy to hear that at least in France, 'Visa is everywhere you want to be.' "

— Yvette Kantrow

• • •

Sophomore Citizen?

A complaint filed against Citizens and Southern Bank in Florida has added a new twist to the charge of age discrimination.

Peter Levine, a local businessman, tried to enter C&S's Floridian club, which offers free personalized checking and other freebies to depositors 55 and over who have a balance of $500 or more. He was rebuffed because of his relative youth.

Mr. Levine filed a complaint with the human relations division of Broward County, which is near Miami, asking the C&S branch in Plantantion to give him the same breaks it offers to members of the program.

Said Mr. Levine, "I don't have anything against older people. I just think that this is discrimination." The Broward County human relations division will investigate the complaint, a county official said. C&S had no comment.

• • •

The Morning After

The setting: Federal bankruptcy court in Dallas. The debate: Which of First Republic's predecessor banks caused the company to go into bankruptcy?

"It's said that the merger of InterFirst and Republic was like two drunks holding each other up," said Hugh Ray, a lawyer representing First Republic's senior creditors. "But one party drank a fifth of Jack Daniels, and the other party just had two glasses of white wine."

To which another creditors' lawyer later responded: "What's your preference, Mr. Ray, whiskey or wine?"

— Steve Klinkerman

• • •

Jetsetters

Hugh McColl, the aggressive chief executive of superregional NCNB Corp. in Charlotte, N.C., has been given the go-ahead to take his bank to new heights.

The Federal Aviation Administration this week ruled that NCNB's 60-story headquarters, still under construction, isn't so tall that it would impede air traffic from Charlotte Douglass International Airport and present a hazard to air navigation.

NCNB: Scaling new heights

The FAA's Atlanta office in May ruled that the building was a potential safety hazard, but the decision was reversed by officials in Washington.

• • •

Many Happy Returns

The spirit of Christmas giving can sometimes drive a person to crime.

Fleet Bank-N.H. in Keene, N.H., notified police last week that two bags containing cash and the checks scheduled to be dropped in its night deposit box were missing. The next day, the bank received a large envelope in the mail containing the bags and the cash.

Police traced the envelope to a 19-year-old Keene man who was to have made the deposit for his employer. The man admitted that he had taken the money to buy Christmas gifts.

In true Christmas spirit, the young man's employer decided not to press charges. The name of the man and his employer have not been made public. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.

Subscription Rates: U.S. $635 a year; Canada $815. Canada Airmail and Foreign $1,120.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office. Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 300 U.S. Thrift Institutions

In Order of Deposits June 30, 1989, Compared with June 30, 1988

Rank 6/89		Deposits June 30, 1989	Deposits June 30, 1988	Rank 6/88	Gain In Rank	Deposits Dec. 31, 1988	Rank 12/88	Gain In Rank	Capital 6/30/89	Capital to Assets (%)	Charter Type 6/89	Insur. Type 6/89
1	**Home Savings of America, FA, Irwindale, Calif.**	31,550,681,000	24,252,749,000	1		29,568,816,000	1		1,804,169,000	4.08	4	2
2	**Great Western Bank, FSB, Beverly Hills**	22,335,272,000	20,888,622,000	2		21,664,188,000	2		1,555,450,000	4.54	4	2
3	**California Federal Bank, FSB, Los Angeles**	16,243,423,000	16,680,000,000	3		18,787,200,000	3		1,085,140,000	4.22	2	2
4	**Glendale Federal Bank, Calif.**	15,002,083,000	15,109,768,000	6	+2	15,300,883,000	4		1,123,804,000	4.59	4	2
5	**American Savings Bank, Stockton, Calif.**	13,551,324,000	15,384,353,000	5		13,401,466,000	6	+1	538,531,000	3.47	2	2
6	**First Nationwide Bank, FSB, San Francisco**	13,481,206,000	16,089,568,000	4		14,787,467,000	5		922,491,000	3.53	2	2
7	**Home Fed. Savings & Loan Assn. of San Diego, Calif.**	11,793,002,000	11,126,427,000	8	+1	11,558,328,000	8	+1	965,456,000	5.63	4	2
8	**Great American Bank, SSB, San Diego, Calif.**	11,310,479,000	10,999,424,000	9	+1	10,799,471,000	9	+1	640,541,000	3.88	4	2
9	**Meritor Savings Bank, Philadelphia**	10,794,450,000	11,704,853,000	7		12,209,344,000	7		350,280,000	2.42	2	1
10	**World Savings, FS&LA, Oakland, Calif.**	10,644,645,000	9,384,348,000	11	+1	10,141,780,000	11	+1	1,069,533,000	5.71	4	2
11	**Goldome, Buffalo, N.Y.**	10,595,974,000	10,949,661,000	10		10,529,276,000	10		91,610,000	0.66	2	1
12	**CrossLand Savings FSB, Brooklyn, New York**	9,425,328,000	8,305,240,000	13	+1	8,791,305,000	13	+1	1,055,619,000	6.83	2	1
13	**Dime Savings Bank of New York FSB, Garden City**	9,301,403,000	7,850,279,000	16	+3	8,652,658,000	14	+1	742,023,000	5.94	2	1
14	**Coast Savings & Loan Assn., Los Angeles**	9,265,378,000	8,215,226,000	14		8,803,298,000	12		460,035,000	3.58	4	2
15	**Empire of America Federal Savings Bank, Buffalo, N.Y.**	8,276,042,000	8,461,235,000	12		8,325,671,000	17	+2	104,610,000	0.91	2	2
16	**Columbia Savings & Loan Assn., Beverly Hills**	8,168,883,000	7,562,310,000	17	+1	8,089,177,000	18	+2	685,197,000	5.79	4	2
17	**Imperial Savings Assn., San Diego, Calif.**	8,042,258,000	7,881,748,000	15		8,329,541,000	16		229,376,000	1.93	4	2
18	**First Gibraltar Bank, FSB, Houston**	7,585,172,000	....	...		8,484,642,000	15		251,301,000	2.57	2	2
19	**City Federal Savings Bank, Bedminster, N.J.**	7,325,155,000	7,135,681,000	18		7,365,181,000	20	+1	3,030,985,000	29.35	2	2
20	**Anchor Savings Bank, FSB, Northport, N.Y.**	6,822,833,000	6,595,864,000	20		6,734,031,000	21	+1	443,658,000	5.10	2	2
21	**Gibraltar Savings, Beverly Hills**	6,784,155,000	7,008,073,000	19		7,573,847,000	19		(360,488,000)	(3.22)	4	2
22	**CenTrust Bank, SSB, Miami**	6,379,044,000	5,831,991,000	21		6,297,378,000	22		352,482,000	3.62	2	2
23	**Standard Federal Bank, Troy, Mich.**	5,809,605,000	5,100,532,000	23		5,272,603,000	24	+1	426,970,000	4.22	2	2
24	**People's Bank, Bridgeport, Conn.**	5,434,799,000	4,965,060,000	26	+2	5,065,375,000	25	+1	470,926,000	7.09	2	1
25	**Atlantic Financial Federal, Bala Cynwyd, Pa.**	5,263,506,000	4,719,890,000	30	+5	4,963,062,000	27	+2	134,631,000	1.75	4	2
26	**Citicorp Savings, FS&LA, San Francisco**	4,720,213,000	5,067,361,000	24		4,677,832,000	30	+4	966,734,000	13.09	4	2
27	**First Federal of Michigan, Detroit**	4,661,805,000	4,902,315,460	29	+2	4,911,700,862	28	+1	427,686,000	3.47	4	2
28	**Western Savings & Loan Assn., FA, Phoenix, FA, Ariz.**	4,621,431,426	4,918,487,000	28		4,229,348,000	36	+8	(327,768,000)	(5.76)	4	2
29	**Carteret Savings Bank, FA, Morristown, N.J.**	4,615,709,000	4,269,564,000	35	+6	4,355,013,000	34	+5	272,970,000	3.83	4	2
30	**Northeast Savings, FA, Hartford, Conn.**	4,510,671,000	4,938,718,000	27		4,906,967,000	29		280,073,000	3.69	4	2
31	**Talman Home Federal Savings & Loan Assn., Chicago**	4,473,506,000	4,569,327,000	32	+1	4,653,301,000	31		325,165,000	5.23	4	2
32	**MeraBank, FSB, Phoenix, Ariz.**	4,445,278,000	4,273,452,000	34	+2	5,019,493,000	26		123,869,000	1.80	2	2
33	**Perpetual Savings Bank, FSB, McLean, Va.**	4,443,924,000	3,572,489,000	44	+ 11	4,123,773,000	39	+6	278,248,000	4.30	2	2
34	**Dollar Dry Dock Bank, White Plains, N.Y.**	4,378,712,000	4,089,976,000	37	+3	4,186,767,000	37	+3	188,971,000	3.67	2	1
35	**Long Island Savings Bank FSB, Melville, N.Y.**	4,352,221,000	4,298,814,000	33		4,239,942,000	35		473,149,000	8.81	1	2
36	**Howard Savings Bank, Newark, N.J.**	4,337,541,000	4,192,393,000	36		4,484,040,000	32		371,942,000	7.63	2	1
37	**Chevy Chase Savings Bank, FSB, Md.**	4,160,288,000	3,605,468,000	42	+5	3,988,537,000	40	+3	301,433,000	6.31	4	2
38	**Sunbelt Savings, FSB, Dallas**	4,054,012,058	3,254,262,000	52	+ 14	5,712,208,000	23		8,095,545	0.09	1	2
39	**Green Point Savings Bank, Brooklyn, New York**	3,927,324,000	3,225,605,245	55	+ 16	3,622,622,000	45	+6	479,682,000	10.85	1	1
40	**Southwest Savings Assn., Dallas**	3,829,915,000	4,983,060,000	25		4,166,953,000	38		(145,325,000)	(2.42)	4	2
41	**First Federal Savings & Loan Assn., Rochester, N.Y.**	3,779,784,000	3,507,175,000	46	+5	3,740,514,000	41		125,904,000	2.24	3	2
42	**Lincoln Savings & Loan Assn., Irvine, Calif.**	3,761,144,000	3,719,179,000	40		4,409,061,000	33		(899,942,000)	(23.62)	4	2
43	**Citicorp Savings of Illinois, FS&LA, Chicago**	3,670,976,000	3,631,984,000	41		3,632,476,000	43		1,585,084,000	29.64	4	2
44	**Franklin Savings Assn., Ottawa, Kan.**	3,669,349,000	3,326,824,000	50	+6	3,309,257,000	53	+9	408,102,000	4.37	4	2
45	**University Federal Savings Assn., Houston**	3,668,742,000	3,590,687,000	43		3,730,626,000	42		(1,930,967,000)	(73.86)	3	2
46	**TransOhio Savings Bank, Cleveland**	3,643,597,000	3,528,253,000	45		3,624,443,000	44		173,787,000	2.73	2	2
47	**AmeriFirst Bank, Miami**	3,464,057,000	3,187,199,000	57	+ 10	3,458,105,000	47		127,795,000	2.74	2	2
48	**American Savings Bank, FSB, White Plains, N.Y.**	3,410,673,000	3,313,126,000	51	+3	3,464,404,000	46		346,560,000	7.32	2	1
49	**TCF Bank Savings, FSB, Minneapolis**	3,389,760,000	3,350,432,000	49		3,440,381,000	48		150,575,000	3.01	2	2
50	**Washington Mutual Savings Bank, Seattle**	3,388,137,000	3,911,906,000	38		3,270,016,000	54	+4	344,521,000	5.80	2	1
51	**Western Fed. Savings & Loan Assn., Marina Del Rey, Calif.**	3,364,931,000	1,722,734,000	117	+ 66	3,109,333,000	63	+12	188,406,000	4.13	4	2
52	**FarWest Savings & Loan Assn., Newport Beach, Calif.**	3,320,290,000	3,053,472,000	59	+7	3,320,020,000	52		217,854,000	4.53	4	2
53	**Benjamin Franklin Federal S & L Assn., Portland, Ore.**	3,227,889,000	3,236,644,000	54	+1	3,252,732,000	55	+2	187,415,000	3.59	4	1
54	**American Savings & Loan Assn. of Florida, Miami**	3,209,169,000	2,930,788,000	61	+7	3,166,289,000	58	+4	338,175,000	6.16	4	2
55	**Emigrant Savings Bank, New York**	3,181,058,000	3,156,785,365	58	+3	3,154,645,224	59	+4	227,492,000	6.39	2	1
56	**Columbia Savings, FS&LA, Englewood, Colo.**	3,128,534,000	1,825,200,000	112	+ 56	3,152,924,000	60	+4	130,383,000	2.58	4	2
57	**Fidelity Federal S & L Assn., Glendale, Calif.**	3,091,318,000	2,696,582,000	69	+ 12	3,106,235,000	64	+7	195,623,000	4.03	4	2
58	**Pacific First Federal Savings Bank, Seattle**	3,082,066,000	2,670,843,000	71	+ 13	2,955,150,000	68	+10	246,249,000	4.15	2	2
59	**San Jacinto Savings Assn., Houston**	3,069,136,000	2,850,945,973	62	+3	3,113,201,000	62	+3	10,685,000	0.30	4	2
60	**Rochester Community Savings Bank, N.Y.**	3,049,272,000	2,510,147,000	78	+ 18	2,966,534,000	66	+6	318,027,000	7.30	2	1
61	**Society for Savings, Hartford, Conn.**	3,019,693,000	2,692,380,000	70	+9	2,794,232,000	74	+13	254,372,000	5.94	2	1
62	**Apple Bank For Savings, New York**	2,998,534,000	2,700,796,000	68	+6	2,841,763,000	73	+11	241,046,000	6.92	2	2
63	**Downey Savings & Loan Assn., Newport Beach, Calif.**	2,989,713,000	2,729,712,000	65	+2	2,962,843,000	67	+4	234,676,000	6.22	4	2
64	**United Savings Assn. of Texas, FSB, Houston**	2,952,824,000	3,391,193,000	48		3,368,661,000	50		110,396,000	2.77	2	2
65	**Household Bank FSB, Newport Beach, Calif.**	2,906,881,000	1,964,135,000	104	+ 39	2,371,308,000	89	+24	221,998,000	3.84	2	2
66	**Home Savings Assn. of Kansas City, FA, Mo.**	2,863,209,000	2,540,578,000	77	+ 11	2,857,614,000	72	+6	39,747,000	1.15	4	2
67	**Florida Federal Savings Bank, St. Petersburg**	2,862,587,000	3,400,000,000	47		3,121,237,000	61		90,211,000	1.78	3	2
68	**Commercial Federal Savings & Loan Assn., Omaha, Neb.**	2,852,452,000	3,200,000,000	56		3,367,094,000	51		129,588,000	2.14	4	2
69	**Sears Savings Bank, Glendale, Calif.**	2,846,962,000	3,805,303,777	39		3,440,297,545	49		213,683,000	5.27	4	2
70	**Citizens Federal Bank, FSB, Miami**	2,822,881,000	2,012,552,000	101	+ 31	2,952,907,000	69		142,263,000	3.22	2	2
71	**Manhattan Savings Bank, New York**	2,788,156,626	2,783,963,981	63		2,765,064,691	76	+5	279,441,540	9.09	1	1
72	**Hudson City Savings Bank, Paramus, N.J.**	2,777,479,467	2,647,756,394	72		2,732,766,251	78	+6	253,815,409	8.13	1	1
73	**Home Owners Savings Bank, FSB, Boston**	2,743,338,000	2,629,675,000	73		2,661,065,000	79	+6	161,579,000	4.25	2	2
74	**San Francisco Federal Savings & Loan Assn.**	2,733,268,000	2,600,908,000	74		2,773,224,000	75	+1	197,842,000	4.45	4	2
75	**Bright Banc Savings Assn., Dallas**	2,731,172,000	3,244,140,000	53		3,003,429,000	65		(656,156,000)	(16.25)	4	2
76	**Guaranty Federal Savings Bank, Dallas**	2,698,606,000	2,288,719,000	89	+ 13	3,219,246,000	56		73,686,000	1.81	2	2
77	**Georgia Federal Bank, FSB, Atlanta**	2,693,839,000	2,593,807,000	75		2,644,027,000	80	+3	242,710,000	5.78	2	2
78	**Homestead Savings, FS&LA, Millbrae, Calif.**	2,648,734,000	2,973,066,000	60		3,169,145,956	57		96,471,000	1.89	4	2
79	**Williamsburgh Savings Bank, Brooklyn, New York**	2,648,345,000	2,502,043,000	79		2,735,861,000	77		311,736,000	9.87	2	1
80	**Capitol Federal Savings & Loan Assn., Topeka, Kan.**	2,609,662,000	2,451,824,000	82	+2	2,562,495,000	84	+4	282,364,000	9.22	3	2
81	**Metropolitan Federal Bank, FSB, Fargo, N.D.**	2,529,647,000	1,225,076,000	178	+ 97	2,521,938,000	86	+5	134,078,000	3.31	2	2
82	**Old Stone Bank, FSB, Providence, R.I.**	2,481,077,000	2,572,016,000	76		2,564,746,000	83	+1	168,285,000	4.88	2	2
83	**Community Federal Savings & Loan Assn., St. Louis, Mo.**	2,479,964,000	2,729,924,000	64		2,568,455,000	81		45,155,000	1.29	3	2
84	**Seamen's Bank for Savings, FSB, New York**	2,479,645,000	2,713,007,000	66		2,564,864,000	82		155,865,000	3.63	2	1
85	**First Federal Savings & Loan Assn., Pittsburgh**	2,417,010,000	2,367,664,000	87	+2	2,424,612,000	88	+3	91,598,000	2.93	3	2
86	**St. Paul Federal Bank for Savings, Chicago**	2,414,701,000	2,451,594,647	83		2,369,257,745	91	+5	215,180,000	6.70	2	2
87	**Farm & Home Savings Assn., Nevada, Mo.**	2,398,506,000	2,423,299,000	84		2,358,906,000	92	+5	218,703,000	6.39	4	2
88	**Valley Federal S & L Assn., Van Nuys, Calif.**	2,385,139,000	2,465,383,000	80		2,528,358,000	85		104,690,000	3.11	4	2
89	**Olney Savings & Loan Assn., Tex.**	2,356,524,097	900,428,000	248	+159	2,896,309,000	70		78,680,609	1.87	4	2
90	**Astoria Federal Savings & Loan Assn., Queens, New York**	2,341,828,000	2,291,693,735	88		2,322,683,242	94	+4	245,925,000	8.13	3	2
91	**Fortune Savings Bank, Clearwater, Fla.**	2,329,195,000	2,032,182,000	97	+6	2,257,704,127	96	+5	102,852,000	3.10	4	2
92	**First Minnesota Savings Bank, FSB, St. Paul**	2,316,422,000	2,258,820,000	91		2,370,769,000	90		131,737,000	4.14	1	2
93	**Bank Western, FSB, Denver**	2,282,696,000	2,382,869,000	85		2,350,499,000	93		247,694,000	7.15	2	2
94	**Pima Savings & Loan Assn., Tucson, Ariz.**	2,259,319,000	2,171,533,000	94		2,211,104,000	98	+4	115,865,000	3.68	4	2
95	**Lincoln Savings Bank, FSB, New York**	2,257,156,000	2,261,569,000	90		2,238,214,000	97	+2	148,811,000	5.50	2	1
96	**Third Federal Savings & Loan Assn., Cleveland**	2,254,998,795	2,025,217,740	99	+3	2,138,288,682	100	+4	248,995,145	9.81	3	2
97	**Greater New York Savings Bank, New York**	2,177,434,000	2,049,762,000	96		2,067,547,000	102	+5	206,452,000	6.54	2	1
98	**Champion Federal Savings & Loan Assn., Bloomington, Ill.**	2,143,516,000	2,055,136,000	95		2,079,005,000	101	+3	103,190,000	3.80	3	2
99	**Hill Financial Savings Assn., Red Hill, Pa.**	2,090,863,000	2,378,087,000	86		2,452,442,000	87		(383,076,000)	(14.80)	3	2
100	**Midwest Savings Assn., FA, Minneapolis**	2,066,792,000	2,463,257,000	81		2,265,072,000	95		(732,893,000)	(31.63)	3	2

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For FSLIC-insured thrifts not responding to the American Banker survey, data provided to American Banker by the Federal Home Loan Bank Board were used. For FDIC-insured thrifts not responding to the survey, data provided by **ADP Data Services Division, New York**— from its data base of thrifts reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks"— were used. **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) for FSLIC-insured thrifts it is **modified equity capital**, which is basically net worth on a GAAP basis. (To get GAAP net worth, you would subtract from modified equity capital deferred loan losses remaining on the balance sheet and unrecognized losses related to FASB 12— marking to market investments in mutual funds.) (2) for FDIC-insured thrifts capital is **total shareholders' equity,** which is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves less net unrealized loss on marketable equity securities. **Charter Types: 1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types: 1**-FDIC-Insured; **2**-FSLIC-Insured; **3**-State Insured. **( )**— A negative.

Compiled by American Banker, Copyright 1989.

Top 300 U.S. Thrift Institutions

In Order of Deposits June 30, 1989, Compared with June 30, 1988

Rank 6/89		Deposits June 30, 1989	Deposits June 30, 1988	Rank 6/88	Gain In Rank	Deposits Dec. 31, 1988	Rank 12/88	Gain In Rank	Capital 6/30/89	Capital to Assets (%)	Charter Type 6/89	Insur. Type 6/89
101	San Antonio Savings Assn., FA, Tex.	2,036,229,000	1,899,095,000	108	+7	1,937,481,000	113	+12	(308,535,000)	(12.26)	3	2
102	Dollar Bank, FSB, Pittsburgh	2,028,564,000	2,014,868,000	100		2,028,473,000	104	+2	119,263,000	4.94	1	2
103	River Bank America, New York	2,022,731,000	1,917,460,602	107	+4	2,014,862,000	106	+3	158,310,000	5.43	4	1
104	Citizens Federal Savings & Loan Assn., Dayton, Ohio	2,015,023,000	2,189,102,000	93		2,050,525,000	103		106,651,000	4.51	3	2
105	Santa Barbara Savings & Loan Assn., Calif.	2,001,904,000	2,189,422,000	92		2,191,861,000	99		27,070,000	0.55	4	2
106	First Financial Bank, FSB, Stevens Point, Wis.	1,986,464,000	1,930,197,000	106		1,990,723,000	108	+2	121,305,000	5.32	2	2
107	Coral Gables Federal Savings & Loan Assn., Fla.	1,970,819,000	1,985,797,007	102		1,988,045,045	109	+2	192,374,000	7.57	3	2
108	Sacramento Savings & Loan Assn., Calif.	1,958,346,000	1,941,084,464	105		2,021,237,000	105		135,397,000	5.86	4	2
109	Bluebonnet Savings Bank, FSB, Dallas	1,937,433,000	....	...		2,873,792,000	71		96,671,000	3.07	2	2
110	Guardian Savings & Loan Assn., Houston	1,928,632,600	1,633,787,000	126	+ 16	1,815,708,204	115	+5	122,187,584	2.99	4	2
111	Mercury Savings, FS&LA, Huntington Beach, Calif.	1,916,814,000	2,027,847,128	98		1,972,012,000	111		38,178,000	1.65	4	2
112	Benjamin Franklin Federal Savings Assn., Houston	1,892,628,000	1,874,913,147	110		2,004,722,000	107		(206,459,000)	(8.98)	3	2
113	Great Lakes Bancorp, Ann Arbor, Mich.	1,881,651,000	1,678,526,000	123	+ 10	1,980,440,000	110		142,033,000	3.96	2	2
114	HonFed Bank, FSB, Honolulu	1,869,259,000	1,402,177,000	151	+ 37	1,776,129,000	118	+4	104,970,000	3.44	2	2
115	Peoples Heritage Savings Bank, Portland, Me.	1,825,353,000	1,351,793,000	155	+ 40	1,641,257,000	132	+17	165,139,000	6.88	2	1
116	Security Savings & Loan Assn., Milwaukee, Wis.	1,808,811,000	1,713,516,195	118	+2	1,697,589,024	123	+7	233,201,000	10.74	3	2
117	Cragin Federal Bank for Savings, Chicago	1,804,440,000	1,710,861,209	120	+3	1,773,104,325	119	+2	191,427,000	7.99	3	2
118	First Federal Savings & Loan Assn., Greenville, S.C.	1,794,283,000	1,686,761,000	122	+4	1,707,499,000	122	+4	91,237,000	3.94	4	2
119	Commonwealth Federal Savings Assn., Houston	1,790,853,000	1,636,201,000	125	+6	1,608,452,000	136	+17	(675,271,000)	(42.70)	3	2
120	Albany Savings Bank FSB, N.Y.	1,745,945,000	1,729,601,816	115		1,732,391,017	121	+1	133,897,000	6.64	1	2
121	Boston Five Cents Savings Bank FSB	1,736,418,000	1,710,898,000	119		1,807,085,000	116		146,442,000	6.16	2	1
122	Investors Savings Bank, Richmond	1,701,305,000	1,562,534,000	134	+ 12	1,661,488,000	128	+6	84,286,000	3.59	2	2
123	Leader Federal Bank for Savings, Memphis, Tenn.	1,686,489,000	1,511,567,599	138	+ 15	1,673,517,000	127	+4	87,946,000	3.57	1	2
124	Southwest Savings & Loan Assn., Phoenix, Ariz.	1,679,355,000	1,764,408,000	114		1,749,652,000	120		(160,559,000)	(8.14)	4	2
125	Decatur Federal Savings & Loan Assn., Ga.	1,677,030,000	1,692,264,602	121		1,682,898,930	125		126,176,000	5.04	4	2
126	Secor Bank, FSB, Birmingham, Ala.	1,675,131,000	1,412,505,000	148	+ 22	1,796,010,000	117		121,440,000	5.06	2	2
127	Bay View Fed. Savings & Loan Assn., San Mateo, Calif.	1,672,217,000	1,455,624,000	145	+ 18	1,678,694,000	126		187,830,000	6.60	4	2
128	Citizens Savings Bank, Providence, R.I.	1,671,000,000	1,538,469,785	136	+8	1,614,758,588	134	+6	222,300,000	10.24	2	1
129	Horizon Financial, FA, Southampton, Pa.	1,664,619,000	1,978,269,000	103		1,944,949,000	112		(130,488,000)	(5.23)	3	2
130	American Pioneer Savings Bank, Orlando, Fla.	1,651,819,000	1,559,047,000	135	+5	1,526,009,000	142	+12	49,435,000	2.36	4	2
131	East New York Savings Bank, New York	1,634,458,000	1,609,188,050	130		1,686,776,740	124		151,355,000	7.44	2	1
132	Union Federal Savings Bank, Los Angeles	1,605,496,000	1,430,500,000	146	+ 14	1,612,586,000	135	+3	114,542,000	4.94	2	2
133	Trustbank Savings, FSB, McLean, Va.	1,595,565,000	1,488,174,000	140	+7	1,537,090,000	141	+8	47,237,000	2.10	4	2
134	Altus Bank, FSB, Mobile, Ala.	1,579,329,000	1,621,176,000	127		1,646,395,000	130		74,360,000	2.92	2	2
135	Bell Federal Savings & Loan Assn., Chicago	1,577,193,000	1,637,816,000	124		1,620,984,000	133		126,083,000	7.28	3	2
136	ABQ Bank, FSB, Albuquerque, N.M.	1,563,360,000	1,463,741,442	144	+8	1,540,457,000	140	+4	(20,397,000)	(0.92)	2	2
137	Fulton Federal Savings Bank, Atlanta	1,554,446,000	1,605,674,000	131		1,595,489,000	138	+1	47,510,000	1.85	2	2
138	Southern California Savings, FS&LA, Beverly Hills	1,547,443,000	1,202,274,000	186	+ 48	1,515,865,000	143	+5	263,542,000	12.44	4	2
139	Collective Federal Savings Bank, Egg Harbor City, N.J.	1,544,708,000	1,386,334,531	152	+ 13	1,381,152,000	155	+16	120,622,000	5.40	2	2
140	Beverly Hills Federal Savings Bank	1,539,612,000	1,724,507,000	116		1,606,254,000	137		53,904,000	3.23	1	2
141	Eureka Federal Savings & Loan Assn., San Carlos, Calif.	1,530,782,152	1,884,918,000	109		1,653,347,282	129		124,074,191	7.01	4	1
142	Loyola Federal Savings & Loan Assn., Baltimore	1,516,380,000	1,486,602,000	141		1,510,028,000	145	+3	124,566,000	5.82	4	2
143	Ensign Bank FSB, New York	1,513,685,000	1,467,116,000	143		1,512,472,000	144	+1	65,895,000	3.46	2	2
144	Far West Federal Bank, Portland, Ore.	1,511,979,000	1,313,737,856	161	+ 17	1,479,273,000	147	+3	32,579,000	0.96	2	2
145	First Constitution Bank, New Haven, Conn.	1,502,251,000	1,284,969,000	166	+ 21	1,487,947,000	146	+1	213,713,000	9.15	2	1
146	Gill Savings Assn., San Antonio, Tex.	1,496,147,000	1,572,094,000	133		1,448,432,000	149	+3	(958,814,000)	(97.33)	4	2
147	BankAtlantic, FSB, Fort Lauderdale, Fla.	1,494,555,000	1,614,719,000	129		1,641,974,000	131		65,153,000	3.15	2	2
148	Peoples Heritage Federal S & L Assn., Salina, Kan.	1,470,115,000	1,255,040,000	172	+ 24	1,447,833,000	150	+2	(163,008,000)	(8.97)	4	2
149	Pioneer Savings Bank, FSB, Clearwater, Fla.	1,465,304,000	1,589,056,000	132		1,544,811,000	139		21,540,000	1.02	2	2
150	Pelican Homestead & Savings Assn., Metairie, La.	1,447,748,000	1,473,264,590	142		1,418,122,000	151	+1	50,722,000	2.55	3	2
151	First Federal Savings Bank of California, Santa Monica	1,421,693,000	1,253,530,000	174	+ 23	1,358,818,903	159	+8	125,751,000	5.29	2	2
152	Maine Savings Bank, Portland	1,415,248,000	1,274,978,000	168	+ 16	1,397,866,000	153	+1	81,086,000	4.87	2	1
153	Ohio Savings Bank, Cleveland	1,396,303,000	1,296,184,609	163	+ 10	1,295,796,938	169	+16	99,134,000	6.37	2	2
154	Citicorp Savings of Florida, FS&LA, Miami	1,393,996,000	1,254,118,202	173	+ 19	1,347,612,000	161	+7	543,482,000	16.43	4	2
155	American Federal Bank, FSB, Dallas	1,386,520,000	....	...		1,829,528,000	114		59,701,000	1.97	2	2
156	Hollywood Federal Savings & Loan Assn., Fla.	1,376,979,000	1,621,101,000	128		1,370,116,000	156		31,825,000	1.82	3	2
157	Peoples Westchester Savings Bank, Hawthorne, N.Y.	1,375,133,000	1,307,751,000	162	+5	1,313,962,000	167	+10	158,822,000	9.47	2	1
158	First Federal Savings Bank, Cleveland	1,374,637,000	1,317,443,647	159	+1	1,349,029,000	160	+2	122,804,000	7.48	2	2
159	Cardinal Federal Savings Bank, Cleveland	1,352,195,000	1,501,534,000	139		1,459,728,473	148		58,271,000	3.76	2	2
160	Flagler Federal Savings & Loan Assn., Miami	1,346,466,000	1,348,847,000	156		1,369,079,000	157		30,306,000	1.98	3	2
161	BancFlorida, FSB, Naples	1,330,654,000	1,368,658,000	153		1,363,023,000	158		78,763,000	4.15	2	2
162	Western Financial Savings Bank, Orange, Calif.	1,324,518,000	977,000,000	232	+ 70	1,181,671,000	191	+29	126,623,000	4.66	4	2
163	Washington Federal Savings & Loan Assn., Seattle	1,317,445,000	1,208,768,000	182	+ 19	1,403,000,000	152		265,314,000	11.50	4	2
164	Beneficial Savings Bank, Philadelphia	1,316,282,000	1,404,856,000	149		1,342,030,000	162		69,135,000	4.97	1	1
165	Fidelity New York, FSB, Floral Park, N.Y.	1,314,102,000	1,330,373,000	158		1,332,879,000	163		63,806,000	3.26	1	2
166	Heritage NIS Bank for Savings, Northampton, Mass.	1,308,459,000	1,206,098,000	184	+ 18	1,281,571,000	171	+5	113,528,000	6.55	2	1
167	Provident Savings Bank, Jersey City, N.J.	1,306,455,729	1,357,433,269	154		1,299,822,633	168	+1	95,463,210	6.76	1	1
168	PriMerit Bank, Las Vegas, Nev.	1,304,098,000	1,240,611,616	175	+7	1,262,872,000	174	+6	165,045,000	5.90	2	2
169	Independence Savings Bank, Brooklyn, New York	1,298,977,000	1,257,362,000	171	+2	1,225,309,112	182	+13	117,703,000	8.18	1	1
170	American Savings & Loan Assn., Salt Lake City, Utah	1,285,004,000	1,419,398,000	147		1,383,297,000	154		(43,439,000)	(2.11)	4	2
171	Centerbank, Waterbury, Conn.	1,274,599,000	1,100,447,000	208	+ 37	1,316,928,000	165		240,818,000	11.67	2	1
172	First Federal Savings Bank, Santurce, P.R.	1,248,760,095	1,060,802,000	212	+ 40	1,099,588,000	214	+42	80,282,874	4.11	2	1
173	Investors Savings & Loan Assn., Millburn, N.J.	1,243,445,539	1,009,233,512	223	+ 50	1,152,623,311	200	+27	101,570,156	5.39	3	2
174	First Federal Savings & Loan Assn., Toledo, Ohio	1,228,914,821	1,293,262,500	165		1,265,062,416	173		57,357,275	4.40	3	2
175	Germantown Savings Bank, Bala Cynwyd, Pa.	1,228,121,000	1,228,209,000	177	+2	1,250,910,000	176	+1	81,162,000	6.01	2	1
176	Murray Federal Savings & Loan Assn., Dallas	1,221,182,000	1,141,765,000	201	+ 25	1,158,064,000	199	+23	(269,428,000)	(22.51)	3	2
177	Jamaica Savings Bank FSB, Lynbrook, N.Y.	1,221,145,254	1,204,735,152	185	+8	1,208,459,231	186	+9	196,656,332	13.52	1	1
178	New Haven Savings Bank, Conn.	1,220,491,258	1,141,634,000	202	+ 24	1,166,460,000	196	+18	146,190,858	9.02	1	1
179	Beach Federal Savings & Loan Assn., Boynton Beach, Fla.	1,219,411,000	1,188,993,451	191	+ 12	1,169,282,000	193	+14	1,000,000	0.08	4	2
180	Columbia First Federal S & L Assn., Arlington, Va.	1,216,144,000	1,091,357,000	209	+ 29	1,230,679,000	180		123,332,000	5.71	4	2
181	United Savings of America, FS&LA, Chicago	1,211,743,384	1,101,244,219	207	+ 26	1,223,508,529	184	+3	57,436,178	4.27	3	2
182	D&N Savings Bank, FSB, Hancock, Mich.	1,205,532,000	1,181,420,000	192	+ 10	1,194,763,000	189	+7	118,470,000	5.48	2	1
183	First Mutual of Boston	1,204,253,000	1,156,774,000	198	+ 15	1,255,604,000	175		86,957,000	6.43	1	1
184	Neworld Bank for Savings, Boston	1,202,606,000	1,197,973,000	187	+3	1,233,326,000	179		117,579,000	8.78	2	1
185	Landmark Savings Assn., Pittsburgh	1,197,624,000	1,239,476,000	176		1,265,382,000	172		87,187,000	4.90	4	2
186	Oak Tree Savings Bank, SSB, New Orleans, La.	1,196,849,000	1,126,154,000	204	+ 18	1,163,058,000	197	+11	904,888,000	35.78	2	2
187	Columbia Banking Federal S & L Assn., Rochester, N.Y.	1,195,295,906	1,223,183,549	179		1,211,382,000	185		31,478,000	1.91	3	2
188	Gem Savings Assn., Dayton, Ohio	1,194,297,000	1,294,294,000	164		1,294,051,414	170		33,438,000	2.14	3	2
189	Caguas Central Federal Savings Bank, San Juan, P.R.	1,192,561,548	1,064,388,055	211	+ 22	1,103,078,655	212	+23	57,468,764	3.61	1	2
190	North Side Savings Bank, Bronx, New York	1,187,359,000	....	...		1,230,245,000	181		95,745,000	7.22	1	1
191	Onondaga Savings Bank, Syracuse, N.Y.	1,184,012,000	1,117,048,000	206	+ 15	1,128,561,000	205	+14	95,621,000	6.11	2	1
192	Commonwealth Savings & Loan Assn., Ft. Lauderdale, Fla.	1,176,046,000	1,404,089,000	150		1,324,592,000	164		(75,495,000)	(4.79)	4	2
193	Provident Institution for Savings, Boston	1,175,962,040	1,266,499,000	170		1,225,239,177	183		129,201,889	7.76	2	1
194	Sooner Federal Savings & Loan Assn., Tulsa, Okla.	1,175,500,000	1,206,541,000	183		1,239,312,000	178		3,276,000	0.19	4	2
195	Crestmont Federal Savings & Loan Assn., Edison, N.J.	1,174,636,000	1,015,455,000	222	+ 27	1,069,930,000	218	+23	89,900,000	5.03	4	2
196	Pomona First Fed. Savings & Loan Assn., Calif.	1,174,109,000	1,147,327,000	199	+3	1,141,916,000	203	+7	75,754,000	5.87	3	2
197	Mid America Federal Savings & Loan Assn., Clarendon Hills	1,165,256,000	1,118,820,542	205	+8	1,151,715,000	201	+4	25,134,000	1.64	3	2
198	Home Savings Bank, Brooklyn, New York	1,164,809,000	1,196,685,701	189		1,169,118,996	194		243,896,000	15.01	2	1
199	Financial Fed. Savings & Loan Assn., Miami Lakes, Fla.	1,158,845,000	1,166,000,000	195		1,147,257,000	202	+3	40,034,000	2.45	3	2
200	First Federal Savings of Arkansas, FA, Little Rock	1,155,255,000	1,196,695,000	188		1,195,895,000	188		(440,326,000)	(32.14)	4	2

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For FSLIC-insured thrifts not responding to the American Banker survey, data provided to American Banker by the Federal Home Loan Bank Board were used. For FDIC-insured thrifts not responding to the survey, data provided by **ADP Data Services Division, New York**— from its data base of thrifts reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks"— were used. **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) for FSLIC-insured thrifts it is **modified equity capital**, which is basically net worth on a GAAP basis. (To get GAAP net worth, you would subtract from modified equity capital deferred loan losses remaining on the balance sheet and unrecognized losses related to FASB 12— marking to market investments in mutual funds.) (2) for FDIC-insured thrifts capital is **total shareholders' equity,** which is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves less net unrealized loss on marketable equity securities. **Charter Types:** **1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types:** **1**-FDIC-Insured; **2**-FSLIC-Insured; **3**-State Insured. **( )**— A negative.

Compiled by American Banker, Copyright 1989.

Continued on Next Page

NOTE

ONLY THE FOLLOWING PAGES OF THIS
PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 6-12, 14

Top 300 U.S. Thrift Institutions

In Order of Deposits June 30, 1989, Compared with June 30, 1988

Rank 6/89		Deposits June 30, 1989	Deposits June 30, 1988	Rank 6/88	Gain In Rank	Deposits Dec. 31, 1988	Rank 12/88	Gain In Rank	Capital 6/30/89	Capital to Assets (%)	Charter Type 6/89	Insur. Type 6/89
201	Chase Federal Bank, Miami	1,153,256,000	1,195,172,301	190		1,192,070,861	190		48,545,000	3.03	1	2
202	Roosevelt Bank, FSB, Chesterfield, Mo.	1,144,995,782	1,160,578,000	197		1,162,810,813	198		113,404,470	4.37	2	2
203	Columbia Federal Savings Bank, Queens, New York	1,137,848,155	996,926,000	226	+ 23	1,092,120,211	215	+12	79,017,359	5.33	1	2
204	Norstar Bank Central New York, Syracuse	1,123,475,000	1,209,057,000	181		1,170,322,000	192		94,382,000	6.82	2	1
205	United Postal Savings Assn., St. Louis, Mo.	1,123,151,000	1,166,210,000	194		1,167,407,000	195		88,504,000	6.37	3	2
206	Standard Federal Savings & Loan Assn., Chicago	1,113,164,000	893,136,432	250	+ 44	1,127,835,904	206		66,177,000	5.54	3	2
207	Horizon Federal Savings Bank, Wilmette, Ill.	1,104,877,000	1,032,296,000	217	+ 10	1,054,603,000	220	+13	4,824,000	0.37	1	2
208	First Federal Savings & Loan Assn., Lincoln, Neb.	1,103,162,000	1,071,031,000	210	+2	1,115,913,883	211	+3	56,755,000	4.58	3	2
209	Freedom Savings & Loan Assn., Tampa, Fla.	1,101,710,000	1,171,259,000	193		1,127,014,000	207		(369,580,000)	(34.15)	3	2
210	State Savings Bank, Columbus, Ohio	1,087,630,000	1,144,232,000	200		1,200,310,000	187		94,993,000	6.72	4	2
211	Roosevelt Savings Bank, Garden City, N.Y.	1,085,126,000	954,218,000	239	+ 28	1,017,511,000	229	+18	62,777,000	5.01	1	1
212	Baltimore Federal Financial, FSA	1,074,623,000	1,284,402,000	167		1,241,765,000	177		(142,475,000)	(9.05)	3	2
213	Sandia Federal Savings & Loan Assn., Albuquerque, N.M.	1,063,235,000	1,160,582,000	196		1,075,413,000	217	+4	(611,256,000)	(84.88)	4	2
214	Security Savings & Loan Assn., Scottsdale, Ariz.	1,063,113,000	1,033,033,000	216	+2	1,051,702,000	222	+8	(516,280,000)	(92.22)	4	2
215	First Atlantic Savings, South Plainfield, N.J.	1,055,226,000	1,024,796,000	220	+5	1,099,822,000	213		35,894,000	2.63	3	2
216	County Bank, Santa Barbara, Calif.	1,045,460,000	1,029,243,000	218	+2	1,120,254,000	210		40,890,000	2.89	2	2
217	Wilmington Savings Fund Society FSB, Del.	1,045,287,000	1,008,145,000	224	+7	1,042,136,000	225	+8	96,217,000	6.74	2	1
218	Southeast Bank for Savings, FSB, Jacksonville, Fla.	1,044,567,000	988,142,000	229	+ 11	1,121,044,000	209		84,932,000	6.67	2	2
219	Security Savings Bank, SLA, Vineland, N.J.	1,043,092,000	916,428,000	244	+ 25	992,119,000	236	+17	75,498,000	4.98	2	2
220	Connecticut Savings Bank, New Haven	1,041,893,000	1,027,198,000	219		1,050,551,000	223	+3	86,702,000	6.55	1	1
221	Superior Bank, FSB, Hinsdale, Ill.	1,036,927,000	1,218,291,000	180		1,137,473,000	204		44,459,000	2.61	2	2
222	Anchor Savings & Loan Assn., Madison, Wis.	1,036,577,000	1,044,623,243	214		1,053,559,753	221		62,622,000	4.78	3	2
223	Republic Federal Savings & Loan Assn., Los Angeles	1,034,760,000	963,000,000	234	+ 11	1,012,802,000	233	+10	66,252,000	3.23	4	2
224	The First, FA, Orlando, Fla.	1,032,622,000	1,043,337,000	215		1,045,458,560	224		46,034,000	3.63	3	2
225	Amoskeag Bank, Manchester, N.H.	1,025,765,000	956,347,000	238	+ 13	1,083,749,000	216		84,289,000	5.51	2	1
226	Columbia Savings Bank, SLA, Fair Lawn, N.J.	1,018,034,868	990,112,751	228	+2	1,014,495,000	231	+5	5,267,974	0.42	3	2
227	American Savings Bank, FSB, Honolulu	1,016,126,000	....	...		966,293,000	240	+13	122,618,000	7.85	2	2
228	Pacific Southwest Savings Bank, FSB, Corpus Christi, Tex.	1,014,000,000	....	...		1,059,601,000	219		24,896,000	2.08	2	2
229	Ridgewood Savings Bank, Queens, New York	995,710,000	1,023,267,000	221		1,015,117,348	230	+1	118,762,000	10.64	1	1
230	ComFed Savings Bank, Lowell, Mass.	992,383,000	909,821,000	245	+ 15	1,012,212,000	234	+4	78,823,000	4.70	2	2
231	Pacific Savings Bank, Costa Mesa, Calif.	988,571,000	986,656,000	230		1,019,046,000	228		(260,147,000)	(25.09)	3	2
232	South Boston Savings Bank, Boston	987,219,000	1,051,372,000	213		1,004,771,000	235	+3	103,574,000	7.25	2	1
233	Metropolitan Federal Bank of Iowa, Mason City	979,870,000	....	...		1,039,453,000	226		49,944,000	4.10	2	2
234	First Federal Savings Bank & Trust, Pontiac, Mich.	971,000,000	933,000,000	242	+8	1,013,136,000	232		60,800	0.00	4	2
235	Morris Savings Bank, Morristown, N.J.	970,906,000	962,890,000	235		1,020,676,000	227		67,112,000	6.13	2	1
236	Mutual Savings Bank of Wisconsin, Milwaukee	967,039,000	887,183,000	253	+ 17	990,397,429	237	+1	93,765,000	8.60	1	2
237	Security First Fed. S & L Assn., Daytona Beach, Fla.	961,198,000	1,004,315,000	225		988,551,000	238	+1	23,297,000	1.98	3	2
238	Hunter Savings Assn., Cincinnati	955,172,000	960,093,000	236		963,120,000	241	+3	82,323,000	6.48	4	2
239	Coreast Savings Bank, FSB, Richmond	954,068,000	941,906,000	241	+2	980,897,000	239		51,026,000	4.17	2	2
240	Sun State Savings & Loan Assn., Phoenix, Ariz.	948,427,000	833,942,000	268	+ 28	883,909,000	256	+16	(92,873,000)	(9.29)	3	2
241	New Bedford Institution for Savings, Mass.	936,119,000	759,327,000	298	+ 57	930,420,000	248	+7	213,649,000	18.36	2	1
242	Mid-America Federal Savings & Loan Assn., Columbus, Ohio	935,750,000	950,539,000	240		949,275,000	243	+1	11,295,000	0.87	3	2
243	BancPlus Savings Assn., Pasadena, Tex.	932,986,000	667,441,000	342	+ 99	922,467,000	249	+6	(356,399,000)	(56.26)	4	2
244	American Charter Federal S & L Assn., Lincoln, Neb.	932,978,000	927,250,000	243		948,079,000	244		2,660,000	0.18	3	2
245	Ameribanc Savings Bank, Annandale, Va.	925,116,000	881,456,000	254	+9	900,664,000	252	+7	65,249,000	5.11	2	2
246	Franklin Federal Bancorp, FSB, Austin, Tex.	920,743,000	....	...		1,316,300,000	166		29,863,000	1.75	2	2
247	Metropolitan Federal S & L Assn., Nashville, Tenn.	919,113,000	889,889,000	252	+5	911,713,000	251	+4	86,579,000	7.53	4	2
248	First Home Federal Savings & Loan Assn., Greensboro, N.C.	917,870,000	860,651,000	260	+ 12	881,754,000	257	+9	42,572,000	3.37	4	2
249	Broadview Savings Bank, Cleveland	917,110,000	1,346,779,000	157		1,125,375,000	208		(37,850,000)	(2.32)	4	2
250	Mechanics & Farmers Savings Bank, FSB, Bridgeport, Conn.	917,023,542	979,264,000	231		946,981,966	245		72,679,289	5.53	1	1
251	Ponce Federal Bank, FSB, P.R.	912,973,160	614,018,226	...		705,850,031	325	+74	65,341,511	4.84	4	2
252	Second National Federal Savings Bank, Salisbury, Md.	907,065,000	778,149,000	287	+ 35	860,947,000	262	+10	46,876,000	3.39	2	2
253	Duval Fed. Savings & Loan Assn., Jacksonville, Fla.	904,150,000	959,974,000	237		960,769,000	242		4,422,000	0.39	3	2
254	Springfield Institution for Savings, Mass.	903,874,000	867,833,000	256	+2	885,675,000	254		95,842,000	9.25	1	1
255	Victoria Savings Assn., Tex.	901,110,000	742,315,000	307	+ 52	848,197,000	265	+10	(181,900,000)	(23.23)	3	2
256	First Indiana Bank, FSB, Indianapolis	900,663,000	703,477,000	322	+ 66	731,807,000	311	+55	72,837,000	5.33	2	2
257	Pathway Financial, FA, Chicago	900,354,000	991,604,000	227		944,717,000	247		38,943,000	3.39	4	2
258	Great Financial Federal S & L Assn., Louisville, Ky.	887,817,000	859,550,633	263	+5	869,645,078	260	+2	98,058,000	9.51	3	2
259	Hawthorne Savings & Loan Assn., Calif.	883,506,311	829,430,896	269	+ 10	864,343,351	261	+2	77,401,280	7.70	4	2
260	Standard Federal Savings Bank, Gaithersburg, Md.	872,972,444	810,140,000	276	+ 16	895,847,000	253		50,009,375	3.00	4	2
261	Commerce Savings Assn., San Antonio, Tex.	867,621,000	740,383,000	311	+ 50	800,482,000	282	+21	(112,904,000)	(14.50)	4	2
262	Eastern Savings Bank, Lynn, Mass.	866,040,000	791,930,000	283	+ 21	838,756,000	270	+8	97,708,000	9.91	1	1
263	Worcester County Institution for Savings, Worcester, Mass	856,376,000	744,057,786	306	+ 43	819,697,000	278	+15	147,894,000	13.12	2	1
264	Olympic Federal Savings & Loan Assn., Berwyn, Ill.	850,725,000	752,248,000	302	+ 38	800,324,000	283	+19	24,748,000	2.16	3	2
265	Mid-State Federal Savings Bank, Ocala, Fla.	848,358,000	860,137,000	262		875,408,000	259		54,024,000	5.31	2	2
266	Union Federal Savings Bank, Indianapolis	847,661,000	822,915,591	272	+6	845,971,708	266		37,634,000	2.74	2	2
267	Century Federal Savings & Loan Assn., Pasadena, Calif.	847,354,000	863,179,000	259		885,527,000	255		44,152,000	3.91	3	2
268	Commonwealth Federal S & L Assn., Norristown, Pa.	846,810,000	844,779,000	266		858,364,000	264		95,596,000	8.64	3	2
269	Roslyn Savings Bank, N.Y.	836,571,877	792,894,146	281	+ 12	805,088,268	280	+11	113,907,177	11.68	1	1
270	Bexar Savings Assn., San Antonio, Tex.	835,587,000	737,311,000	314	+ 44	799,152,000	284	+14	(315,933,000)	(50.56)	4	2
271	American Federal Bank, FSB, Greenville, S.C.	834,897,000	817,285,000	273	+2	834,298,000	272	+1	38,468,000	3.47	2	2
272	Coast Federal Savings & Loan Assn., Sarasota, Fla.	831,239,000	863,323,834	258		845,073,000	268		94,769,000	7.79	4	2
273	First Capital Financial Corp., Aurora, Colo.	830,825,000	891,205,095	251		875,689,000	258		45,933,000	3.85	4	2
274	American Federal S & L Assn of Iowa, Des Moines	830,044,235	854,494,978	264		832,865,034	274		15,637,000	1.54	3	2
275	Home Savings Bank of Florida, Hollywood	829,139,840	875,569,715	255		859,042,866	263		93,711,494	9.98	3	2
276	Landmark Savings Bank, SSB, LaPlace, La.	827,692,000	684,292,000	334	+ 58	842,265,000	269		73,213,000	7.51	2	2
277	Firstrust Savings Bank, Philadelphia	825,783,000	764,325,000	293	+ 16	811,731,000	279	+2	152,738,000	13.79	2	1
278	Penn Savings Bank, FSB, Wyomissing, Pa.	816,179,000	689,402,000	332	+ 54	749,555,000	302	+24	47,922,000	3.99	2	2
279	Central Federal Savings, FSB, Mineola, N.Y.	812,219,000	751,723,637	303	+ 24	776,125,779	293	+14	223,000	0.02	1	2
280	Poughkeepsie Savings Bank, FSB, N.Y.	810,231,000	895,595,000	249		845,843,000	267		106,466,000	6.27	2	2
281	Harris Savings Assn., Harrisburg, Pa.	803,897,000	780,133,000	286	+5	791,872,000	287	+6	64,147,000	6.71	3	2
282	First Western Savings Assn., Las Vegas, Nev.	803,752,000	827,263,000	270		833,929,351	273		72,771,000	5.53	4	2
283	Northwestern Savings & Loan Assn., Chicago	803,101,000	780,217,000	285	+2	820,337,000	276		122,154,000	10.20	3	2
284	United Federal Savings Bank of Iowa, Des Moines	798,129,000	792,802,000	282		796,212,876	285	+1	24,751,000	2.46	1	2
285	New Hampshire Savings Bank, Concord	798,057,390	758,482,000	299	+ 14	803,719,000	281		54,225,721	5.18	2	1
286	Heritage Federal Savings Bank, Taylor, Mich.	797,763,000	791,010,295	284		915,079,000	250		36,252,000	3.96	1	2
287	New Brunswick Savings Bank, N.J.	796,352,000	723,532,000	318	+ 31	776,952,000	292	+5	58,635,000	6.78	1	1
288	Santander Federal Savings Bank, Bayamon, P.R.	795,204,079	605,566,117	...		606,022,303	...		58,242,791	5.30	2	2
289	American Savings Bank, New Britain, Conn.	794,666,792	754,029,638	301	+ 12	763,327,348	298	+9	96,302,945	10.67	1	1
290	Savers Fed. Savings & Loan Assn., Little Rock, Ark.	789,392,557	795,310,000	278		786,946,000	289		(381,702,799)	(52.30)	4	2
291	Charter Federal Savings Bank, Bristol, Va.	785,076,000	761,635,000	295	+4	743,942,000	306	+15	39,677,000	3.72	2	1
292	Continental Federal Savings Bank, Fairfax, Va.	784,038,000	811,354,942	275		794,896,000	286		62,996,000	5.57	2	2
293	United Savings Bank, FSB, San Francisco	783,718,000	668,156,000	341	+ 48	750,353,000	301	+8	41,734,000	3.97	2	2
294	Stockton Savings & Loan Assn., Calif.	782,534,000	....	...		....	...		50,770,000	5.08	4	2
295	Home Savings & Loan Co., Youngstown, Ohio	772,867,000	793,053,861	279		790,387,000	288		60,080,000	7.15	3	2
296	Southwest Savings & Loan Assn., Los Angeles	764,424,000	839,048,000	267		836,851,000	271		(59,675,000)	(8.16)	4	2
297	Home Federal Bank of Tennessee, FSB, Knoxville	761,115,000	762,979,330	294		770,434,000	295		67,202,000	7.94	1	2
298	Staten Island Savings Bank, New York	755,502,000	770,265,000	290		765,612,000	297		71,398,000	8.62	1	1
299	Liberty Savings Bank, FSB, Atlanta	754,841,000	670,891,000	339	+ 40	740,942,000	308	+9	37,417,000	2.87	2	2
300	Queens County Savings Bank, Queens, New York	754,444,848	740,681,002	309	+9	755,528,391	300		70,810,875	8.56	1	1

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For FSLIC-insured thrifts not responding to the American Banker survey, data provided to American Banker by the Federal Home Loan Bank Board were used. For FDIC-insured thrifts not responding to the survey, data provided by **ADP Data Services Division, New York**— from its data base of thrifts reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks"— were used. **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) for FSLIC-insured thrifts it is **modified equity capital**, which is basically net worth on a GAAP basis. (To get GAAP net worth, you would subtract from modified equity capital deferred loan losses remaining on the balance sheet and unrecognized losses related to FASB 12— marking to market investments in mutual funds.) (2) for FDIC-insured thrifts capital is **total shareholders' equity,** which is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves less net unrealized loss on marketable equity securities. **Charter Types:** 1-Mutual Savings Bank; 2-Stock Savings Bank; 3-Mutual Savings & Loan Association; 4- Stock Savings & Loan Association. **Insurance Types:** 1-FDIC-Insured; 2-FSLIC-Insured; 3-State Insured. **( )**— A negative.

Compiled by American Banker, Copyright 1989.

Top 300 Thrifts in the United States

Listed Geographically by Order of Size within States

Rank 6/89		Deposits 6/30/89
	ALABAMA	
126	Secor Bank, FSB, Birmingham	1,675,131,000
134	Altus Bank, FSB, Mobile	1,579,329,000
	ARIZONA	
28	Western Savings & Loan Assn., FA, Phoenix, FA	4,621,431,426
32	MeraBank, FSB, Phoenix	4,445,278,000
94	Pima Savings & Loan Assn., Tucson	2,259,319,000
124	Southwest Savings & Loan Assn., Phoenix	1,679,355,000
214	Security Savings & Loan Assn., Scottsdale	1,063,113,000
240	Sun State Savings & Loan Assn., Phoenix	948,427,000
	ARKANSAS	
200	First Federal Savings of Arkansas, FA, Little Rock	1,155,255,000
290	Savers Fed. Savings & Loan Assn., Little Rock	789,392,557
	CALIFORNIA	
1	Home Savings of America, FA, Irwindale	31,550,681,000
2	Great Western Bank, FSB, Beverly Hills	22,335,272,000
3	California Federal Bank, FSB, Los Angeles	16,243,423,000
4	Glendale Federal Bank	15,002,083,000
5	American Savings Bank, Stockton	13,551,324,000
6	First Nationwide Bank, FSB, San Francisco	13,481,206,000
7	Home Fed. Savings & Loan Assn. of San Diego	11,793,002,000
8	Great American Bank, SSB, San Diego	11,310,479,000
10	World Savings, FS&LA, Oakland	10,644,645,000
14	Coast Savings & Loan Assn., Los Angeles	9,265,378,000
16	Columbia Savings & Loan Assn., Beverly Hills	8,168,883,000
17	Imperial Savings Assn., San Diego	8,042,258,000
21	Gibraltar Savings, Beverly Hills	6,784,155,000
26	Citicorp Savings, FS&LA, San Francisco	4,720,213,000
42	Lincoln Savings & Loan Assn., Irvine	3,761,144,000
51	Western Fed. Savings & Loan Assn., Marina Del Rey	3,364,931,000
52	FarWest Savings & Loan Assn., Newport Beach	3,320,290,000
57	Fidelity Federal S & L Assn., Glendale	3,091,318,000
63	Downey Savings & Loan Assn., Newport Beach	2,989,713,000
65	Household Bank FSB, Newport Beach	2,906,881,000
69	Sears Savings Bank, Glendale	2,846,962,000
74	San Francisco Federal Savings & Loan Assn.	2,733,268,000
78	Homestead Savings, FS&LA, Millbrae	2,648,734,000
88	Valley Federal S & L Assn., Van Nuys	2,385,139,000
105	Santa Barbara Savings & Loan Assn.	2,001,904,000
108	Sacramento Savings & Loan Assn.	1,958,346,000
111	Mercury Savings, FS&LA, Huntington Beach	1,916,814,000
127	Bay View Fed. Savings & Loan Assn., San Mateo	1,672,217,000
132	Union Federal Savings Bank, Los Angeles	1,605,496,000
138	Southern California Savings, FS&LA, Beverly Hills	1,547,443,000
140	Beverly Hills Federal Savings Bank	1,539,612,000
141	Eureka Federal Savings & Loan Assn., San Carlos	1,530,782,152
151	First Federal Savings Bank of California, Santa Monica	1,421,693,000
162	Western Financial Savings Bank, Orange	1,324,518,000
196	Pomona First Fed. Savings & Loan Assn.	1,174,109,000
216	County Bank, Santa Barbara	1,045,460,000
223	Republic Federal Savings & Loan Assn., Los Angeles	1,034,760,000
231	Pacific Savings Bank, Costa Mesa	988,571,000
259	Hawthorne Savings & Loan Assn.	883,506,311
267	Century Federal Savings & Loan Assn., Pasadena	847,354,000
293	United Savings Bank, FSB, San Francisco	783,718,000
294	Stockton Savings & Loan Assn.	782,534,000
296	Southwest Savings & Loan Assn., Los Angeles	764,424,000
	COLORADO	
56	Columbia Savings, FS&LA, Englewood	3,128,534,000
93	Bank Western, FSB, Denver	2,282,696,000
273	First Capital Financial Corp., Aurora	830,825,000
	CONNECTICUT	
24	People's Bank, Bridgeport	5,434,799,000
30	Northeast Savings, FA, Hartford	4,510,671,000
61	Society for Savings, Hartford	3,019,693,000
145	First Constitution Bank, New Haven	1,502,251,000
171	Centerbank, Waterbury	1,274,599,000
178	New Haven Savings Bank	1,220,491,258
220	Connecticut Savings Bank, New Haven	1,041,893,000
250	Mechanics & Farmers Savings Bank, FSB, Bridgeport	917,023,542
289	American Savings Bank, New Britain	794,666,792
	DELAWARE	
217	Wilmington Savings Fund Society FSB	1,045,287,000
	FLORIDA	
22	CenTrust Bank, SSB, Miami	6,379,044,000
47	AmeriFirst Bank, Miami	3,464,057,000
54	American Savings & Loan Assn. of Florida, Miami	3,209,169,000
67	Florida Federal Savings Bank, St. Petersburg	2,862,587,000
70	Citizens Federal Bank, FSB, Miami	2,822,881,000
91	Fortune Savings Bank, Clearwater	2,329,195,000
107	Coral Gables Federal Savings & Loan Assn.	1,970,819,000
130	American Pioneer Savings Bank, Orlando	1,651,819,000
147	BankAtlantic, FSB, Fort Lauderdale	1,494,555,000
149	Pioneer Savings Bank, FSB, Clearwater	1,465,304,000
154	Citicorp Savings of Florida, FS&LA, Miami	1,393,996,000
156	Hollywood Federal Savings & Loan Assn.	1,376,979,000
160	Flagler Federal Savings & Loan Assn., Miami	1,346,466,000
161	BancFlorida, FSB, Naples	1,330,654,000
179	Beach Federal Savings & Loan Assn., Boynton Beach	1,219,411,000
192	Commonwealth Savings & Loan Assn., Ft. Lauderdale	1,176,046,000

Rank 6/89		Deposits 6/30/89
	FLORIDA (Continued)	
199	Financial Fed. Savings & Loan Assn., Miami Lakes	1,158,845,000
201	Chase Federal Bank, Miami	1,153,256,000
209	Freedom Savings & Loan Assn., Tampa	1,101,710,000
218	Southeast Bank for Savings, FSB, Jacksonville	1,044,567,000
224	The First, FA, Orlando	1,032,622,000
237	Security First Fed. S & L Assn., Daytona Beach	961,198,000
253	Duval Fed. Savings & Loan Assn., Jacksonville	904,150,000
265	Mid-State Federal Savings Bank, Ocala	848,358,000
272	Coast Federal Savings & Loan Assn., Sarasota	831,239,000
275	Home Savings Bank of Florida, Hollywood	829,139,840
	GEORGIA	
77	Georgia Federal Bank, FSB, Atlanta	2,693,839,000
125	Decatur Federal Savings & Loan Assn.	1,677,030,000
137	Fulton Federal Savings Bank, Atlanta	1,554,446,000
299	Liberty Savings Bank, FSB, Atlanta	754,841,000
	HAWAII	
114	HonFed Bank, FSB, Honolulu	1,869,259,000
227	American Savings Bank, FSB, Honolulu	1,016,126,000
	ILLINOIS	
31	Talman Home Federal Savings & Loan Assn., Chicago	4,473,506,000
43	Citicorp Savings of Illinois, FS&LA, Chicago	3,670,976,000
86	St. Paul Federal Bank for Savings, Chicago	2,414,701,000
98	Champion Federal Savings & Loan Assn., Bloomington	2,143,516,000
117	Cragin Federal Bank for Savings, Chicago	1,804,440,000
135	Bell Federal Savings & Loan Assn., Chicago	1,577,193,000
181	United Savings of America, FS&LA, Chicago	1,211,743,384
197	Mid America Federal Savings & Loan Assn., Clarendon Hills	1,165,256,000
206	Standard Federal Savings & Loan Assn., Chicago	1,113,164,000
207	Horizon Federal Savings Bank, Wilmette	1,104,877,000
221	Superior Bank, FSB, Hinsdale	1,036,927,000
257	Pathway Financial, FA, Chicago	900,354,000
264	Olympic Federal Savings & Loan Assn., Berwyn	850,725,000
283	Northwestern Savings & Loan Assn., Chicago	803,101,000
	INDIANA	
256	First Indiana Bank, FSB, Indianapolis	900,663,000
266	Union Federal Savings Bank, Indianapolis	847,661,000
	IOWA	
233	Metropolitan Federal Bank of Iowa, Mason City	979,870,000
274	American Federal S & L Assn of Iowa, Des Moines	830,044,235
284	United Federal Savings Bank of Iowa, Des Moines	798,129,000
	KANSAS	
44	Franklin Savings Assn., Ottawa	3,669,349,000
80	Capitol Federal Savings & Loan Assn., Topeka	2,609,662,000
148	Peoples Heritage Federal S & L Assn., Salina	1,470,115,000
	KENTUCKY	
258	Great Financial Federal S & L Assn., Louisville	887,817,000
	LOUISIANA	
150	Pelican Homestead & Savings Assn., Metairie	1,447,748,000
186	Oak Tree Savings Bank, SSB, New Orleans	1,196,849,000
276	Landmark Savings Bank, SSB, LaPlace	827,692,000
	MAINE	
115	Peoples Heritage Savings Bank, Portland	1,825,353,000
152	Maine Savings Bank, Portland	1,415,248,000
	MARYLAND	
37	Chevy Chase Savings Bank, FSB	4,160,288,000
142	Loyola Federal Savings & Loan Assn., Baltimore	1,516,380,000
212	Baltimore Federal Financial, FSA	1,074,623,000
252	Second National Federal Savings Bank, Salisbury	907,065,000
260	Standard Federal Savings Bank, Gaithersburg	872,972,444
	MASSACHUSETTS	
73	Home Owners Savings Bank, FSB, Boston	2,743,338,000
121	Boston Five Cents Savings Bank FSB	1,736,418,000
166	Heritage NIS Bank for Savings, Northampton	1,308,459,000
183	First Mutual of Boston	1,204,253,000
184	Neworld Bank for Savings, Boston	1,202,606,000
193	Provident Institution for Savings, Boston	1,175,962,040
230	ComFed Savings Bank, Lowell	992,383,000
232	South Boston Savings Bank, Boston	987,219,000
241	New Bedford Institution for Savings	936,119,000
254	Springfield Institution for Savings	903,874,000
262	Eastern Savings Bank, Lynn	866,040,000
263	Worcester County Institution for Savings, Worcester	856,376,000
	MICHIGAN	
23	Standard Federal Bank, Troy	5,809,605,000
27	First Federal of Michigan, Detroit	4,661,805,000
113	Great Lakes Bancorp, Ann Arbor	1,881,651,000
182	D&N Savings Bank, FSB, Hancock	1,205,532,000
234	First Federal Savings Bank & Trust, Pontiac	971,000,000
286	Heritage Federal Savings Bank, Taylor	797,763,000
	MINNESOTA	
49	TCF Bank Savings, FSB, Minneapolis	3,389,760,000
92	First Minnesota Savings Bank, FSB, St. Paul	2,316,422,000
100	Midwest Savings Assn., FA, Minneapolis	2,066,792,000

Continued on Next Page

Top 300 Thrifts in the United States

Listed Geographically by Order of Size within States

Rank 6/89		Deposits 6/30/89
	MISSOURI	
66	Home Savings Assn. of Kansas City, FA	2,863,209,000
83	Community Federal Savings & Loan Assn., St. Louis	2,479,964,000
87	Farm & Home Savings Assn., Nevada	2,398,506,000
202	Roosevelt Bank, FSB, Chesterfield	1,144,995,782
205	United Postal Savings Assn., St. Louis	1,123,151,000
	NEBRASKA	
68	Commercial Federal Savings & Loan Assn., Omaha	2,852,452,000
208	First Federal Savings & Loan Assn., Lincoln	1,103,162,000
244	American Charter Federal S & L Assn., Lincoln	932,978,000
	NEVADA	
168	PriMerit Bank, Las Vegas	1,304,098,000
282	First Western Savings Assn., Las Vegas	803,752,000
	NEW HAMPSHIRE	
225	Amoskeag Bank, Manchester	1,025,765,000
285	New Hampshire Savings Bank, Concord	798,057,390
	NEW JERSEY	
19	City Federal Savings Bank, Bedminster	7,325,155,000
29	Carteret Savings Bank, FA, Morristown	4,615,709,000
36	Howard Savings Bank, Newark	4,337,541,000
72	Hudson City Savings Bank, Paramus	2,777,479,467
139	Collective Federal Savings Bank, Egg Harbor City	1,544,708,000
167	Provident Savings Bank, Jersey City	1,306,455,729
173	Investors Savings & Loan Assn., Millburn	1,243,445,539
195	Crestmont Federal Savings & Loan Assn., Edison	1,174,636,000
215	First Atlantic Savings, South Plainfield	1,055,226,000
219	Security Savings Bank, SLA, Vineland	1,043,092,000
226	Columbia Savings Bank, SLA, Fair Lawn	1,018,034,868
235	Morris Savings Bank, Morristown	970,906,000
287	New Brunswick Savings Bank	796,352,000
	NEW MEXICO	
136	ABQ Bank, FSB, Albuquerque	1,563,360,000
213	Sandia Federal Savings & Loan Assn., Albuquerque	1,063,235,000
	NEW YORK	
11	Goldome, Buffalo	10,595,974,000
12	CrossLand Savings FSB, Brooklyn, New York	9,425,328,000
13	Dime Savings Bank of New York FSB, Garden City	9,301,403,000
15	Empire of America Federal Savings Bank, Buffalo	8,276,042,000
20	Anchor Savings Bank, FSB, Northport	6,822,833,000
34	Dollar Dry Dock Bank, White Plains	4,378,712,000
35	Long Island Savings Bank FSB, Melville	4,352,221,000
39	Green Point Savings Bank, Brooklyn, New York	3,927,324,000
41	First Federal Savings & Loan Assn., Rochester	3,779,784,000
48	American Savings Bank, FSB, White Plains	3,410,673,000
55	Emigrant Savings Bank, New York	3,181,058,000
60	Rochester Community Savings Bank	3,049,272,000
62	Apple Bank For Savings, New York	2,998,534,000
71	Manhattan Savings Bank, New York	2,788,156,626
79	Williamsburgh Savings Bank, Brooklyn, New York	2,648,345,000
84	Seamen's Bank for Savings, FSB, New York	2,479,645,000
90	Astoria Federal Savings & Loan Assn., Queens, New York	2,341,828,000
95	Lincoln Savings Bank, FSB, New York	2,257,156,000
97	Greater New York Savings Bank, New York	2,177,434,000
103	River Bank America, New York	2,022,731,000
120	Albany Savings Bank FSB	1,745,945,000
131	East New York Savings Bank, New York	1,634,458,000
143	Ensign Bank FSB, New York	1,513,685,000
157	Peoples Westchester Savings Bank, Hawthorne	1,375,133,000
165	Fidelity New York, FSB, Floral Park	1,314,102,000
169	Independence Savings Bank, Brooklyn, New York	1,298,977,000
177	Jamaica Savings Bank FSB, Lynbrook	1,221,145,254
187	Columbia Banking Federal S & L Assn., Rochester	1,195,295,906
190	North Side Savings Bank, Bronx, New York	1,187,359,000
191	Onondaga Savings Bank, Syracuse	1,184,012,000
198	Home Savings Bank, Brooklyn, New York	1,164,809,000
203	Columbia Federal Savings Bank, Queens, New York	1,137,848,155
204	Norstar Bank Central New York, Syracuse	1,123,475,000
211	Roosevelt Savings Bank, Garden City	1,085,126,000
229	Ridgewood Savings Bank, Queens, New York	995,710,000
269	Roslyn Savings Bank	836,571,877
279	Central Federal Savings, FSB, Mineola	812,219,000
280	Poughkeepsie Savings Bank, FSB	810,231,000
298	Staten Island Savings Bank, New York	755,502,000
300	Queens County Savings Bank, Queens, New York	754,444,848
	NORTH CAROLINA	
248	First Home Federal Savings & Loan Assn., Greensboro	917,870,000
	NORTH DAKOTA	
81	Metropolitan Federal Bank, FSB, Fargo	2,529,647,000
	OHIO	
46	TransOhio Savings Bank, Cleveland	3,643,597,000
96	Third Federal Savings & Loan Assn., Cleveland	2,254,998,795
104	Citizens Federal Savings & Loan Assn., Dayton	2,015,023,000
153	Ohio Savings Bank, Cleveland	1,396,303,000
158	First Federal Savings Bank, Cleveland	1,374,637,000
159	Cardinal Federal Savings Bank, Cleveland	1,352,195,000
174	First Federal Savings & Loan Assn., Toledo	1,228,914,821
188	Gem Savings Assn., Dayton	1,194,297,000
	OHIO (Continued)	
210	State Savings Bank, Columbus	1,087,630,000
238	Hunter Savings Assn., Cincinnati	955,172,000
242	Mid-America Federal Savings & Loan Assn., Columbus	935,750,000
249	Broadview Savings Bank, Cleveland	917,110,000
295	Home Savings & Loan Co., Youngstown	772,867,000
	OKLAHOMA	
194	Sooner Federal Savings & Loan Assn., Tulsa	1,175,500,000
	OREGON	
53	Benjamin Franklin Federal S & L Assn., Portland	3,227,889,000
144	Far West Federal Bank, Portland	1,511,979,000
	PENNSYLVANIA	
9	Meritor Savings Bank, Philadelphia	10,794,450,000
25	Atlantic Financial Federal, Bala Cynwyd	5,263,506,000
85	First Federal Savings & Loan Assn., Pittsburgh	2,417,010,000
99	Hill Financial Savings Assn., Red Hill	2,090,863,000
102	Dollar Bank, FSB, Pittsburgh	2,028,564,000
129	Horizon Financial, FA, Southampton	1,664,619,000
164	Beneficial Savings Bank, Philadelphia	1,316,282,000
175	Germantown Savings Bank, Bala Cynwyd	1,228,121,000
185	Landmark Savings Assn., Pittsburgh	1,197,624,000
268	Commonwealth Federal S & L Assn., Norristown	846,810,000
277	Firstrust Savings Bank, Philadelphia	825,783,000
278	Penn Savings Bank, FSB, Wyomissing	816,179,000
281	Harris Savings Assn., Harrisburg	803,897,000
	PUERTO RICO	
172	First Federal Savings Bank, Santurce	1,248,760,095
189	Caguas Central Federal Savings Bank, San Juan	1,192,561,548
251	Ponce Federal Bank, FSB	912,973,160
288	Santander Federal Savings Bank, Bayamon	795,204,079
	RHODE ISLAND	
82	Old Stone Bank, FSB, Providence	2,481,077,000
128	Citizens Savings Bank, Providence	1,671,000,000
	SOUTH CAROLINA	
118	First Federal Savings & Loan Assn., Greenville	1,794,283,000
271	American Federal Bank, FSB, Greenville	834,897,000
	TENNESSEE	
123	Leader Federal Bank for Savings, Memphis	1,686,489,000
247	Metropolitan Federal S & L Assn., Nashville	919,113,000
297	Home Federal Bank of Tennessee, FSB, Knoxville	761,115,000
	TEXAS	
18	First Gibraltar Bank, FSB, Houston	7,585,172,000
38	Sunbelt Savings, FSB, Dallas	4,054,012,058
40	Southwest Savings Assn., Dallas	3,829,915,000
45	University Federal Savings Assn., Houston	3,668,742,000
59	San Jacinto Savings Assn., Houston	3,069,136,000
64	United Savings Assn. of Texas, FSB, Houston	2,952,824,000
75	Bright Banc Savings Assn., Dallas	2,731,172,000
76	Guaranty Federal Savings Bank, Dallas	2,698,606,000
89	Olney Savings & Loan Assn.	2,356,524,097
101	San Antonio Savings Assn., FA	2,036,229,000
109	Bluebonnet Savings Bank, FSB, Dallas	1,937,433,000
110	Guardian Savings & Loan Assn., Houston	1,928,632,600
112	Benjamin Franklin Federal Savings Assn., Houston	1,892,628,000
119	Commonwealth Federal Savings Assn., Houston	1,790,853,000
146	Gill Savings Assn., San Antonio	1,496,147,000
155	American Federal Bank, FSB, Dallas	1,386,520,000
176	Murray Federal Savings & Loan Assn., Dallas	1,221,182,000
228	Pacific Southwest Savings Bank, FSB, Corpus Christi	1,014,000,000
243	BancPlus Savings Assn., Pasadena	932,986,000
246	Franklin Federal Bancorp, FSB, Austin	920,743,000
255	Victoria Savings Assn.	901,110,000
261	Commerce Savings Assn., San Antonio	867,621,000
270	Bexar Savings Assn., San Antonio	835,587,000
	UTAH	
170	American Savings & Loan Assn., Salt Lake City	1,285,004,000
	VIRGINIA	
33	Perpetual Savings Bank, FSB, McLean	4,443,924,000
122	Investors Savings Bank, Richmond	1,701,305,000
133	Trustbank Savings, FSB, McLean	1,595,565,000
180	Columbia First Federal S & L Assn., Arlington	1,216,144,000
239	Coreast Savings Bank, FSB, Richmond	954,068,000
245	Ameribanc Savings Bank, Annandale	925,116,000
291	Charter Federal Savings Bank, Bristol	785,076,000
292	Continental Federal Savings Bank, Fairfax	784,038,000
	WASHINGTON	
50	Washington Mutual Savings Bank, Seattle	3,388,137,000
58	Pacific First Federal Savings Bank, Seattle	3,082,066,000
163	Washington Federal Savings & Loan Assn., Seattle	1,317,445,000
	WISCONSIN	
106	First Financial Bank, FSB, Stevens Point	1,986,464,000
116	Security Savings & Loan Assn., Milwaukee	1,808,811,000
222	Anchor Savings & Loan Assn., Madison	1,036,577,000
236	Mutual Savings Bank of Wisconsin, Milwaukee	967,039,000

Top 300 Thrifts in the United States

Ranked by assets on June 30, 1989 (dollar amounts in thousands)

Rank 6/89		Assets 6/30/89	Assets 6/30/88	Rank 6/88	Gain
1	Home Savings of America, FA, Irwindale, Calif.	44,253,088	32,310,820	1	
2	Great Western Bank, FSB, Beverly Hills	34,245,361	28,072,865	3	+1
3	First Nationwide Bank, FSB, San Francisco	26,149,287	22,277,449	6	+3
4	California Federal Bank, FSB, Los Angeles	25,684,845	23,135,100	5	+1
5	Glendale Federal Bank, Calif.	24,478,164	23,711,437	4	
6	World Savings, FS&LA, Oakland, Calif.	18,727,120	14,270,205	12	+6
7	Home Fed. Savings & Loan Assn. of San Diego, Calif.	17,139,807	15,197,606	9	+2
8	Great American Bank, SSB, San Diego, Calif.	16,497,150	15,536,766	8	
9	American Savings Bank, Stockton, Calif.	15,523,144	30,192,927	2	
10	CrossLand Savings FSB, Brooklyn, New York	15,450,995	14,807,824	11	+1
11	Meritor Savings Bank, Philadelphia	14,501,692	17,479,073	7	
12	Goldome, Buffalo, N.Y.	13,978,338	15,135,357	10	
13	Coast Savings & Loan Assn., Los Angeles	12,851,805	11,453,887	17	+4
14	Dime Savings Bank of New York FSB, Garden City	12,494,705	10,883,859	18	+4
15	First Federal of Michigan, Detroit	12,342,192	11,571,631	16	+1
16	Imperial Savings Assn., San Diego, Calif.	11,886,023	12,081,793	15	
17	Columbia Savings & Loan Assn., Beverly Hills	11,831,306	10,731,455	19	+2
18	Empire of America Fed. Savings Bank, Buffalo, NY	11,440,740	10,690,500	20	+2
19	Gibraltar Savings, Beverly Hills	11,181,932	13,185,916	14	
20	City Federal Savings Bank, Bedminster, N.J.	10,326,525	10,667,548	21	+1
21	Standard Federal Bank, Troy, Mich.	10,119,889	9,751,267	22	+1
22	First Gibraltar Bank, FSB, Houston	9,778,432	....	...	
23	CenTrust Bank, SSB, Miami	9,738,709	9,087,181	23	
24	Franklin Savings Assn., Ottawa, Kan.	9,341,307	13,419,405	13	
25	Sunbelt Savings, FSB, Dallas	9,156,165	2,214,129	132	+107
26	Anchor Savings Bank, FSB, Northport, N.Y.	8,705,661	7,946,482	25	
27	Atlantic Financial Federal, Bala Cynwyd, Pa.	7,682,289	7,737,372	26	
28	Northeast Savings, FA, Hartford, Conn.	7,583,777	8,176,176	24	
29	Citicorp Savings, FS&LA, San Francisco	7,387,799	7,070,299	27	
30	Carteret Savings Bank, FA, Morristown, N.J.	7,130,599	6,057,667	37	+7
31	MeraBank, FSB, Phoenix, Ariz.	6,881,092	6,994,912	28	
32	People's Bank, Bridgeport, Conn.	6,639,066	5,969,746	40	+8
33	Perpetual Savings Bank, FSB, McLean, Va.	6,474,057	5,440,731	45	+ 12
34	TransOhio Savings Bank, Cleveland	6,356,976	6,382,196	32	
35	Talman Home Fed. Savings & Loan Assn., Chicago	6,213,531	6,059,321	36	+1
36	Commercial Fed. Savings & Loan Assn., Omaha, Neb.	6,063,562	6,400,000	31	
37	Southwest Savings Assn., Dallas	6,003,979	6,760,083	29	
38	Washington Mutual Savings Bank, Seattle	5,944,920	5,994,509	39	+1
39	Pacific First Federal Savings Bank, Seattle	5,931,994	5,246,881	48	+9
40	Household Bank FSB, Newport Beach, Calif.	5,776,103	3,995,261	66	+ 26
41	Western Savings & Loan Assn., FA, Phoenix, FA, Ariz.	5,686,299	6,281,145	34	
42	First Federal Savings & Loan Assn., Rochester, N.Y.	5,615,115	5,243,441	49	+7
43	American Savings & Loan Assn. of Florida, Miami	5,493,559	4,752,656	53	+ 10
44	Long Island Savings Bank FSB, Melville, N.Y.	5,373,002	5,409,465	46	+2
45	Citicorp Savings of Illinois, FS&LA, Chicago	5,348,022	5,507,641	44	
46	Benjamin Franklin Federal S & L Assn., Portland, Ore.	5,219,226	5,324,051	47	+1
47	Dollar Dry Dock Bank, White Plains, N.Y.	5,151,652	4,662,133	55	+8
48	Homestead Savings, FS&LA, Millbrae, Calif.	5,091,590	5,720,556	42	
49	Florida Federal Savings Bank, St. Petersburg	5,057,753	5,100,000	50	+1
50	Columbia Savings, FS&LA, Englewood, Colo.	5,047,087	3,076,873	89	+ 39
51	TCF Bank Savings, FSB, Minneapolis	4,995,348	5,653,483	43	
52	Santa Barbara Savings & Loan Assn., Calif.	4,949,537	5,074,465	51	
53	Howard Savings Bank, Newark, N.J.	4,874,724	4,840,830	52	
54	Fidelity Federal S & L Assn., Glendale, Calif.	4,851,295	4,146,353	62	+8
55	FarWest Savings & Loan Assn., Newport Beach, Calif.	4,814,208	4,138,329	63	+8
56	Chevy Chase Savings Bank, FSB, Md.	4,775,792	4,167,552	61	+5
57	American Savings Bank, FSB, White Plains, N.Y.	4,731,491	4,348,332	59	+2
58	AmeriFirst Bank, Miami	4,655,653	4,482,978	58	
59	Western Fed. S & L Assn., Marina Del Rey, Calif.	4,557,796	2,566,763	108	+ 49
60	San Francisco Federal Savings & Loan Assn.	4,443,680	4,184,956	60	
61	Citizens Federal Bank, FSB, Miami	4,423,156	3,270,102	80	+ 19
62	Green Point Savings Bank, Brooklyn, New York	4,421,791	3,752,488	71	+9
63	Rochester Community Savings Bank, N.Y.	4,356,179	4,092,419	64	+1
64	Seamen's Bank for Savings, FSB, New York	4,289,645	4,614,793	56	
65	Society for Savings, Hartford, Conn.	4,280,051	3,805,619	69	+4
66	Olney Savings & Loan Assn., Tex.	4,206,115	1,354,910	216	+150
67	Georgia Federal Bank, FSB, Atlanta	4,196,370	4,058,872	65	
68	Guardian Savings & Loan Assn., Houston	4,082,953	3,636,430	73	+5
69	Guaranty Federal Savings Bank, Dallas	4,059,958	1,960,626	152	+ 83
70	Metropolitan Federal Bank, FSB, Fargo, N.D.	4,055,914	2,352,166	118	+ 48
71	Sears Savings Bank, Glendale, Calif.	4,055,253	5,828,842	41	
72	Bright Banc Savings Assn., Dallas	4,037,435	4,700,243	54	
73	United Savings Assn. of Texas, FSB, Houston	3,979,902	6,019,288	38	
74	Lincoln Savings & Loan Assn., Irvine, Calif.	3,810,521	6,074,093	35	
75	Home Owners Savings Bank, FSB, Boston	3,803,313	3,929,266	67	
76	Downey Savings & Loan Assn., Newport Beach, Calif.	3,773,524	3,246,685	81	+5
77	San Jacinto Savings Assn., Houston	3,594,381	3,690,103	72	
78	Great Lakes Bancorp, Ann Arbor, Mich.	3,589,871	3,211,377	84	+6
79	Emigrant Savings Bank, New York	3,558,439	3,543,607	76	
80	Community Fed. Savings & Loan Assn., St. Louis, Mo.	3,496,347	3,620,706	75	
81	Apple Bank For Savings, New York	3,481,902	3,066,987	90	+9
82	Bank Western, FSB, Denver	3,465,296	3,766,074	70	
83	Home Savings Assn. of Kansas City, FA, Mo.	3,458,000	2,890,386	95	+ 12
84	Old Stone Bank, FSB, Providence, R.I.	3,448,462	3,816,928	68	
85	Farm & Home Savings Assn., Nevada, Mo.	3,422,654	3,628,720	74	
86	Far West Federal Bank, Portland, Ore.	3,385,102	2,682,471	102	+ 16
87	Valley Federal S & L Assn., Van Nuys, Calif.	3,368,098	3,331,538	79	
88	Fortune Savings Bank, Clearwater, Fla.	3,317,430	3,036,632	92	+4
89	Citicorp Savings of Florida, FS&LA, Miami	3,308,222	2,872,308	96	+7
90	St. Paul Federal Bank for Savings, Chicago	3,212,665	3,116,850	86	
91	First Minnesota Savings Bank, FSB, St. Paul	3,182,235	3,342,646	77	
92	Greater New York Savings Bank, New York	3,158,877	2,829,501	99	+7
93	Williamsburgh Savings Bank, Brooklyn, New York	3,157,434	3,221,113	83	
94	Bluebonnet Savings Bank, FSB, Dallas	3,145,815	....	...	
95	Pima Savings & Loan Assn., Tucson, Ariz.	3,144,639	3,171,455	85	
96	First Federal Savings & Loan Assn., Pittsburgh	3,126,188	2,753,185	100	+4
97	Hudson City Savings Bank, Paramus, N.J.	3,123,295	2,965,854	93	
98	Manhattan Savings Bank, New York	3,075,614	3,106,674	88	
99	Capitol Federal Savings & Loan Assn., Topeka, Kan.	3,062,486	2,847,854	98	
100	HonFed Bank, FSB, Honolulu	3,052,065	2,344,944	119	+ 19
101	American Federal Bank, FSB, Dallas	3,032,457	....	...	
102	Astoria Federal S & L Assn., Queens, New York	3,025,945	3,047,609	91	
103	River Bank America, New York	2,916,516	2,713,066	101	
104	Bay View Fed. Svgs & Loan Assn., San Mateo, Calif.	2,846,747	2,329,447	123	+ 19
105	PriMerit Bank, Las Vegas, Nev.	2,798,643	2,653,506	103	
106	Western Financial Savings Bank, Orange, Calif.	2,718,973	2,107,000	140	+ 34
107	Champion Federal S & L Assn., Bloomington, Ill.	2,715,683	2,622,812	105	
108	Lincoln Savings Bank, FSB, New York	2,707,550	2,618,493	106	
109	University Federal Savings Assn., Houston	2,614,493	4,546,869	57	
110	Roosevelt Bank, FSB, Chesterfield, Mo.	2,592,962	2,441,728	113	+3
111	Hill Financial Savings Assn., Red Hill, Pa.	2,588,958	3,110,599	87	
112	Fulton Federal Savings Bank, Atlanta	2,562,380	2,541,554	111	
113	Altus Bank, FSB, Mobile, Ala.	2,549,731	2,859,460	97	
114	Coral Gables Federal Savings & Loan Assn., Fla.	2,540,440	2,382,362	116	+2
115	Third Federal Savings & Loan Assn., Cleveland	2,538,121	2,301,450	125	+ 10
116	Oak Tree Savings Bank, SSB, New Orleans, La.	2,529,098	2,343,360	120	+4
117	San Antonio Savings Assn., FA, Tex.	2,516,544	2,916,156	94	
118	Decatur Federal Savings & Loan Assn., Ga.	2,503,810	2,138,330	135	+ 17
119	Horizon Financial, FA, Southampton, Pa.	2,495,665	2,579,287	107	
120	Leader Federal Bank for Savings, Memphis, Tenn.	2,461,896	2,563,868	109	
121	Dollar Bank, FSB, Pittsburgh	2,416,009	2,563,382	110	
122	Secor Bank, FSB, Birmingham, Ala.	2,400,549	2,361,100	117	
123	Peoples Heritage Savings Bank, Portland, Me.	2,399,197	1,969,660	151	+ 28
124	Cragin Federal Bank for Savings, Chicago	2,396,871	2,342,050	121	
125	Boston Five Cents Savings Bank FSB	2,376,372	2,329,482	122	
126	First Federal Svgs Bank of California, Santa Monica	2,376,220	2,021,251	145	+ 19
127	Citizens Federal Savings & Loan Assn., Dayton, Ohio	2,362,777	2,293,490	126	
128	Investors Savings Bank, Richmond	2,349,615	2,216,690	131	+3
129	First Constitution Bank, New Haven, Conn.	2,335,769	2,021,035	146	+ 17
130	Union Federal Savings Bank, Los Angeles	2,317,871	2,028,182	144	+ 14
131	First Federal Savings & Loan Assn., Greenville, S.C.	2,317,641	2,197,094	133	+2
132	Midwest Savings Assn., FA, Minneapolis	2,316,865	3,332,199	78	
133	Mercury Savings, FS&LA, Huntington Beach, Calif.	2,312,412	2,419,237	115	
134	Sacramento Savings & Loan Assn., Calif.	2,310,124	2,438,893	114	
135	Washington Federal Savings & Loan Assn., Seattle	2,307,438	1,940,627	154	+ 19
136	Benjamin Franklin Federal Savings Assn., Houston	2,299,570	2,632,965	104	
137	First Financial Bank, FSB, Stevens Point, Wis.	2,279,472	2,227,199	130	
138	Trustbank Savings, FSB, McLean, Va.	2,246,570	1,934,043	156	+ 18
139	Collective Fed. Savings Bank, Egg Harbor City, N.J.	2,232,839	2,097,594	142	+3
140	ABQ Bank, FSB, Albuquerque, N.M.	2,217,701	2,242,859	129	
141	Security Savings & Loan Assn., Milwaukee, Wis.	2,171,717	2,108,813	138	
142	Citizens Savings Bank, Providence, R.I.	2,171,000	2,107,079	139	
143	D&N Savings Bank, FSB, Hancock, Mich.	2,162,750	2,114,810	137	
144	Columbia First Federal S & L Assn., Arlington, Va.	2,159,303	2,089,850	143	
145	Loyola Federal Savings & Loan Assn., Baltimore	2,141,117	2,004,581	149	+4
146	Southern California Savings, FS&LA, Beverly Hills	2,118,640	1,970,262	150	+4
147	Pioneer Savings Bank, FSB, Clearwater, Fla.	2,102,727	2,120,185	136	
148	American Pioneer Savings Bank, Orlando, Fla.	2,094,950	2,325,815	124	
149	BankAtlantic, FSB, Fort Lauderdale, Fla.	2,071,133	2,144,856	134	
150	Centerbank, Waterbury, Conn.	2,063,100	1,725,410	168	+ 18
151	American Savings & Loan Assn., Salt Lake City, Utah	2,059,301	2,268,552	128	
152	Republic Federal Savings & Loan Assn., Los Angeles	2,051,792	1,807,125	161	+9
153	East New York Savings Bank, New York	2,033,964	1,850,971	158	+5
154	Albany Savings Bank FSB, N.Y.	2,015,493	1,937,302	155	+1
155	Pelican Homestead & Savings Assn., Metairie, La.	1,987,617	1,821,396	159	+4
156	Southwest Savings & Loan Assn., Phoenix, Ariz.	1,972,737	2,449,278	112	
157	Fidelity New York, FSB, Floral Park, N.Y.	1,959,509	1,802,271	163	+6
158	First Federal Savings Bank, Santurce, P.R.	1,952,527	1,714,714	171	+ 13
159	Ensign Bank FSB, New York	1,906,555	1,956,351	153	
160	BancFlorida, FSB, Naples	1,899,966	1,645,727	176	+ 16
161	Investors Savings & Loan Assn., Millburn, N.J.	1,885,089	2,010,966	148	
162	Peoples Heritage Federal S & L Assn., Salina, Kan.	1,817,477	2,104,927	141	
163	Crestmont Fed. Savings & Loan Assn., Edison, N.J.	1,785,610	1,706,063	172	+9
164	Landmark Savings Assn., Pittsburgh	1,780,951	1,753,856	166	+2
165	Eureka Fed. Savings & Loan Assn., San Carlos, Calif.	1,770,653	2,018,314	147	
166	Hollywood Federal Savings & Loan Assn., Fla.	1,751,227	1,685,064	174	+8
167	Heritage NIS Bank for Savings, Northampton, Mass.	1,732,953	1,461,037	202	+ 35
168	Bell Federal Savings & Loan Assn., Chicago	1,732,228	1,811,981	160	
169	Franklin Federal Bancorp, FSB, Austin, Tex.	1,704,377	....	...	
170	Superior Bank, FSB, Hinsdale, Ill.	1,703,770	1,614,891	180	+ 10
171	Sooner Federal Savings & Loan Assn., Tulsa, Okla.	1,703,046	1,598,200	184	+ 13
172	Poughkeepsie Savings Bank, FSB, N.Y.	1,697,540	1,764,283	165	
173	Peoples Westchester Savings Bank, Hawthorne, N.Y.	1,677,917	1,534,939	189	+ 16
174	ComFed Savings Bank, Lowell, Mass.	1,675,431	1,589,603	185	+ 11
175	Beverly Hills Federal Savings Bank	1,668,192	975,068	293	+118
176	Maine Savings Bank, Portland	1,665,672	1,690,536	173	
177	Standard Federal Savings Bank, Gaithersburg, Md.	1,665,002	1,510,926	192	+ 15
178	Provident Institution for Savings, Boston	1,664,160	1,602,880	182	+4
179	Columbia Banking Fed. S & L Assn., Rochester, NY	1,651,278	1,605,177	181	+2
180	First Federal Savings Bank, Cleveland	1,642,319	1,602,296	183	+3
181	Broadview Savings Bank, Cleveland	1,634,698	1,912,415	157	
182	Financial Fed. Svgs & Loan Assn., Miami Lakes, Fla	1,632,111	1,532,400	190	+8
183	Home Savings Bank, Brooklyn, New York	1,625,326	1,645,610	177	
184	New Haven Savings Bank, Conn.	1,621,183	1,528,832	191	+7
185	Chase Federal Bank, Miami	1,604,508	1,721,327	169	
186	Caguas Central Federal Savings Bank, San Juan, P.R.	1,593,890	1,479,536	196	+ 10
187	Commonwealth Federal Savings Assn., Houston	1,581,251	1,804,905	162	
188	Commonwealth S & L Assn., Ft. Lauderdale, Fla.	1,576,500	1,751,686	167	
189	Baltimore Federal Financial, FSA	1,574,167	1,717,934	170	
190	Onondaga Savings Bank, Syracuse, N.Y.	1,563,867	1,426,369	206	+ 16
191	American Savings Bank, FSB, Honolulu	1,561,720	....	...	
192	Gem Savings Assn., Dayton, Ohio	1,560,639	1,620,237	178	
193	Ohio Savings Bank, Cleveland	1,555,354	1,469,826	199	+6
194	Cardinal Federal Savings Bank, Cleveland	1,548,220	1,548,395	187	
195	Mid America Federal S&L Assn., Clarendon Hills, Ill	1,533,831	1,428,992	205	+ 10
196	Flagler Federal Savings & Loan Assn., Miami	1,532,065	1,546,691	188	
197	Amoskeag Bank, Manchester, N.H.	1,529,582	1,493,882	194	
198	Security Savings Bank, SLA, Vineland, N.J.	1,515,094	1,480,378	195	
199	Columbia Federal Savings Bank, Queens, New York	1,481,596	1,415,672	209	+ 10
200	American Charter Federal S & L Assn., Lincoln, Neb.	1,458,656	1,501,918	193	

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data from the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. were used. These data were provided by **ADP Data Services Division, New York,** from their data bases of FSLIC-insured thrifts reporting to the Federal Home Loan Bank Board on the Quarterly Financial Report and FDIC-insured savings banks reporting to the Federal Deposit Insurance Corp. on the quarterly Consolidated Reports of Income and Condition for Savings Banks. **Note:** The numerous FSLIC-assisted mergers last year created many "newly chartered" institutions. **American Banker** — whenever possible — reports 1988 data for these institutions, using data for the thrift whose name is similar to the newly-chartered thrift.

Compiled by American Banker, Copyright 1989.

Continued on Next Page

Top 300 Thrifts in the United States

Ranked by assets on June 30, 1989 (dollar amounts in thousands)

Rank 6/89		Assets 6/30/89	Assets 6/30/88	Rank 6/88	Gain
201	Jamaica Savings Bank FSB, Lynbrook, N.Y.	1,455,040	1,423,672	207	+6
202	Heights of Texas, FSB, Houston	1,449,809	....	...	
203	Independence Savings Bank, Brooklyn, New York	1,439,407	1,382,261	213	+ 10
204	First Federal Savings Bank & Trust, Pontiac, Mich.	1,433,200	1,325,400	222	+ 18
205	South Boston Savings Bank, Boston	1,427,944	1,401,868	210	+5
206	Wilmington Savings Fund Society FSB, Del.	1,427,529	1,321,400	224	+ 18
207	County Bank, Santa Barbara, Calif.	1,415,083	1,251,784	232	+ 25
208	Provident Savings Bank, Jersey City, N.J.	1,412,622	1,461,556	201	
209	State Savings Bank, Columbus, Ohio	1,412,566	1,446,082	204	
210	Beneficial Savings Bank, Philadelphia	1,389,659	1,475,682	198	
211	United Postal Savings Assn., St. Louis, Mo.	1,389,468	1,456,723	203	
212	Norstar Bank Central New York, Syracuse	1,382,923	1,397,482	212	
213	Second Nat'l Federal Savings Bank, Salisbury, Md.	1,380,833	1,076,655	266	+ 53
214	Union Federal Savings Bank, Indianapolis	1,371,667	1,324,733	223	+9
215	First Federal Savings of Arkansas, FA, Little Rock	1,369,994	1,619,922	179	
216	First Indiana Bank, FSB, Indianapolis	1,366,248	1,104,301	261	+ 45
217	First Atlantic Savings, South Plainfield, N.J.	1,362,681	1,331,887	220	+3
218	First Mutual of Boston	1,352,626	1,291,162	228	+ 10
219	Ponce Federal Bank, FSB, P.R.	1,350,824	1,115,807	257	+ 38
220	Germantown Savings Bank, Bala Cynwyd, Pa.	1,350,005	1,350,462	217	
221	United Savings of America, FS&LA, Chicago	1,345,072	1,679,742	175	
222	Puget Sound Savings Bank, Seattle	1,344,704	1,477,935	197	
223	Neworld Bank for Savings, Boston	1,339,669	1,420,179	208	
224	North Side Savings Bank, Bronx, New York	1,326,205	....	...	
225	Connecticut Savings Bank, New Haven	1,323,307	1,255,075	231	+6
226	First Western Savings Assn., Las Vegas, Nev.	1,317,085	1,310,905	225	
227	Beach Federal S & L Assn., Boynton Beach, Fla.	1,314,812	1,187,368	245	+ 18
228	Mechanics & Farmers SB, FSB, Bridgeport, Conn	1,313,172	1,399,476	211	
229	Anchor Savings & Loan Assn., Madison, Wis.	1,309,006	1,238,422	235	+6
230	Horizon Federal Savings Bank, Wilmette, Ill.	1,305,442	1,216,287	241	+ 11
231	Liberty Savings Bank, FSB, Atlanta	1,304,944	1,165,407	247	+ 16
232	Mid-America Federal S & L Assn., Columbus, Ohio	1,302,681	1,345,776	219	
233	First Federal Savings & Loan Assn., Toledo, Ohio	1,302,483	1,364,277	215	
234	Pomona First Fed. Savings & Loan Assn., Calif.	1,289,711	1,235,974	236	+2
235	Ameribanc Savings Bank, Annandale, Va.	1,277,994	1,130,861	253	+ 18
236	Southeast Bank for Savings, FSB, Jacksonville, Fla.	1,272,548	1,261,951	230	
237	Hunter Savings Assn., Cincinnati	1,269,779	1,300,345	227	
238	The First, FA, Orlando, Fla.	1,266,750	1,225,620	240	+2
239	First Home Federal S & L Assn., Greensboro, N.C.	1,262,837	1,233,301	238	
240	Roosevelt Savings Bank, Garden City, N.Y.	1,253,413	1,110,739	258	+ 18
241	Columbia Savings Bank, SLA, Fair Lawn, N.J.	1,244,772	1,228,608	239	
242	Gateway Bank, Norwalk, Conn.	1,243,030	1,195,495	244	+2
243	First Federal Savings & Loan Assn., Lincoln, Neb.	1,239,476	1,244,919	233	
244	Coreast Savings Bank, FSB, Richmond	1,222,889	1,133,026	251	+7
245	Metropolitan Federal Bank of Iowa, Mason City	1,219,064	....	...	
246	Coast Federal Savings & Loan Assn., Sarasota, Fla.	1,216,860	1,216,078	242	
247	Penn Savings Bank, FSB, Wyomissing, Pa.	1,200,691	1,014,556	280	+ 33
248	Northwestern Savings & Loan Assn., Chicago	1,197,820	1,105,072	260	+ 12
249	Murray Federal Savings & Loan Assn., Dallas	1,196,724	1,469,778	200	
250	Pacific Southwest SB, FSB, Corpus Christi, Tex	1,196,343	....	...	
251	Standard Federal Savings & Loan Assn., Chicago	1,195,138	969,407	296	+ 45
252	First Capital Financial Corp., Aurora, Colo.	1,193,881	1,304,186	226	
253	Security First Fed. S & L Assn., Daytona Beach, Fla.	1,175,411	1,125,089	255	+2
254	Cumberland Federal Savings Bank, Louisville, Ky.	1,166,687	1,124,194	256	+2
255	New Bedford Institution for Savings, Mass.	1,163,784	978,429	290	+ 35
256	New England Savings Bank, New London, Conn.	1,157,984	1,046,264	272	+ 16
257	Citicorp Savings of Washington, D.C., FS&LA	1,156,689	818,349	340	+ 83
258	Home Federal Savings Bank, Queens, New York	1,151,728	989,193	287‡	+29
259	Metropolitan Federal S & L Assn., Nashville, Tenn.	1,150,292	1,169,880	246	
260	Pathway Financial, FA, Chicago	1,149,798	1,365,396	214	
261	Olympic Federal Savings & Loan Assn., Berwyn, Ill.	1,143,500	1,030,305	277	+ 16
262	Duval Fed. Savings & Loan Assn., Jacksonville, Fla.	1,133,656	1,234,996	237	
263	Continental Federal Savings Bank, Fairfax, Va.	1,130,952	1,088,040	262	
264	Century Federal S & L Assn., Pasadena, Calif.	1,130,397	1,129,329	254	
265	Worcester Cty Institution for Svgs, Worcester, Mass.	1,127,171	975,549	292	+ 27
266	Washington Federal Savings Bank, Washington, D.C.	1,117,431	1,061,117	268	+2
267	Ridgewood Savings Bank, Queens, New York	1,116,278	1,145,724	250	
268	Firstrust Savings Bank, Philadelphia	1,108,000	1,057,585	270	+2
269	American Federal Bank, FSB, Greenville, S.C.	1,107,065	1,052,523	271	+2
270	Commonwealth Federal S & L Assn., Norristown, Pa.	1,106,623	1,148,580	249	
271	Santander Federal Savings Bank, Bayamon, P.R.	1,099,122	1,207,320	243	
272	Morris Savings Bank, Morristown, N.J.	1,095,095	1,063,444	267	
273	Mutual Savings Bank of Wisconsin, Milwaukee	1,090,543	990,262	286	+ 13
274	Freedom Savings & Loan Assn., Tampa, Fla.	1,082,296	1,577,537	186	
275	Midwest Federal Savings Bank, Minot, N.D.	1,081,391	1,082,256	264	
276	Buckeye Fed. Savings & Loan Assn, Columbus, Ohio	1,068,482	1,159,375	248	
277	Charter Federal Savings Bank, Bristol, Va.	1,067,209	946,867	302	+ 25
278	Columbia Savings Assn., FA, Emporia, Kan.	1,062,952	849,061	325	+ 47
279	United Savings Bank, FSB, San Francisco	1,051,385	898,159	311	+ 32
280	Great American Federal S & L Assn., Oak Park, Ill.	1,047,451	979,215	288	+8
281	New Hampshire Savings Bank, Concord	1,045,958	1,058,267	269	
282	Pacific Savings Bank, Costa Mesa, Calif.	1,036,960	1,326,608	221	
283	Springfield Institution for Savings, Mass.	1,036,650	1,003,053	282	
284	Heartland Fed. S & L Assn., Ponca City, Okla.	1,032,102	1,086,904	263	
285	Great Financial Federal S&L Assn., Louisville, Ky.	1,030,887	1,020,580	278	
286	Fidelity Federal S & L Assn., Nashville, Tenn.	1,017,874	956,464	298	+ 12
287	American Federal S & L Assn of Iowa, Des Moines	1,017,845	1,105,904	259	
288	Mid-State Federal Savings Bank, Ocala, Fla.	1,017,017	1,040,674	274	
289	Financial Fed. Trust & Svgs Bk, Olympia Fields, Ill.	1,016,506	1,011,368	281	
290	Berkeley Fed. Savings & Loan Assn., Millburn, N.J.	1,013,139	997,211	283	
291	United Federal Savings Bank of Iowa, Des Moines	1,006,292	941,997	303	+ 12
292	Hawthorne Savings & Loan Assn., Calif.	1,005,405	910,453	308	+ 16
293	Stockton Savings & Loan Assn., Calif.	999,867	....	...	
294	Sun State Savings & Loan Assn., Phoenix, Ariz.	999,565	994,830	285	
295	Eastern Savings Bank, Lynn, Mass.	985,996	897,962	312	+ 17
296	Gill Savings Assn., San Antonio, Tex.	985,157	1,346,383	218	
297	South Carolina Federal S&L Assn., Columbia	981,861	....	...	
298	Central Federal Savings, FSB, Mineola, N.Y.	977,597	920,133	307	+9
299	Roslyn Savings Bank, N.Y.	975,647	925,201	306	+7
300	Landmark Savings Bank, SSB, LaPlace, La.	975,465	834,054	333	+ 33

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data from the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. were used. These data were provided by **ADP Data Services Division, New York,** from their data bases of FSLIC-insured thrifts reporting to the Federal Home Loan Bank Board on the Quarterly Financial Report and FDIC-insured savings banks reporting to the Federal Deposit Insurance Corp. on the quarterly Consolidated Reports of Income and Condition for Savings Banks. **Note:** The numerous FSLIC-assisted mergers last year created many "newly chartered" institutions. **American Banker** — whenever possible — reports 1988 data for these institutions, using data for the thrift whose name is similar to the newly-chartered thrift. **(‡)**— Rank that the thrift would have had, if it had been included in the survey.

Compiled by American Banker, Copyright 1989.

4 summary tables

Summary of Survey Findings

10 Largest Deposit Gains

Dollar amounts in millions

		Deposits 6/30/89	Deposits 12/31/88	Incr. (%)	Rank
1	Santander Federal Savings Bank, Bayamon, P.R.	795.2	606.0	31.22	288
2	Ponce Federal Bank, FSB, P.R.	913.0	705.9	29.34	251
3	First Indiana Bank, FSB, Indianapolis	900.7	731.8	23.07	256
4	Household Bank FSB, Newport Beach, Calif.	2,906.9	2,371.3	22.59	65
5	First Federal Savings Bank, Santurce, P.R.	1,248.8	1,099.6	13.57	172
6	Western Financial Savings Bank, Orange, Calif.	1,324.5	1,181.7	12.09	162
7	Collective Federal Savings Bank, Egg Harbor City, N.J.	1,544.7	1,381.2	11.84	139
8	Commonwealth Federal Savings Assn., Houston	1,790.9	1,608.5	11.34	119
9	Peoples Heritage Savings Bank, Portland, Me.	1,825.4	1,641.3	11.22	115
10	Franklin Savings Assn., Ottawa, Kan.	3,669.3	3,309.3	10.88	44

Gains over six months ended 6/30/89. Percentage gain based on unrounded deposit figures. **Note:** Many of the gains above are attributable to FSLIC-assisted mergers.

10 Largest Deposit Declines

Dollar amounts in millions

		Deposits 6/30/89	Deposits 12/31/88	Decr. (%)	Rank
1	Bluebonnet Savings Bank, FSB, Dallas	1,937.4	2,873.8	32.58	109
2	Franklin Federal Bancorp., FSB, Austin, Tex.	920.7	1,316.3	30.05	246
3	Sunbelt Savings, FSB, Dallas	4,054.0	5,712.2	29.03	38
4	American Federal Bank, FSB, Dallas	1,386.5	1,829.5	24.21	155
5	Olney Savings & Loan Assn., Tex.	2,356.5	2,896.3	18.64	89
6	Broadview Savings Bank, Cleveland	917.1	1,125.4	18.51	249
7	Sears Savings Bank, Glendale, Calif.	2,847.0	3,440.3	17.25	69
8	Homestead Savings, FS&LA, Millbrae, Calif.	2,648.7	3,169.1	16.42	78
9	Guaranty Federal Savings Bank, Dallas	2,698.6	3,219.2	16.17	76
10	Commercial Federal S&L Assn., Omaha, Neb.	2,852.5	3,367.1	15.28	68

Declines over six months ended June 30, 1989. Percentage decline based on unrounded deposit figures.

10 Highest Capital Ratios

Dollar amounts in millions

		Capital 6/30/89	Assets 6/30/89	Ratio (%)	Rank
1	Oak Tree Savings Bank, SSB, New Orleans, La.	904.9	2,529.1	35.78	186
2	Citicorp Savings of Illinois, FS&LA, Chicago	1,585.1	5,348.0	29.64	43
3	City Federal Savings Bank, Bedminster, N.J.	3,031.0	10,326.5	29.35	19
4	New Bedford Institution for Savings, Mass.	213.6	1 163.8	18.36	241
5	Citicorp Savings of Florida, FS&LA, Miami	543.5	3,308.2	16.43	154
6	Home Savings Bank, Brooklyn, New York	243.9	1,625.3	15.01	198
7	Firstrust Savings Bank, Philadelphia	152.7	1,108.0	13.79	277
8	Jamaica Savings Bank, FSB, Lynbrook, N.Y.	196.7	1,455.0	13.52	177
9	Worcester Cty. Inst. for Svgs, Worcester, Mass.	147.9	1,127.2	13.12	263
10	Citicorp Savings, FS&LA, San Francisco	966.7	7,387.8	13.09	26

Capital ratio: Modified equity capital on June 30, 1989, divided by total assets, expressed as a percentage.

10 Lowest Capital Ratios

Dollar amounts in millions

		Capital 6/30/89	Assets 6/30/89	Ratio (%)	Rank
1	Gill Savings Assn., San Antonio, Tex.	–958.8	985.2	-97.33	146
2	Security Savings & Loan Assn., Scottsdale, Ariz.	–516.3	559.8	-92.22	214
3	Sandia Federal S&L Assn, Albuquerque, N.M.	–611.3	720.2	–84.88	213
4	University Federal Savings Assn., Houston	–1,931.0	2,614.5	–73.86	45
5	BancPlus Savings Assn., Pasadena, Tex.	–356.4	633.5	–56.26	243
6	Savers Fed. Savings & Loan Assn., Little Rock, Ark.	–381.7	729.8	-52.30	290
7	Bexar Savings Assn., San Antonio, Tex.	–315.9	624.9	-50.56	270
8	Commonwealth Federal Savings Assn., Houston	–675.3	1,581.3	-42.70	119
9	Freedom Savings & Loan Assn., Tampa, Fla.	–369.6	1,082.3	-34.15	209
10	First Federal Savings of Arkansas, FA, Little Rock	–440.3	1,370.0	-32.14	200

Capital ratio: Modified equity capital on June 30, 1989, divided by total assets, expressed as a percentage.

S&L Bailout Law Shakes Up Many of Top 50 Thrifts, Sick and Well

▸ Continued from Page 1

capital guidelines.

- Three recently took special provisions for problem commercial real estate loans to cleanse their balance sheets.

"This certainly indicates that unlike some of the previous thrift bills, FIRREA is going to rearrange the entire banking industry," said Don Inscoe, the chief banking analyst at Veribanc Inc., Wakefield, Mass., a banking research company.

"Previous legislation was drafted to allow companies to work out their problems and extend their lives. FIRREA was drafted to give regulators the maximum flexibility to close companies by imposing more stringent capital guidelines and operating restrictions," says Bruce Harting, a vice president at Salomon Brothers. Mr. Harting adds, "Also, under FIRREA, funds have been provided to enforce the act."

These are some of the findings of the *American Banker's* survey of the top 300 thrifts in deposits and assets. The tables, which begin on page 6, are based on data as of June 30, 1989, the latest available for individual thrift institutions.

The two institutions placed in federal conservatorship programs this year were 19th-ranked City Federal Savings Bank, Bedminster, N.J., and 28th-ranked Western Savings and Loan Association, Phoenix.

City Federal Savings Bank was placed under RTC conservatorship by the Office of Thrift Supervision on Dec. 8, and its name was changed to City Savings Bank. Western Savings and Loan Assn. was declared insolvent and placed in the federal conservatorship program on June 14.

The 21st-ranked Gibraltar, based in Beverly Hills, went into conservatorship on March 31 and into receivership on Oct. 30. The 42d-ranked Lincoln Savings, based in Irvine, Calif., is now in receivership and went into the conservatorship program after it was closedby federal regulators for unsafe and unsound practices on April 14.

The two thrifts that might be placed in conservatorship are 25th-ranked Atlantic Financial Federal, Bala Cynwyd, Pa., and 32d-ranked MeraBank, Phoenix, Ariz. On Dec. 6, Atlantic Financial Federal stated in its earnings release for fiscal year ended Sept. 30 that it currently does not meet the new capital requirements and therefore may enter the federal conservatorship program.

Also on Dec. 6, Pinnacle West Capital Corp., the parent of MeraBank, reached agreement with the OTS to inject $450 million into MeraBank. In return, the OTS agreed to release Pinnacle West from its obligation to maintain adequate capital levels at Merabank. Industry observers believe that MeraBank's deteriorating financial condition will compel the government to take it over.

On Oct. 13, 45th-ranked University Federal Savings Association, Houston, was acquired from the RTC by NCNB Texas National Bank, Dallas, under a purchase and assumption transaction.

On Dec. 8, the OTS cracked down on the ailing 22d-ranked CenTrust Bank, Miami, by issuing CenTrust a cease-and-desist order, one step short of regulatory control. The order requires CenTrust to take several steps to return to safe and sound banking.

Three California-based thrifts in the top 50 recently took special loan-loss provisions or wrote down problem loans from their commercial real estate portfolios to cleanse their balance sheets. On Nov. 28, Great Western Financial Corp., parent of 2nd-ranked Great Western Bank, Beverly Hills, announced it would post a $75 million loss in the fourth quarter because of $200 million in writedowns and provisions for problem commercial real estate loans in Arizona, Texas, and Florida.

Also in late November, GlenFed Inc., parent of 4th-ranked Glendale Federal Bank, announced that it would take a special $30 million provision to raise its general loan-loss reserve for problem multifamily and commercial loans, mostly in Florida. And eighth-ranked Great American Bank, San Diego, announced that it lost $65.6 million in the third quarter, primarily because of real estate problems at its Phoenix thrift.

Other Survey Findings

- Home Savings of America, Irwindale, Calif., again was the nation's top thrift in deposits and assets at midyear. Its deposits totaled $31.6 billion on June 30, up 30% from the year before, and its assets totaled $44.3 billion, up 37%.
- The top 300 thrifts had total deposits of $747.9 billion on June 30, 1989, up 3.2%. The top 300 thrifts had assets of $1,082.3 billion, up 4.1%.
- According to data from the OTS and FDIC, there were 3,405 thrift institutions with $1,050.8 billion in deposits, $1,576.4 billion in assets, and $54.9 billion in equity capital. Thus the top 300 thrifts had a record 71.1% of the industry's deposits and 68.7% of the industry's assets. At yearend 1988, the top 300 thrifts had 65.2% of the industry's deposits, the previous record. Just five years ago, the top 300 thrifts held 59.6% of the industry's deposits.
- Of the 3,405 thrifts in operation at midyear, 2,934 were FSLIC-insured (now Savings Association Insurance Fund or SAIF-insured) and 471 were FDIC-insured state-chartered thrifts. ■

Toll Free 800-221-1910

LEGAL ADVERTISING

Toll Free 800-221-1910

Partnership Notices

Substance of Certificate of Limited Partnership filed in New York County Clerk's office 12/12/89 of 66th & THIRD AVENUE L.P., principal office c/o Princeton International Inc., 12 E. 41 St., NY, NY. Business: acquire shares in 20166 Tenants Corp. and related activities. Term: until Dec. 31, 2089 or earlier per Partnership Agreement (PA). General Partner (GP): Princeton 66th Street Corp., 12 E. 41 St., NY, NY, attn: Mr. Alan Lee. Class A Limited Partners (LPs) cash contributions and ptshp interests: Paicolex Trust Management AG, Wolfgang Froriep and Thomas Meier, as Truslees of the A. Lee 1976 Settlement for Alan Lee, and the A. Lee 1976 Settlement for Edward Lee, each at Bellerivestrasse 201 CH - 8034 Zurich, Switzerland, $ 44.50 each, 44.5% each. Class BLP: Joseph Razon, 80 Cedar Drive, Great Neck, NY. $ 10.00, 10%. No Partner obligated to make additional contribution. Capital contr. returned per PA. Profits/losses allocated pro rata per PA. Preferred returns and distributions allocated per PA. LP may assign iterest with prior consent of GP and majority-in-interest of all other LPs. GP may admit additional LPs per PA. LPs have no right to demand and receive property other than cash in return for contributions.

CERTIFICATE UNDER SECTION 81 OF THE PARTNERSHIP LAW RELATING TO THE CONTINUATION OF USE OF PARTNERSHIP NAME OF RICE & CO. Pursuant to section 81 of the Partnership Law of the State of New York, it is hereby declared and certified that the undersigned, R.B. Antonetti, residing at 263 Graphic Boulevard, New Milford, N.J. 07646; J.F. Arenella, residing at 105-17 76th Street, Ozone Park, N.Y. 11417; V.J. Huebner, residing at 218 Clinton Avenue, Dobbs Ferry, N.Y. 10522; R.A.C. Jardine, residing at 7 Deer Horn Trail, Upper Saddle River, N.J. 07458; P.A. Lowe, residing at 314 East 206th Street, Bronx, N.Y. 10467; M.L. Milne, residing at 150 West 51st Street, New York, N.Y. 10019; V.A. Ognibene, residing at 64 Rigelmann Street, Staten Island, N.Y. 10302; P.A. Roeder, residing at 35-20 32nd Street, Astoria, N.Y. 11106; and T.M. Zeller, residing at 197 West 17th Street, Deer Park, N.Y. 11729, intend to deal under the partnership name of RICE & CO., thus continuing the use of such name as provided in section 80 of the said Partnership Law. IN WITNESS WHEREOF, we have executed this Certificate on the 31st day of October, 1989.

Have an Important Legal Notice?
Call Gail Edwards at 212/943-5716

OAK RUN EQUITIES LIMITED PARTNERSHIP, c/o Pierce Paley, 460 Park Ave., NYC. Sub of Cert of Ltd Ptnrshp filed 11-9-89. Business: acquire, own & operate real & personal property of all kinds. GPs: Milton Klein, 23 Ramapo Trail, Harrison, NY; Pierce Paley, Winfield Ave., Harrison, NY. LPs, Contrbns & Share of Profits: Milton Klein; Matthew Klein, 23 Ramapo Trail, Harrison, NY; Kate Klein Trust, c/o Milton Klein; Meredith Klein Trust, c/o Milton Klein, $7,018.75 ea., 2.8125% ea.; Austin Apartments Associates, L.P., c/o Sudler, 75 Eisenhower Parkway, Roseland, NJ, $28,075., 75%; Adolf Herst, 104 Carnegie Center, Princeton, NJ, $100., 0%. Term: to 12-31-2018. Addtl contrbns may be made. Contrbns returned from time to time as agreed by GPs. Each LP may sub an assignee with approval by GPs. Addtl LPs may be admitted. No priority among LPs. Upon death, retirement or insanity of a GP, remaining GPs may continue business. No LP may demand & receive property other than cash for contrbn.

Notices of Foreclosure

SUPREME COURT - COUNTY OF BRONX Joseph Nathanson and Shorehaven Associates Inc., Pension Trust, Plaintiff against Ark Realty Development Corp. et al Defendant(s) Pursuant to a judgment of foreclosure and sale, entered herein and dated March 2nd, 1989, I, the undersigned Referee, will sell at public auction at the Bronx County Courthouse, 851 Grand Concourse, Bronx, N.Y., in Room 118, Mezzanine, on the 5th day of January, 1990, at 10:30 A.M., premises briefly described. Lots 1, 80, 91, 97, 124, 175, 98 and 23 In Block 5633 on the Tax Map of the City of New York, Bronx County and more fully described in Complaint. Approximate amount of lien $920,347.82 with interest and costs. Premises will be sold subject to provisions of filed judgment, Index Number 16590/88 Dated: December 15, 1989 Donald J. Sullivan, Referee Isaac Anolic Attorney(s) for Plaintiff 20 Vesey Street, New York, N.Y. 10007.

SITUATIONS WANTED ADS

Five consecutive insertions of a two inch ad, approximately 60 words costs $70.00.

BOX NUMBERS: Charge for blind box numbers is $20.00.

Mail ad with check to:
Classified Advertising
American Banker
One State Street Plaza
New York, NY 10004

Auction Notices

R. A. Felder Lic Auctr #793917 sells on 1/2/90 10 AM at 33-54 Prince St Qns '87 Cadi #1G6CD5182H4209945 Re: L. Wilson; 10:30 AM at 16 Larkin Plaza Yankers '82 Plymouth #1P3BP51D9CC127920 Re: J. Clark; 11 AM at 1471 Jerome Ave Bnx '86 Ford #1FABP2634GF159120 Re: R. McDonnel; 11:30 AM at 322 Root 59 West Nyack '81 Chevy #2GCDC14H5B1140910 Re: K. Mirra; 12 PM at 686 Clinton Ave South Roch. '85 Pontiac #1G2NE27U-2FC714784 Re: J. Hyson; 12:30 PM at 38-24 24th St LIC '80 Chevy #1W19HAR-425964 Re: L. Jin-Koo; 1 PM at 1027 East Gun Hill Road Bnx '84 Audi #WAUFB0-449EN190812 Re: C. McFadden; 1:30 PM at 3285 Grace Ave Bnx '81 Toyota #JT2TE72C1B0608782 Re: Jan O. Newman; 2 PM at 4151 Park Ave Bnx '85 Nissan #JN1HZ14S8FX074506 Re: K. Rice. Published 12/15 & 12/22/89.

Ronald Zaza Auct'r Lic #840731 sells 12/23/89 9 AM at 95 Glen Cove Ave, Gl/Co, '78 Porsche #9288200352 Re: R. Marant; 10 AM at 72 Vestry St, NYC, '86 Chrys #1C3BA54E5GG144402 Re: Allstate Ins Co., '85 Olds #1G3JC7700FK326548 Re: S. Thangarajah; 11 AM at 151 Flatbush Ave, Bklyn, '80 Pont #2F35KAB111284 Re: M. Fowler & ABCO Financial. Published 12/8 & 12/15/89.

DEFAULT In Security Agreement Made By Jose Felipe Gomez To Hugo Diplan I Will Sell Dec 18, 1989 at 10 AM at 18 Lawrence St, Yonkers, NY Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Lines & Mortgages Secured Party Reserves The Right To Bid. Frank E. Seipp, Auct'r Lic #732234 of F.E.S. AUCTIONS INC, As Agents.

Correction Notices

FRED REISNER INC, Auct'r Lic #732421 &/Or Lewis Feldman, Auct'r Lic #841375 Sells Jan 2, 1990 at 12:30 PM at 2200 Tilden Ave., Bklyn, NY 1978 Chev 1N69U81198593 Acct Raymond Desouza 1977 Olds 3L37L7M223109 Acct Lilly Taylor; Published Dec 15, 22, 1989.

CORRECTION NOTICE: E.F. Fazio auct'r lic #798972 sold 12/4/89 3:30 PM at 276 7th Ave NYC '72 M/B #10704412002163 Re: Dadderio Constr. Co. Inc. Published 12/15 & 12/22.

Foundation Notice

NOTICE

The annual report of **APOLLO OPERA CO., INC.** for the fiscal year ended November 30, 1988 is available at its principal office located at 2130 Broadway, New York, NY 10023, (212) 422-0089 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Nicocilis Moraitis.

Date: December 15, 1989.

NOTICE

The annual report of **THE PAUL M. DODYK CHARITABLE FOUNDATION** for the calendar year ended December 31, 1988 is available at its principal office located at 34 Maynard Court, Ridgewood, N.J. 07450 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Paul M. Dodyk (212) 474-1214.

Dated: December 15, 1989.

NOTICE

The annual report of the **ZEDAKA FOUNDATION** for the fiscal year ended November 30, 1989 is available at its principal office located at 1251 Avenue of the Americas, New York, NY 10020, (212) 536-2583 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Herman M. Schneider.

Auction Notices

DEFAULT In Security Agreement Made By Felix Taveras To Antonio Lopez I Will Sell Dec 18, 1989 at 11:30 AM at 1112 Cortelyou Rd, Bklyn, NY Right, Title & Interest In & To Fixtures Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. Frank E. Seipp, Auct'r Lic #732234 of F.E.S. AUCTIONS INC.

CORRECTED NOTICE-Fred Reisner Inc, Auct'r Lic #732421 Sold Dec 11, 1989 at 8 AM at 656 Rockaway Tpke, Lawrence, LI, NY 1987 Jeep 2BCCL8132HB510907 Acct Timothy D. &/Or Christine Sarner; Sold 9:15 AM at 245 W. Fordham Rd, Bx, NY 1987 Renault 1XMDC9638HK120395 Acct Roderick Wayne Garvey.

800

C0175-1

American Banker

The Daily Financial Services News

VOL. CLIV NO. 247

Wednesday, December 20, 1989

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

MeraBank Deal Gives Regulators Another Black Eye

By JIM McTAGUE

NEWS ANALYSIS

WASHINGTON — When the book of regulatory bloopers is written, the handling of MeraBank is likely to be a case study.

First, regulators let the $8 billion Arizona thrift buy three failed institutions in Texas to revitalize them, not realizing that MeraBank itself was taking on red ink at an astounding rate.

Then, the agency let MeraBank's parent, Pinnacle West Capital Corp., out of an agreement to cover fully any losses stemming from the thrift. Pinnacle West paid a steep price to get out of the agreement – $450 million – but taxpayers could end up footing the rest of the bill – $500 million to $1 billion, according to analysts.

More embarrassing for the government, Pinnacle's stock price more than doubled the day after the government deal, earning back for shareholders the $450 million committed the day before.

For the thrift regulators who made the Texas deal possible, the unraveling of MeraBank couldn't happen at a more inauspicious time. House Banking Committee Chairman Henry B. Gonzalez, D-Tex., who in a series of hearings savaged federal regulators' handling of the Lincoln Savings and Loan failure, intends to scrutinize last year's sales of hundreds of insolvent thrifts.

MeraBank is "one of the items on the chairman's agenda, no question about it," said committee staff member Jake Lewis. Mr. Gonzalez has asked his staff to keep an eye on the developing story.

MeraBank in June 1988 was considered by federal regulators to be among the best-run thrifts in the country. Its

See HANDLING: Page 10 ►

First Chicago Corp. Will Sell Card Processing Unit to Citicorp

By RICHARD LAYNE

NEW YORK — First Chicago Corp. on Tuesday became the latest big banking company to abandon the business of processing credit card transactions for retailers. But unlike other banks that have made the move, First Chicago is keeping its business within the banking industry.

The company signed a definitive agreement to sell its merchant business to Citicorp Card Acceptance Services, a unit of the nation's largest bank holding company and the second-largest processor of merchant transactions.

Citicorp, which is also the largest companies on the consumer side of the credit card business, with 27 million

See FIRST: Back Page ►

Credit Card Leaders

Annual merchant sales volume

	($ bil.)
National Processing Co.	$18.17
Citicorp	17.20[1]
National Bancard (Nabanco)	15.50[2]
National Data Corp.	12.51
Bank of America	7.41

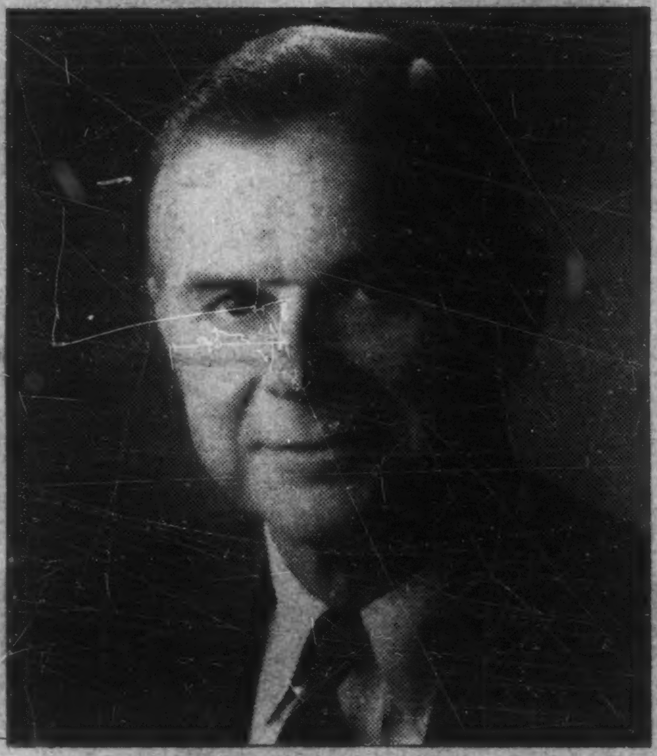
[1] Includes First Chicago.

[2] Does not include $5 billion processed under contract for Security Pacific National Bank.

Source: *The Nilson Report*

Fox Named CEO at Northern Trust, Likely to Succeed Retiring Chairman

By RICHARD RINGER



David W. Fox
CEO, Northern Trust Corp.

CHICAGO — David W. Fox was tapped Tuesday to become chairman of Northern Trust Corp., five years after he was passed over for the top job.

Mr. Fox, 58, the company's president and chief operating officer since 1987, was named chief executive officer. And Chicago-based Northern said that it expects Mr. Fox to be elected chairman in April 1990, succeeding the 64-year-old Weston R. Christopherson, who will retire.

In prepared comments, Mr. Fox appeared to dismiss widely circulated market rumors that Northern is for sale.

"I firmly believe that Northern is well positioned to not only compete in the decade of the 1990s but to be a strong, successful, and independent part of the financial future of Chicago for many decades to come," Mr. Fox stated.

Some analysts have speculated that the $11 billion-asset Northern would

See FOX: Page 14 ►

Clarke Unveils System to Track Bank Problems

Computer Model Focuses On Real Estate Pitfalls

By ROBERT TRIGAUX

WASHINGTON — In an effort to head off growing real estate problems, federal regulators will begin using a computer model next month to help pinpoint financial institutions at the greatest risk.

The program, announced on Tuesday by Comptroller of the Currency Robert L. Clarke, will keep track of collateral values by determining the market value of bank and thrift real estate portfolios. Also, it will project writedowns likely to result from the liquidation of real estate assets in local markets by the Resolution Trust Corp. and other government agencies.

The program is expected to provide regulators with early warning of where next month's or even next year's troubled institutions may emerge, and to permit quick assignment of on-site examinations. "That's something we could not do before," said a spokeswoman for Mr. Clarke.

Ultimately, it will also give examiners more precise evidence to present to a bank when they believe it should alter the way it handles its real estate lending business. For example, it will strengthen examiners' arguments when they challenge questionable real estate appraisals relied on by a lending institution.

"The model will help us be persuasive with data to convince management and the board of directors to change their practice," Mr. Clarke said during a press conference to address regula-

See CLARKE: Back Page ►

Today

Imperial Corporation of America said it will report negative net worth for the fourth quarter after taking more write-downs on its junk bond portfolio. — 3

The New York Cash Exchange agreed to acquire the Cashere electronic banking network from KeyCorp. — 2

The purchase of Manhattan Savings Bank by Republic New York Corp. leaves several other New York thrifts pondering an uncertain future. — 2

Hans H. Angermueller, Citicorp's retired vice chairman, will join Shearman & Sterling. — 2

Security Pacific National Bank is issuing $750 million in credit card participation certificates. — 3

Inside Financing — 15
International — 6
Technology — 8
People — 11

Same Bank. Different Software.

The right banking software improves profits as well as operations. And the software more U.S. Financial Institutions rely on is CA-INFOPOINT for MVS and VSE. For more information call 800-841-3734.

COMPUTER ASSOCIATES

In Calif. call 800-468-0725.

We've Got A Corner On Money Orders.

We provide and process more money orders than anyone in the country. For more information, call 1-800-328-5678, ext. 3351.

TravelersExpress Money In Motion...
A Greyhound Company

Imperial Cites Negative Capital, Spurring Speculation on Seizure

By TERESA CARSON

LOS ANGELES — Imperial Corporation of America, the troubled San Diego thrift holding company, disclosed that it will report negative net worth for the fourth quarter after taking more writedowns on its junk bond portfolio.

The value of Imperial's $860 million junk bond portfolio declined by $51.7 million in October and November. As a result, Imperial said late Monday, "the firm's tangible capital is negative." It would not specify the extent of its capital shortfall.

One analyst speculated that Imperial, parent of Imperial Savings Association, would be seized by regulators because it is insolvent under generally accepted accounting principles.

"I don't know when they might get to it, though; the regulators are working to capacity" on other problem thrifts, said Michael B. Abrahams, an analyst at Bateman Eichler, Hill Richards Inc., Los Angeles.

Although San Diego is an attractive market and several banks have made acquisitions there recently, Mr. Abrahams said, any buyer would want help from regulators.

Michael J. Lea, senior vice president and chief investment officer at Imperial, said, "We have not had any communications from either the Office of Thrift Supervision or the Federal Deposit Insurance Corp. that would suggest they are going to seize us." But he acknowledged, "They certainly could if they wanted to."

Most thrifts invested in junk bonds are expected to take additional writedowns in those portfolios in the fourth quarter, after big hits in the third quarter. "Remember, there are several hundred institutions in the same ballpark we are," Mr. Lea said.

Columbia Savings and Loan Association, Beverly Hills, Calif., announced last week that the value of its junk bond portfolio had dropped by $320 million in October and November. Columbia's $3.8 billion junk bond portfolio is the largest held by a thrift.

Thrifts must dispose of their junk bonds under the Financial Institutions Reform, Recovery and Enforcement Act. And because the bonds are no longer being held for investment purposes, accounting rules require that they be written down to reflect current market value, or the bonds' original cost, whichever is lower.

Imperial, which has been beset by losses, has been scrambling to boost capital. The $10.5 billion-asset company is aggressively selling assets that would bolster capital if there are gains. The sales would also reduce the company's size and thus increase its capital ratio.

No Merger Contemplated

Imperial said in its statement that its capital-building plans do "not contemplate potential mergers or other infusions of capital."

Allan R. Tessler, interim president and chief executive officer, said Imperial had just sold $110 million in auto leases. It has already announced a deal to sell its $283 million credit card portfolio to Wells Fargo & Co. in a transaction that will likely close this year and yield a "substantial gain."

Imperial sold $850 million in assets in the third quarter, mostly bonds and auto leases.

Like all undercapitalized thrifts, Imperial must submit a capital plan to regulators. It expects to do that "within the next few days," said Mr. Tessler.

Imperial also has been searching for a new president since former chief executive Kenneth J. Thygerson resigned in July. Mr. Thygerson, 44, had been president of the Federal Home Loan Mortgage Corp. before coming to Imperial in 1985. He charted a wholesale strategy for the money-losing Imperial, piling on junk bonds and buying loans in bulk.

The strategy worked for a while: Imperial earned $50.3 million in 1986 and $51.3 million in 1987. Earnings fell to $14.9 million in 1988, however. Many purchased loans went sour and then the junk bond market hit the skids.

Imperial lost $103.1 million in the third quarter of this year and $136.2

See IMPERIAL: Page 12 ➤

Security Does Card-Backed Issue

By TERESA CARSON

LOS ANGELES — Security Pacific National Bank is issuing $750 million in credit card participation certificates, the first for the California banking giant.

"We've consolidated and restructured our credit card business, and this helps us take advantage of a funding opportunity," said Ronald Azzolina, executive vice president, Security Pacific Credit Card Services. The corporation is consolidating all its credit card operations of all its banks into a single affiliate in Arizona early in 1990.

Mr. Azzolina said Security may do more of these if the opportunity arises.

The underlying receivables are generated by Visa and MasterCard accounts and overdraft checking accounts of Security Pacific National Bank, primarily in California. At Dec. 12, before the issue, Security Pacific Corp. had $1.5 billion in credit card receivables and Security Pacific National Bank had slightly over $900 million.

Other banks, including Citibank, Chemical Bank, and First National Bank of Chicago, have done similar issues.

The issue is being underwritten by Goldman, Sachs & Co. and Security Pacific Merchant Bank. It is rates AAA by Standard & Poor's Corp. and Aaa by Moody's Investors Service. The 8.45% certificates were priced at 99.61 to yield 8.49%. ■

Corrections

Equity capital for two New Jersey-based thrifts was reported incorrectly in a Dec. 15 listing ("Top 300 U.S. Thrift Institutions," pages 6-12). City Federal Savings Bank, Bedminster, had $303.9 million in capital at midyear and a capital-assets ratio of 2.94%. Columbia Savings Bank, Fair Lawn, had $66.7 million in capital and a ratio of 5.36%. Columbia Savings supplied an erroneous number.

□

The graphic accompanying a Dec. 19 article on Sumitomo Bank of California ("Sumitomo Seeks Non-Asian Borrowers," page 2) incorrectly reported the bank's net income during the past eight years by a factor of 10. The scale should have ranged from 0 to $25 million. ■

This advertisement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus. The Attorney General of the State of New York has not passed on or endorsed the merits of the offering. Any representation to the contrary is unlawful.

$208,194,000

SCFC Home Equity Loan Trust 1989-1

8.80% Home Equity Loan Pass-Through Certificates, Series 1989-1, Class A

Sears Consumer Financial Corporation
Servicer

SCFC Receivables Financing Corporation
Seller

The Class A Certificates evidence beneficial interests in SCFC Home Equity Loan Trust 1989-1, a trust to be formed pursuant to a Pooling and Servicing Agreement to be entered into among SCFC Receivables Financing Corporation, as Seller, Sears Consumer Financial Corporation, as Servicer, and Security Pacific National Bank, as Trustee.

The property of the Trust will include a pool of home equity loans secured primarily by second mortgages on one- to four-family residential properties, amounts from time to time deposited in the Collection Account, and certain other property, as more fully described in the Prospectus.

An election will be made to treat the Trust property, exclusive of the Payahead Account, as a real estate mortgage investment conduit ("REMIC") for federal income tax purposes.

The Certificates represent interests in the Trust and do not represent interests in or obligations of Sears, Roebuck and Co., the Seller, SCFC or any of their respective affiliates. Neither the Certificates nor the Receivables are insured or guaranteed by any governmental agency.

Price 99.57%
Plus accrued interest at the Pass-Through Rate from December 1, 1989.

Copies of the Prospectus may be obtained from the Underwriters only in states in which such Underwriters are qualified to act as dealers in securities and in which the Prospectus may be legally distributed.

Dean Witter Reynolds Inc.
Morgan Stanley & Co. Incorporated
The First Boston Corporation
Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Salomon Brothers Inc
Shearson Lehman Hutton Inc.
Bear, Stearns & Co. Inc.
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Kidder, Peabody & Co. Incorporated
Lazard Frères & Co.
PaineWebber Incorporated
Prudential-Bache Capital Funding
Smith Barney, Harris Upham & Co. Incorporated
Wertheim Schroder & Co. Incorporated

December 20, 1989

LEGAL ALERT

By TOM LEANDER

ABA Endorses Code To Establish Rules For Funds Transfer

The American Bankers Association has endorsed an addition to the Uniform Commercial Code that establishes guidelines for electronic funds transfer.

The code governs sales contracts, letters of credit, and check collection. The wire-transfer addition – Rule 4A – will be considered for adoption into the code by legislatures in all 50 states, the ABA said. It has also been endorsed by the American Bar Association.

Rule 4A establishes a method of measuring damages for late execution of payment orders and hammers out resolution procedures for erroneous transfers, among other questions pertaining to wire transfers.

"It's an area in which the law has not kept up with the marketplace," said ABA spokesman Edward Alwood.

* * *

Judge Says FDIC Must Wait To Sue Former Bank Officers

When the Federal Deposit Insurance Corp. purchases a failed bank, it does not gain priority over shareholders in suits against the bank's former officers, a federal judge has ruled.

As the receiver of Florida-based Park Bank, the FDIC argued, its suit against the bank's former officers should be heard first. The FDIC eventually sold Park Bank, St. Petersburg, to Chase Bank of Florida, Tampa.

When Park Bank failed in 1986, the shareholders sued former officers of the institution, alleging violations of the Racketeering Influenced and Corrupt Organizations Act and securities laws. The FDIC sued the same defendants.

Judge Walter Hoffman, in the U.S. Court of Appeals for the Eleventh Circuit, rejected the FDIC's claim of precedence.

"Any such priority over third-party lawsuits will have to come from Congress, not this court," he said.

* * *

Magazine Workers Settle Suit Against Crestar Bank

Employees of *U.S. News and World Report* have settled their suit against Crestar Bank, Richmond, filed in federal court in November.

The magazine's workers charged that Crestar misled them about the performance of a real estate fund in which they had invested a portion of their 401(k) profit-sharing plan.

The suit also claimed that Crestar overstated the fund's ability to meet the cash demands of plan participants.

The workers also charged that Crestar blocked their attempt to withdraw $2 million from the fund in August.

A month later, Crestar announced its decision to close down the fund, but would not permit disbursements until all the assets were sold.

Under the settlement, Crestar will lend the real estate fund enough money to pay back the 130 plan participants before yearend.

High Court Ruling Sought On Pass-Through Liability

The Supreme Court has been asked to review a "flow through" liability case, in which a Houston bank was penalized for earlier criminal acts of an institution it acquired.

The attorney for Alamo Bank of Texas argued in his petition to the high court that flow-through liability may have a chilling effect on bank merger activity.

Alamo Bank of Texas merged with Central National Bank of Pharr, Tex., in 1987, and Central become a branch of Alamo. Later that year, Central National was indicted for violations of the Bank Secrecy Act that allegedly occurred four years before the merger.

Alamo was also named in the indictment as Central National's successor institution. A federal district court in Texas rejected Alamo's motion to dismiss the indictment.

Alamo was convicted and fined $750,000. But the court suspended $500,000 of the fine in lieu of three year's probation. The U.S. Court of Appeals for the Fifth Circuit affirmed the conviction.

Alamo is seeking a Supreme Court ruling on the flow-through aspect of the case.

The petition, prepared by Oppenheimer, Rosenberg, Kelleher & Wheatley Inc., San Antonio, argues that the Alamo decision "will have substantial adverse effects on the federal agencies with regulatory control over banking." ■

Grapevine

By JED HOROWITZ

No Takers for First Bank. First Chicago Corp. executives have made three recent trips to Minneapolis to scout First Bank System Inc. as a possible acquisition candidate, according to knowledgeable sources in the Midwest.

When First Bank cut its dividend in half in November, it virtually put a for-sale sign on the institution, sources in Minneapolis said.

First Bank's investment banker, First Boston Co., contacted the Chicago bank and other "preferred buyers" earlier this year but found no takers, bankers said. Now that First Bank's share price is hovering around $16 a share – down from its 52-week high of $26.875 – the bank may seem more attractive, the sources said.

A spokeswoman at First Bank said the two banks have a close correspondent banking relationship, but she would not comment on merger talks. A First Chicago spokesman had no comment.

First Bank acknowledged its problems last fall when it ousted chairman DeWalt "Pete" Ankeny, revealed some bleeding leveraged buyout loans, and announced a strategic refocus on middle-market corporate customers and consumers.

* * *

Shipley's Surprise. Long-simmering rumors about a merger between Chemical Banking Corp. and Manufacturers Hanover Corp. were rekindled last week when Thomas S. Johnson of Chemical was anointed heir apparent to Manufacturers chairman John F. McGillicuddy. But well-placed sources said there is no hidden merger agenda in the move.

Their chief evidence: Chemical chairman Walter V. Shipley, who had just returned from a two-week trip to the Middle East, did not learn of his lieutenant's plans until they were publicly announced.

At Manufacturers, Mr. McGillicuddy and his search committee took almost two years to name a new president and successor. Mr. Johnson, reportedly his first choice, was not approached until late November.

"My perception is that John didn't want to activate any attempt to get anybody until he had put the bank on a terrifically positive platform," Mr. Johnson said.

He credited his new boss with achieving that goal by raising new capital, reserving for LDC loans, and selling Hanover's CIT finance subsidiary.

For the record, Mr. Johnson was recruited by search firm Korn/Ferry International.

* * *

Citibank Scorns Card Prices. Despite Citibank's announcement on Tuesday that it would acquire First Chicago Corp.'s merchant credit card business, the New York bank has no plans to continue buying other banks' consumer card portfolios.

Although Citibank added $1.3 billion of receivables in the past year by purchasing consumer portfolios, it now thinks premiums for such purchases are too dear.

James Bailey, who heads the U.S. card products group, recently told analysts that Citibank can maintain its card growth of about 15% even with a projected downturn in the economy. It will rely on internal marketing to fuel the growth, he said.

Citibank paid a 26% premium last year to purchase $623 million of receivables from defunct First RepublicBank Corp. in Texas, but apparently has no plans to repeat the exercise.

Credit card business provided about 25% of profits for Citicorp in 1988 and should reach 30% this year, estimates Merrill Lynch analyst Judah Kraushaar. Mr. Bailey, who was on vacation, could not be reached for comment.

* * *

McCoy in Mac Land? The Federal Home Loan Mortgage Corp. was poised to name an 18-person board as Grapevine went to press, with Banc One Corp. chairman John B. McCoy on the list of financial heavyweights expected to be nominated.

Mr. McCoy and a Freddie Mac spokesman declined to comment.

Banc One recently purchased Weaver Brothers, a mortgage company in Chevy Chase, Md.

Freddie Mac, previously overseen by the defunct Federal Home Loan Bank Board, has been scrambling to assemble a high-powered board.

Other rumored candidates include James Montgomery, chairman of Great Western Bank; George Gould, former under secretary of the Treasury; and Miami mortgage banking mogul Jay Kislak.

— Contributors: Lisabeth Weiner and Phil Roosevelt

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Bart Fraust
News Editor: Eric Starkman

Financial Editor: Sanford Rose

STAFF WRITERS
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Michael Weinstein (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James Kraus
Technology and Operations: Rebecca Cox, Jeanne Dugan Cooper, Richard Layne
Thrifts and Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford, Peggy Turbett

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Carl Zeichner

Associate Editor: David O. Tyson
Senior Editor: Aileen L. Kyte
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS:
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; 212-943-6169; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572; Telecopier: 404-364-6570.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex. 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU. Tel: 011-441-538-5959. Fax: 011-441-247-0404.

President - George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription Rates: U.S. $635 a year; Canada $815. Canada Airmail and Foreign $1,120.
Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62584 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass. 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of articles or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, Information Center, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes of address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 3, 4

800

C0175-1

American Banker
The Daily Financial Services

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLIV NO. 253 Friday, December 29, 1989 154th Year

U.S. Banks in Panama Reopen to a Lesser Role

By JAMES R. KRAUS

NEW YORK — U.S. banks in Panama reopened for business on Thursday for the first time since the U.S. military strike against the regime of Gen. Manuel Antonio Noriega.

But with Panama's economy in shambles, bankers said it would take months, if not years, before the country regains its position as a regional and international financial center.

Many banks, they noted, had already sharply reduced the amount of business they did in Panama because of the U.S. economic boycott imposed last year.

"Everybody's had to keep a pretty low profile over the past couple of years," said Kevin Mulvaney, interntional banking group executive at the Bank of Boston.

"Companies haven't been bringing in capital because there's been an economic war going on between Panama and the United States," he said.

Meanwhile, authorities have frozen assets in French bank accounts belonging to the deposed Panamanian leader and his family, United Press International reported from Paris.

Judge Patrick Fievet, an investigating magistrate at the Paris Tribunal, ordered the measure following the opening last Friday of a judicial inquiry into possible laundering of illegal drug profits.

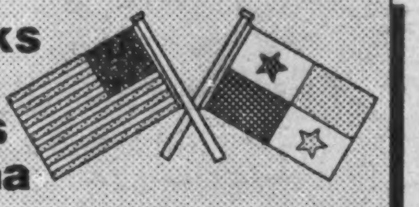
The assets frozen amount to between $3 million and $4 million held in accounts at Banque Nationale de Paris and the Credit Industriel and Commercial. Some of the money apparently was en route to Switzerland or Luxembourg when it was blocked by French authorities.

Other checks on French bank accounts are under way in connection with Mr. Noriega's assets, and two Panamanian embassy officials may be charged in the case, UPI reported.

The Bush administration this week lifted tough economic sanctions imposed on U.S. banks and corporations

See U.S.: Page 9 ➤

U.S. Banks with Branches in Panama



	Number of branches
Chase Manhattan Bank	9
Citibank	9
American Express Bank Ltd.	2
Bank of America	1
First National Bank of Boston	1
Philadelphia National Bank*	1

*Representative office

Electronic Data Interchange Is Poised To Become a Crucial Competitive Tool

By RICHARD LAYNE

OUTLOOK 1990
Fourth in a series

NEW YORK — A new technology that could redefine the way banks deal with corporate customers appears ready to blossom in 1990. But whether banks will parlay this technology into increased cash management fees, or lose those revenues to nonbank competitors, remains to be seen.

The technology is called electronic data interchange, or EDI. It allows corporations to replace purchase orders, invoices, and other paper trade documents with electronic, computer-to-computer communications.

Hundreds of U.S. corporations are following the lead of EDI pioneers such as General Motors Corp., Sears, Roebuck and Co., General Electric Co., and Bergen Brunswig in eliminating paper and speeding up business communications to save millions of dollars in administrative expenses.

Many bankers are looking to EDI as a source of growth for their existing cash-management and funds-transfer services, but first they have to understand how the technique is evolving in many companies and industries.

"You can't avoid EDI if you are a corporation - not if you want to be competitive," said John Shortsleeve. He is assistant treasurer for General Electric, one of the biggest users of EDI.

See BANKS: Page 10 ➤

Thrifts Get Rules On Lending Limits

By ROBERT TRIGAUX

WASHINGTON — In response to widespread confusion among thrifts, the Office of Thrift Supervision issued guidelines Thursday to help them comply with new lending limits to borrowers. The guidelines are in effect until the federal thrift regulator issues a final rule.

The guidelines provided details on compliance, and represented no substantial change of course from the thrift-bailout legislation signed into law in August. Thrifts have been clamoring for a loosening of the lending limits, so far with no results.

The law required a thrift for the first time to set a cap on the amount of loans

See S&L: Page 11➤

INSIDE FINANCING

Campeau's Fate Hammered Out At Bank Parley

Alternatives Considered To Forced Bankruptcy

By LISABETH WEINER
and DAVID NEUSTADT

Bankers representing about 75% of the $2.34 billion in loans to subsidiaries of Campeau Corp. met Thursday in New York as the fate of the troubled retailing company hung in the balance.

It was not immediately clear which of several options the bank group will take. Sources said one possibility would be to accelerate Campeau's loan payments.

"That would precipitate a Chapter 11 filing by Campeau because the company doesn't have the available cash to pay off its loans," said a Japanese banker in the Campeau syndicate.

Default as Bargaining Tool?

Citibank, agent on the loan syndicate, hosted the meeting at its headquarters. Citibank has already notified Campeau that it breached one covenant of the loan, and would be in default unless it meets certain reporting requirements by Sunday. Officials of Campeau and Citibank did not comment on the discussions.

Campeau might be able to use the default as a bargaining tool. A default would reopen the loan agreement, allowing the banks to ask for changes in collateral, pricing, and other terms.

Some bankers think that Campeau might be better off after a bankruptcy filing. The company would then not have to pay interest on its huge debt, and would have plenty of cash to fund

See CAMPEAU: Page 11 ➤

Today

California thrift regulators want to prohibit state-chartered savings institutions from selling risky bonds in retail branches. 3

A proposed black-owned bank in Philadelphia will raise capital by selling limited partnerships to the business community. 2

Victor J. Riley, chairman of KeyCorp, was elected to a seat on the board of the Federal Reserve Bank of New York. 2

Working to balance upward pressure on rates by the yearend demand for cash by banks, the Fed added temporary reserves to the banking system with 5-day system repurchase agreements. 3

International 9
Mortgages 6

To Our Readers:

The *American Banker* will not be published Jan. 1 in observance of New Year's Day.

Smash the paper barrier with the machine that makes money.

Introducing InfoImage IIPS.

The check imaging system that reduces operation costs and increases productivity. The one that punches through the paper barrier of millions of checks by digitizing them and putting them on screens where they belong. The imaging system that makes you money.

Call us at 1-800-547-8362.

UNISYS AND YOU
The power of^2

UNISYS

Reflections of a Financial Executive

What's My Line?

By THOMAS CLAIRE

Professionals in the field of finance are often stereotyped, be they brokers, bankers, or treasurers. This poem, submitted by a reader, strikes a note for all those who yearn to be known for themselves, not the image they represent.

If we should happen during
the cocktail hour
upon a chance encounter

and engage in polite
conversation,

should you ask me:
"What do you do?"

What should I do?

Should I style
myself a composer
whose notes
are words
that float
delicate
as crystal
motes
upon the
amber
August
air;

Should I picture
me a painter
plucking
pigments
of pastel
and terracotta
from his palette
to depict
the landscape
of the psyche;

Should I suggest
that I'm a teacher
whose lessons
are designed
to guide and inspire
without
the classroom wall;

Should I admit
that I'm a poet
whose lifelines
flow
from the flux
of night?

And if I take you
into my confidence,
dare I confess
the bare fact:

I'm treasurer
of the world's
largest luxury goods
society?

And if I do,
will you be
taken in,
fooled by the
sound of
the facade?

And see dollars and cents,
pin-striped vests,
fat-cat bankers,
with snipped cigars
and numbered Swiss accounts;

rubies and pearls,
emeralds and amethysts
strung like colored lights
across the continents;
casks of cognac
and champagne
uncorked end to end
from Chicago to
Hong Kong;

steamer trunks
packed with exotic
fragrances to delight
and stimulate
the senses?

Or will you see
past my front
to the truth
beyond:

That the treasures
I safekeep
are safe deep
within
and rarer still;

that the spirits
and fragrances
I imbibe
are distilled
from essential oils;

that life's richest
luxury lies in
the simple
surrender
of the senses;

and that in
all this world
the only society
I seek is that
of the
enlightened soul?

Mr. Claire is treasurer of Moet-Hennessy U.S. Corp., New York.

Funny Money

By TOM LEANDER

Smile!

Life as a media celebrity did not agree with a suspect in a string of automated teller machine thefts, who surrendered himself to police this week after a mere 15 hours in the limelight.

William Robinson, 20, called police in Rochester, N.Y., shortly after his photo appeared on Tuesday's local six o'clock news shows and in a Rochester newspaper. He turned himself in about 3 a.m. Wednesday, police told United Press International.

The photo was a self-portrait in a way, snapped by an automatic camera Nov. 16 while Mr. Robinson was allegedly using a stolen card to withdraw $800 from an ATM. The ATM card belonged to a University of Rochester medical student, who had been abducted shortly before the alleged ATM theft.

Mr. Robinson was not immediately charged in connection with the abduction, pending further investigation. He was arraigned on charges of grand larceny, petty larceny, and unauthorized use of a motor vehicle.

— **Robert Paul Molay**

◦ ◦ ◦

No Rudolph

The folks at U.S. National Bank of Oregon had one question last week: Where is Rudolph the Red-Nosed Reindeer when you really need him?

The bank and Transwestern Helicopters, an Oregon helicopter manufacturer, had arranged for Santa to take to the skies and visit four Oregon cities to distribute toys to needy children. But dense fog forced Santa to give up on the chopper ride and take a van.

"The visuals are not as great as they would have been," a bank spokeswoman conceded.

◦ ◦ ◦

Credit Phobia?

Texas' bank market often is hailed by new entrants as rebounding and bursting with opportunity. That's a bright view, considering the energy and real estate nosedives the state's economy took in the last half of the '80s.

But an ad by NCNB Texas National Bank indicates that not all Texans share the optimism of their new bankers. Temporarily veering from pictures of gleaming new boats and cars, NCNB Texas asks a gut question: "Are you afraid to ask for a loan?"

— **Steve Klinkerman**

◦ ◦ ◦

Resting on Laurels

For several years, ads for certificates of deposit from California-based Columbia Savings and Loan Association have declared in italics that the thrift is "one of America's best managed."

If they insist. But the ads continued to run after Columbia lost $226.3 million in the third quarter, chairman and CEO Thomas Spiegel quit, and regulators clamped tough operating restrictions on the thrift, one of the industry's biggest junk-bond investors.

The "best managed" tag line comes from a *Forbes* magazine survey a couple of years ago that so designated the then-high-flying Columbia, a spokeswoman said. The last ad carrying the line ran Dec. 12, she noted, the day after Mr. Spiegel's resignation.

— **Sam Zuckerman**

LETTERS TO THE EDITOR

Sallie Mae Bonds Not U.S.-Backed

To the Editor:

Your Dec. 11 article, "House Veteran Targets Off-Budget Enterprises" [page 6], contains a number of significant misstatements about Sallie Mae.

The piece states that we "borrow federal funds" and that our bonds are "backed by the full faith and credit of the federal government." Neither is true. Sallie Mae finances its operations by borrowing funds in the global capital markets. Its debt is not guaranteed or insured by the federal government; Sallie Mae voluntarily gave up a federal guaranty on its debt and stopped borrowing through the Federal Financing Bank about eight years ago.

The article also cites claims that Sallie Mae is subject to inadequate audit and oversight. The facts, again, indicate the contrary. Under our charter, Sallie Mae is subject to audit by the Treasury. We make an annual report to the President and the Congress and we are subject to congressional oversight. We are subject to the same regulations and audits as other participants in the Guaranteed Student Loan Program.

Sallie Mae is also broadly recognized as virtually unique among financial institutions in its asset quality and avoidance of interest rate risk.

Beth Van Houten
Vice President
Student Loan Marketing Association

Editor's Note: While Sallie Mae is correct that its borrowings are not backed by the full faith and credit of the federal government, the capital markets perceive an implicit U.S. guarantee behind Sallie Mae. This allows for a lower cost of funds.

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley

Managing Editor: Brian P. Sullivan
Asst. Managing Editor: Thomas J. Ferris
Washington Bureau Chief: Robert Trigaux
News Editor: Jeffrey Kutler
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS:
Washington: Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Yvette D. Kantrow
Corporate Finance: John Forde, Jed Horowitz, David Neustadt
International: James R. Kraus
Technology and Operations: Rebecca Cox, Richard Layne
Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (feature editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Dylan Kreuzer, Peggy Turbett, Carl Zeichner

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Lynn Homa, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; Telecopier: 212-943-2222.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex., 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU; Tel: 011-441-538-5959; Fax: 011-441-247-0404.

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120.
Single copy $3.45
Wires: WU Telex 882385 Answer Back: AmerBank NYK.WUI 62594 AMERIBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1989 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered witht he Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9598 collect).

Global View

Japan Cutting Loan Growth

TOKYO — The Bank of Japan has asked the nation's 13 city banks to cut the growth in their new lending by 14.7% in the first quarter of 1990 from the growth level a year ago, a senior official of the nation's central bank said Thursday.

Traders had expected a double-digit figure as they believed the central bank wanted to signal its anti-inflationary stance at a time when the Japanese economy keeps expanding robustly despite three discount-rate hikes earlier this year.

The growth in new loans by these major commercial banks was cut by 7% in the fourth quarter this year and by 4.7% in the third quarter.

With the latest measure, the Bank of Japan hopes the commercial banks will exercise more discipline in their lending, the central bank official said. Japan's three long-term credit banks were also asked to reduce lending growth.

— Reuters

Dollar Sinks Against Mark

FRANKFURT — The dollar was fixed Thursday at its lowest level against the West German mark since May 11, 1988, after West Germany's central bank failed to intervene on foreign exchange markets here to support the U.S. currency.

The dollar was fixed sharply lower at 1.6791 marks Thursday, down from 1.6895 Wednesday, dealers said.

Analysts said that expectations of a fall in U.S. interest rates, good economic prospects, and expectations for firmer interest rates in West Germany pushed up the West German mark.

According to a Reuters poll of currency analysts, the dollar is likely to enter the next decade by staging a modest recovery against the mark but is expected to continue to lose ground against the yen.

Forecasters predicted that the dollar would strengthen to 1.80 marks while falling to 135 yen by the fourth quarter of 1990.

"We expect the dollar to decline against the yen but recover against the mark by the fourth quarter of 1990," said Rupert Thompson, U.S. economist at UBS-Phillips & Drew, a London brokerage house.

— Reuters

Moody's Downgrades Mitsui Debt

NEW YORK — Moody's Investors Service has downgraded the senior debt rating of the Mitsui Bank Ltd. as well as the rating of the bank for long-term deposits, to Aa3 from Aa2.

The agency also confirmed Thursday the long-term ratings of the Taiyo Kobe Bank Ltd. at Aa3.

In Moody's ratings, high-grade bonds are rated Aaa (the best) and Aa. Within the Aa rating, Aa1 is the strongest rank. Bonds below Aa are considered medium-grade or lower.

The two banks are scheduled to merge on April 1. Moody's said its decisions were based on the riskiness in merging two large banks.

The rating agency added that integrating the two banks is likely to be a prolonged process and that their combined operating performance could well be softer than the banks are expecting.

As of Sept. 30, the two banks held combined assets of $402.8 billion.

— James R. Kraus

Venezuela Economy Contracts

CARACAS — Venezuela's gross domestic product contracted by about 8% in 1989, according to preliminary estimates announced by the president of the country's central bank, Pedro Tinoco.

This year's drop in the GDP, which is the broadest measure of goods and services produced in the economy, was in contrast to 6.3% growth in 1988.

"The year 1989 has been hard and difficult due to the severe adjustment process that our economy had to bear to correct grave and profound imbalances," Mr. Tinoco told a news conference Thursday.

World Bank to Lend $1.35 Billion to Poland

By **ROB WRIGHT**
World Bank Watch

NEWS ANALYSIS

WASHINGTON — World Bank president Barber Conable's announcement that the bank plans to lend Poland $1.35 billion in the next 18 months shocked some close observers in the private sector. But the bank maintains that the amount authorized – Warsaw's first pipeline ever at the bank – has long been pegged at $1 billion or more and has not been increased lately.

If Mr. Conable's prediction comes true, Poland would quickly become one of the bank's major borrowers. Although a member of the bank since 1986, Warsaw has so far been unable to receive any loans because of its lack of an agreement with the International Monetary Fund.

But sources say that once the IMF announces it has come to terms with Warsaw, the bank will respond rapidly with its first two loans. One loan would extend $250 million for export development in Poland's chemical, wood products, and machinery industries, with $100 million following to modernize the nation's agro-industries, again with an eye on export potential. Those two loans could reportedly be released in the next 30 days as part of a fiscal 1990 Polish pipeline now estimated at $600 million to $1 billion.

"That's a quantum leap from what we had been expecting," said one highly placed financial industry source, who last month assumed Poland would get a mere $300 million from the bank. "[Bank officials] seem to be bringing forward all kinds of projects all of a sudden that they've had on the shelves. But you have to wonder if the Poles can absorb all this money. You have to be prepared, and where's it all going to go?"

> Sources say that once the IMF announces it has come to terms with Warsaw, the bank will respond rapidly with its first two loans.

This source, who requested anonymity, attributed the increase to "massive pressure" from bank donors to move money into Poland. The IMF staff, the observer said, was "just about steamrollered" by the United States and Western Europe into approving a program for Poland, making the subsequent bank package "very, very risky."

Bank spokesmen, though, say a huge pipeline has been under consideration for Poland for several months, and insist donor pressure is not a factor.

The bank's latest loan catalog lists only $710 million in pending loans for Poland. Another well-informed private sector source, however, said that figure meant little, since rapid changes in the new Polish government were turning the bank's efforts to put together a lending program into "chaos."

Quick Influx Planned

Bank officials say a $300 million structural adjustment loan, which is not yet listed in the bank's official documents, is in the works for mid-1990. "SALs," which provide a quick influx of cash for countries with balance-of-payments woes in return for promises of market-oriented macro reforms, have become a hallmark of the bank's programs in Africa and Latin America in recent years and are becoming the rage in Eastern Europe, too.

Early next year Yugoslavia expects a $300 million structural adjustment loan, the second it will have received from the bank. And recently the National Bank of Hungary's deputy president, Imre Tarafas, who represents his country on the bank's board of governors, was in Washington trying to revive stalled negotiations on Hungary's first SAL, which is estimated at $200 million.

— ***World Bank Watch* is an *American Banker* newsletter.**

U.S. Banks in Panama Reopen to Lesser Role

▸ Continued from Page 1

doing business in Panama. The sanctions tightly restricted dealings with the Panamanian authorities and prohibited U.S. banks and corporations from paying taxes to Mr. Noriega's government.

On Wednesday, Panama's new government ordered the banks to reopen but said that business hours would have to be curtailed.

The government added that a freeze on time deposits and savings deposits imposed by the Noriega regime in March 1988 would be temporarily maintained to ensure bank liquidity.

According to a Citibank spokeswoman, business at the bank's branches in Panama was normal on Thursday, with deposits roughly equaling withdrawals. Citibank and Chase Manhattan Bank are the two largest U.S. banks in Panama with nine branches each.

Sanctions Prompt Departures

The U.S. economic sanctions and the resulting downturn in Panama's economy had already prompted some U.S. banks to leave and others to reduce their presence during the past 18 months.

Among the banks that have closed their operations in Panama are Republic National Bank of New York, First National Bank of Chicago, and Bankers Trust Co.

"We made a decision to close the bank because of the inhospitable business environment," said a spokesman for Republic National.

Citibank reduced the number of its branches from 11 to 9, while First National Bank of Boston closed its branch in the Colon free-trade zone, but retained its office in Panama City. It also transferred its Central American regional headquarters from Panama City to Puerto Rico.

Marine Midland Sold Branch

Another U.S. bank, Marine Midland Bank, sold its branch in Panama to its parent company, the Hongkong and Shanghai Bank, as part of a worldwide restructuring.

Other U.S. banks with offices in Panama are Philadelphia National Bank and American Express Bank Ltd.

U.S. banks provide retail banking to Panamanian nationals or U.S. troops and their families stationed in the Canal Zone. They also provide wholesale banking services, such as loans and commercial letters of credit to large U.S. multinationals with offices in Panama.

None of the U.S. banks have so far been linked to money laundering operations or accounts held by General Noriega.

According to to the Associated Press, $5.82 million belonging to Noreiga has so far been confiscated by U.S. authorities and released to the new Panamanian government. ■

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	12/28	12/27	12/21	12/28	12/27	12/21	12/28	12/27	12/21	12/28	12/27	12/21	12/28	12/27	12/21
United States	8.62	9.37	8.31	8.37	8.56	8.50	8.31	8.43	8.25	7.00	7.00	7.00	10.50	10.00	10.50
Japan	6.50	5.50	6.56	6.87	6.75	7.00	6.93	6.87	7.06	3.75	4.25	3.75	4.87	6.50	4.87
Canada	12.25	12.25	12.25	12.25	12.25	12.25	11.93	12.00	11.87	12.47	12.47	12.44	13.50	N.A.	13.50
U.K.	15.12	15.25	15.18	15.12	15.12	15.12	15.00	15.00	15.00	14.46	N.A.	14.48	15.00	15.00	15.00
West Germany	8.31	10.25	7.56	8.37	8.50	8.37	8.50	8.50	8.43	6.00	6.00	6.00	9.50	9.50	9.50
Switzerland	9.50	11.50	9.12	9.12	8.93	8.62	8.81	8.68	8.43	6.00	6.00	6.00	8.50	8.50	8.50
France	11.12	11.00	10.75	11.31	11.31	10.93	11.43	11.31	11.00	9.50	9.50	9.50	10.50	10.50	10.50
Italy	13.37	13.37	14.75	12.93	13.12	13.12	13.00	13.12	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.00	14.46	8.30	8.41	6.78
6 to 12 months	7.92	13.51	8.17	8.10	6.62
12 to 24 months	8.54	12.59	7.65	7.55	6.33

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs. 4, 9

800

C0175-1

American Banker
The Daily Financial Services New

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 4 Friday, January 5, 1990

Real Estate Sales Are Not at Top Of RTC's List

By BARBARA A. REHM

NEWS ANALYSIS

WASHINGTON — A day after releasing his agency's grand plan for running the thrift industry rescue, Daniel P. Kearney admitted there is some confusion about just which assets the Resolution Trust Corp. will be able to sell quickly.

"People shouldn't make the leap that because we have $104 billion in assets it's all real estate," Mr. Kearney, president of the RTC Oversight Board, said in an interview Thursday.

Indeed, first on the agency's quick-sale list are assets other than real estate, such as government securities, mortgage-backed securities, and mortgages. These assets make up at least $50 billion of the $104 billion total.

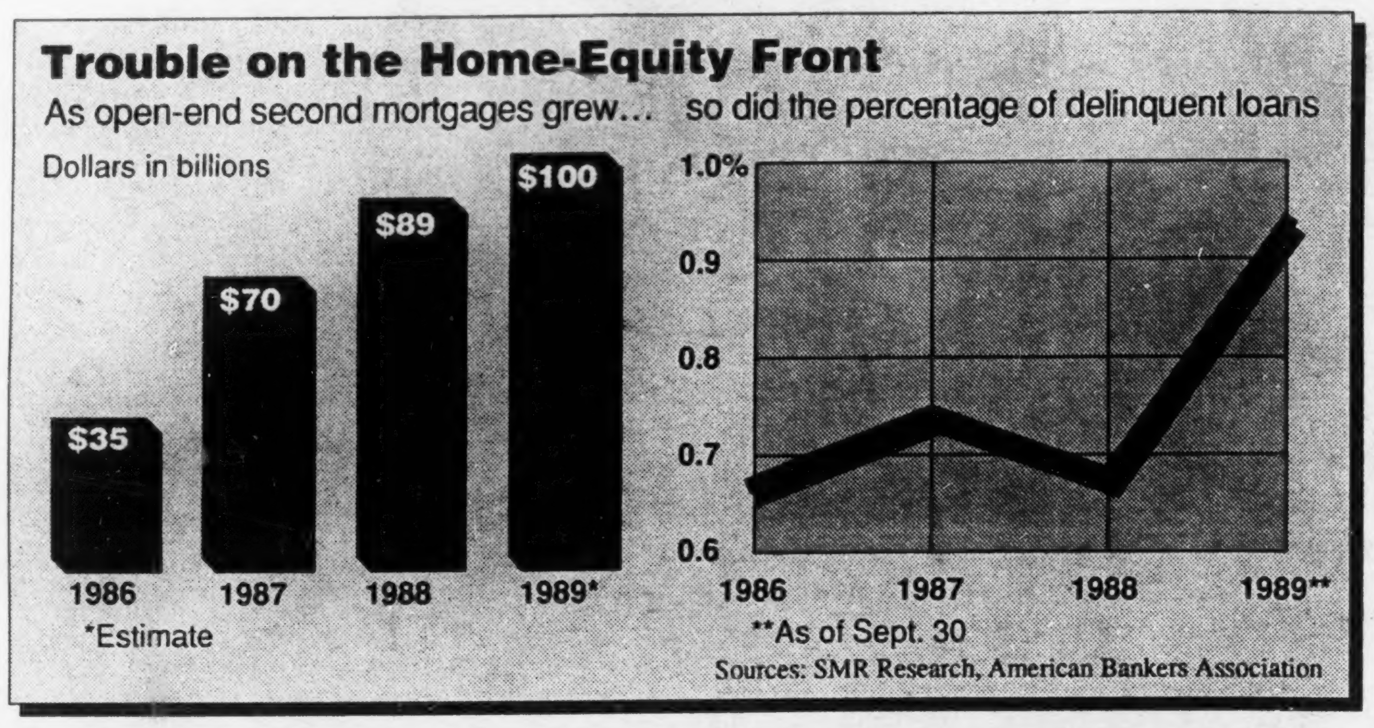
There is a ready market for the government securities and the mortgage-backed securities. And the Oversight Board currently is working on a deal with the Federal National Mortgage Association to guarantee the mortgages, Mr. Kearney said. Once backed by Fannie Mae, the securitized mortgages could be sold easily.

Contradicts Reports

Mr. Kearney predicted that most of the $50 billion in marketable assets will be sold within the year, as well as some real estate. He contradicted newspaper reports Thursday that quoted him as saying the RTC hopes to sell about $10 billion in seized thrift assets by 1992.

The confusion arose because Mr. Kearney declined to estimate asset sales volumes at a press conference Wednesday, and was then asked if 10%

See RTC: Page 7 ➤


Trouble on the Home-Equity Front

Sources: SMR Research, American Bankers Association

Home-Equity Lending Tightens As Property Values Head Down

By YVETTE D. KANTROW

NEW YORK — After a three-year marketing push that made home-equity loans one of the most popular forms of consumer credit, bankers are beginning to tighten lending standards to protect against declining property values.

Delinquency rates on the estimated $100 billion in home equity lines of credit are already on the rise, particularly in economically hard-hit areas of New England and the Southwest. The trend is prompting lenders to emphasize borrowers' ability to repay rather than their homes' appraised values.

At the end of the third quarter of 1989, 0.93% of open-end home equity lines were at least 30 days past due, according to the American Bankers Association. While this delinquency rate is low compared with other types of consumer loans, it had risen by one-third from the 0.68% rate at 1988's end.

Lenders 'More Selective'

"There has been some tightening of some policies that is due to the northeastern scare, which is yet to be shaken out," said Paul Fritts, director of the division of supervision at the Federal Deposit Insurance Corp. "Those that are in the business will not stop making loans, but they may become more selective."

Most lenders remain confident that home equity loans, because they are secured by residential property, will continue to be among their safest and most profitable assets.

"It's an excellent loan for a bank to make," said James Maynor, president of First Union Home Equity Corp., Charlotte, N.C. In addition to giving a lender high-yielding assets, home equity loans are considered a primary source of cross-selling opportunities.

But some observers are more bearish. HSH Associates, a publisher of mortgage market information, is predicting that lenders will start to flee the home equity business in 1990.

'Things Are Slowing Down'

"It's not going to be a massive trend, but things are slowing down," said Paul Havemann, vice president of the Butler, N.J., firm. "Home equity is not the pot of gold everyone thought it was."

HSH surveys home equity lenders

See ABILITY: Page 6 ➤

Fed Set to Flag Banks Showing Big Cash Flows

Program Seeks to Thwart Drug-Money Laundering

By ROBERT M. GARSSON

WASHINGTON — In an effort to help law enforcement agencies spot money launderers, Federal Reserve Board Chairman Alan Greenspan said the central bank would start identifying individual banks that generate large cash surpluses.

The new program is being developed in response to a request by Rep. Frank Annunzio, D-Ill., chairman of the House Banking subcommittee on financial institutions. In a Nov. 27 letter, Mr. Annunzio said the large cash surpluses at some Fed branches are an indicator of illegal activity. He urged the central bank to develop a system to monitor cash flows on a bank-by-bank basis.

"It is a cash flow polluted by drug money," he said.

Cooperation Noted

Mr. Greenspan, in a letter to Mr. Annunzio released Thursday, said his agency had initiated "a program of closer cooperation" with enforcement agencies, in particular, with Treasury's Financial Crimes Enforcement Center.

"Detailed procedures have not been established – including for example, when, how, and by whom depository institutions would be contacted about unusual currency activity," he said. "But I am confident that a more effective program will emerge from this effort."

The initial reaction from the banking industry was positive. "The concept of getting us more information on cash

See FED: Page 12 ➤

Today

The son of Charles H. Keating Jr. testified that he often signed off on deals he was unfamiliar with while serving as a $900,000-a-year executive at an investment unit of Lincoln Savings. — 2

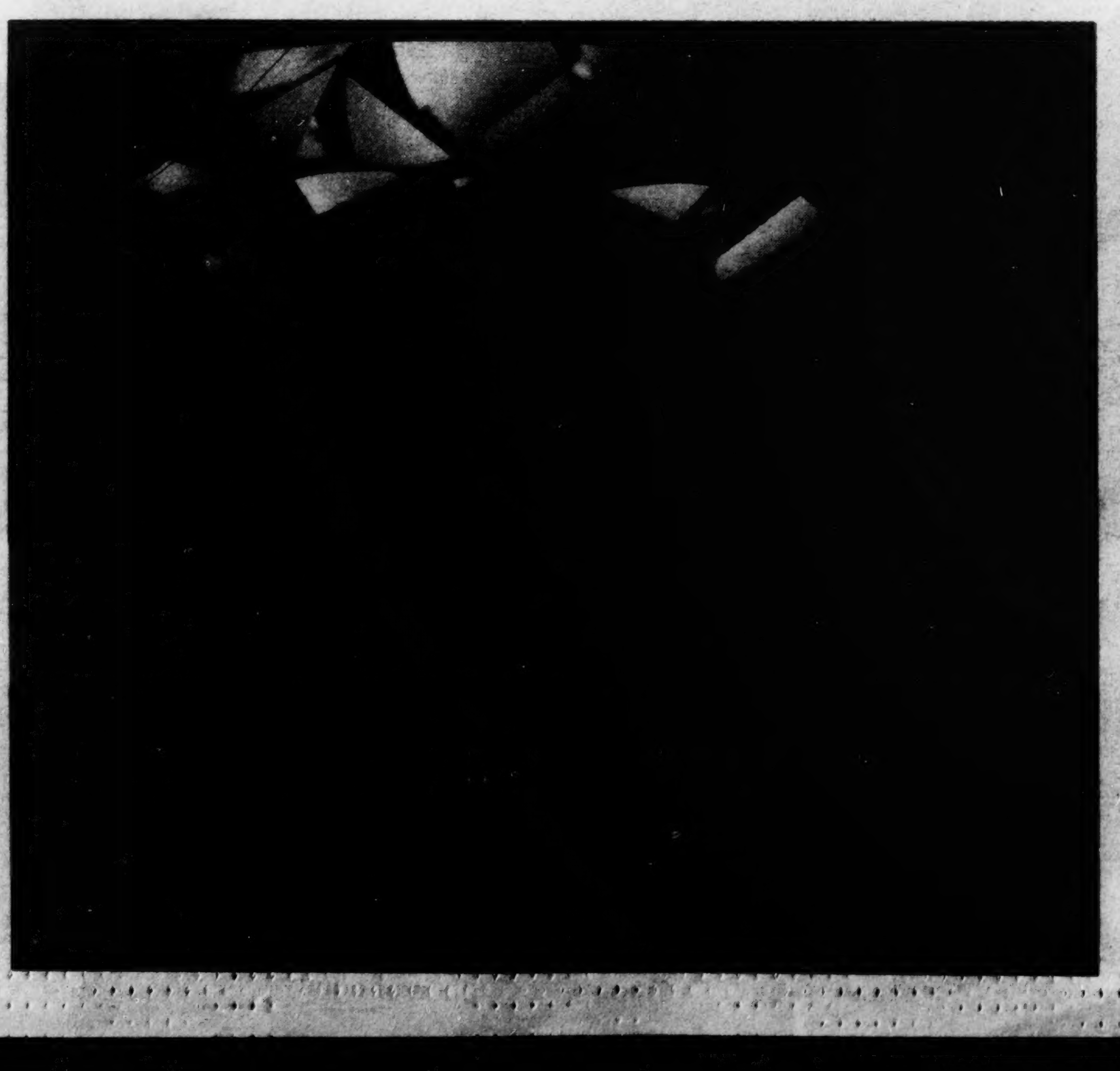
Fleet/Norstar was reported to be negotiating to acquire the embattled Bank of New England Corp. — 2

In dividing up the duties of president, Chemical Banking Corp. turned to two old hands who have been associated with the company since 1957. — 2

Texas American Bancshares sold key assets to Dallas banker Ronald Steinhart, ending a legal battle with federal regulators. — 7

Harris Trust and Savings decided to sever ties with the Leo Burnett Co., its longtime ad agency. — 2

Inside Financing — 12
International — 3
Mortgages — 9



INTRODUCING BEACON.℠ RISK ASSESSMENT SO ACCURATE IT WILL CHANGE THE WAY YOU DO BUSINESS.

For more information, call your local CBI representative or 404-885-8209.

BEACON℠

EQUIFAX The Information Source CREDIT INFORMATION SERVICES

©1989, The Credit Bureau, Incorporated of Georgia. Beacon is a service mark of The Credit Bureau, Incorporated of Georgia.

Global View

Argentine Banks End 6-Day Closure

BUENOS AIRES — Banks and exchange rate dealers opened Thursday for the first time in six days after the Peronist government ordered drastic monetary reforms to reduce the amount of currency in circulation.

The Buenos Aires bourse will remain closed till Tuesday due to the monetary restrictions, a Bourse communique said.

Economy Minister Antonio Erman Gonzalez announced Monday that the government will give depositors long-term, dollar-denominated bonds for their short-term deposits.

Foreign bankers estimated that short-term liabilities totaled about 80% of their overall liabilities and expressed concern that they would be unable to collect on their loans.

The new anti-inflation measures are intended to make the Argentine currency, the austral, scarce and to strengthen its value against other currencies.

Bank closures and the government's decision to force depositors to accept long-term bonds for short-term time deposits triggered a cash crisis that has crippled Argentine business activity.

— Reuters

Brady Debt Plan May Aid Nigeria

LONDON — Nigeria could become the first African nation to benefit from U.S. Treasury Secretary Nicholas Brady's debt-reduction plan if it negotiates a new agreement with the International Monetary Fund this spring, bankers said.

Nigeria's current $584 million standby credit agreement with the fund expires in April. Some have speculated that Nigeria will try for a three-year, extended fund facility of as much as $2.5 billion in the new negotiations.

"They will be looking at what's going on in Latin America and thinking, 'We might like some of that,' " one banker said.

— Reuters

Central Bank Revamping Promised

LUSAKA, Zambia — Jacques Bussieres, a Canadian appointed governor of the Central Bank in December, arrived this week in Lusaka, the capital, and promised to reorganize the bank's operations.

"My role will be to help improve the structure and organization of the Central Bank in order to let it play its full role in the economic policy of the Zambian government and its full role as a central bank," he told Reuters.

President Kenneth Kaunda appointed the Canadian to the post after firing a Zambian citizen, Francis Nkhoma, amid allegations of corruption. Mr. Nkhoma has denied the allegations in court.

— Reuters

Added IMF Aid Expected for Poles

WASHINGTON — The International Monetary Fund will probably consider an extended loan for Poland sometime in the second half of this year, a senior international monetary official said.

The official, who asked not to be identified, said such additional funding for Poland "would make sense." The IMF considers it imperative that international support for Poland be continued, the official said, adding that the IMF stood ready to give whatever aid it could, both financial and technical.

The IMF executive board is expected to approve a $715 million loan for Poland in the next few weeks, an action that will allow additional credits to be made.

The official said the funding slated for Poland this year "appeared adequate for the country's needs." The aid will allow Poland to make up a $3 billion current account deficit expected this year, he said.

The U.S. Treasury announced earlier this week that industrial nations had completed an emergency bridge loan for Poland of as much as $500 million to help cushion the blow of a tough economic austerity program, pending approval of the $715 million IMF credit.

— Reuters

U.S. Banks Lead Global Syndication

Citicorp Is No. 1 as Loans For Takeovers Swell Totals

By JOHN EVANS

LONDON — American banks, bolstered by financings for the flood of U.S. mergers and acquisitions, remained the leading force in global syndicated lending in 1989. And Citicorp again ranked as the single most active bank in arranging such transactions.

A total of $352.4 billion was raised on the international syndicated lending market last year, including about $50 billion of U.S. acquisition and bridge-financing transactions, against $327.9 billion in 1988, according to a compilation by *International Financing Review,* a British financial magazine affiliated with the *American Banker.*

Citicorp acted as lead manager on 100 loans with an aggregate value of $83.66 billion. The money-center bank took a similar No. 1 ranking in 1988, when it syndicated 75 loans valued at $56.2 billion – heading the several hundred banks worldwide that are active in international lending.

Second-ranked for 1989 is Manufacturers Hanover Trust Co., which arranged 93 loans worth $79.56 billion, after taking third position the preceding year.

In what bankers described as an "aggressive" drive in rebuilding its lending business worldwide, Bank of America moved swiftly up the rankings, capturing third place, with 92 loans totaling $63.5 billion. It ranked 13th in 1988.

The provisional IFR data did not break out the volume of loans by each bank that was acquisition-related, but all three attributed part of their high rankings to major buyout financing in the course of the year.

Citicorp's transactions included the $14 billion term loan for Paramount Communications Inc. in its assault on Time Inc. Bankers Trust New York Corp. and Manufacturers Hanover handled the competing $8.4 billion of financing assembled by the media group.

Citicorp's financings also included the $2.3 billion term loan raised by Britain's C.H. Beazer Holdings PLC to acquire Koppers Inc.

Overall, $58 billion of its transactions last year consisted of loans of $1 billion or more, Citicorp officials said.

At Manufacturers Hanover, officials noted it was centrally involved in the $25 billion leveraged buyout by Kohlberg Kravis Roberts of RJR Nabisco Inc.

Bank of America similarly sold to banks overseas participations in buyout deals for Tyson Industries, a transaction totaling $1.4 billion, and for Georgia-Pacific Corp., a $3.2 billion financing.

Bankers believe that, with regulatory warnings in both the United States and Britain over the danger of excessive exposures by banks to highly leveraged transactions, the international syndicated lending markets in 1990 will see a declining volume of corporate restructurings. ■

Top Lead Managers Of Syndicated Loans

(Dollars in billions)

	No. of Loans	Total Volume
Citicorp	100	$83.66
Manufacturers Hanover	93	79.56
Bank of America	92	63.50
Dai-ichi Kangyo	107	62.56
Chase Manhattan	104	62.06
Bankers Trust	59	60.42
Fuji Bank	78	55.99
Sanwa Bank	96	55.00
LTCB	88	53.42
Mitsubishi	75	52.45

Based on full credit to each lead manager.

Source: *International Financing Review*

Bank Syndicate Puts Bond Corp. on Defensive

By JOHN EVANS

LONDON — One of Australia's biggest companies, Bond Corporation Holdings Ltd., is struggling to survive under a debt burden totaling $5 billion and legal action by U.S. and other bank creditors to put part of the business empire into liquidation.

A syndicate of eight lenders, including First National Bank of Boston and Pittsburgh National Bank, has already requested the appointment of receiver-managers for Bond's Australian brewing interests. The syndicate, headed by National Australia Bank Ltd., is owed $580 million. It took action after loan covenants were breached, a spokesman for the banks said.

The bank group includes Hongkong & Shanghai Banking Corp., owner of Marine Midland Bank. The Hong Kong-based bank is the Bond group's largest single creditor, with outstanding loans of about $790 million.

Another syndicate member, Standard Chartered PLC, has total exposure to the Bond group of about $480 million, although the British bank is "content with the security we have against the loans," according to officials in London.

Bond Corp., controlled by entrepreneur Alan Bond, is appealing to the Supreme Court of Victoria in Melbourne to overturn the appointment of receivers to its brewery operations – action that it fears could topple the entire corporation.

The group is concerned that other creditors might follow the lead of the breweries' bankers and call in their loans, officials indicated.

Bond Corp. executive director Peter Lucas was quoted by Reuters as saying: "If other bankers follow, then I am afraid that the battle by Bond executives to pursue an orderly disposition of its assets will run into a series of barriers which may just be too much for us."

Bond's lawyers asked the Melbourne court earlier this week to complete any cross-examination of Bond Corp. director Peter Mitchell as quickly as possible to allow him to fly to New York to meet U.S. creditors on Friday.

Other U.S. investors who hold Bond debentures worth about $630 million, issued for a corporate acquisition in 1985, account for most of the rest of the breweries' debt of about $1.2 billion.

The breweries were due to make a $52 million interest payment to American investors on Dec. 31. Bond Corp. said that, although it had the money ready, the bank syndicate blocked payment. ■

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	1/04	1/03	12/28	1/04	1/03	12/28	1/04	1/03	12/28	1/04	1/03	12/28	1/04	1/03	12/28
United States	8.37	8.50	8.62	8.37	8.37	8.37	8.37	8.31	8.31	7.00	7.00	7.00	10.50	10.50	10.50
Japan	6.50	6.37	6.50	7.00	7.06	6.87	7.06	7.12	6.93	4.25	4.25	3.75	4.87	4.87	4.87
Canada	11.68	12.18	12.25	12.12	12.18	12.25	11.93	11.87	11.93	12.47	12.47	12.47	13.50	13.50	13.50
U.K.	15.12	15.12	15.12	15.12	15.18	15.12	15.00	15.06	15.00	14.47	12.47	14.46	15.00	15.00	15.00
West Germany	8.00	8.25	8.31	8.62	8.68	8.37	8.75	8.75	8.50	6.00	6.00	6.00	9.50	9.50	9.50
Switzerland	10.37	10.12	9.50	9.50	9.56	9.12	9.31	9.31	8.81	6.00	6.00	6.00	8.50	8.50	8.50
France	11.18	11.18	11.12	11.68	11.75	11.31	11.75	11.75	11.43	9.50	9.50	9.50	10.50	10.50	10.50
Italy	12.12	12.50	13.37	12.93	12.87	12.93	13.12	13.00	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.10	14.42	8.61	8.87	6.93
6 to 12 months	8.11	13.53	8.45	8.50	6.77
12 to 24 months	8.64	12.54	8.24	7.95	6.50

* Midday quotes in the New York market

Source: *Noonan, Astley & Pearce Inc., New York.*

COMMENT

Plains Indians Inspire Training Program

By SUE MIZE
Vice President
Citizens Fidelity Bank

THE Lincoln Savings and Loan scandal is almost as confusing as the Abbott and Costello "Who's on First?" routine. It's hard to tell where the players are and what they did or did not do.

As best I can tell: Keating is blaming Gray; Gray is blaming Wall and some senators; Wall is blaming Gray and the San Francisco regulators; the senators are blaming the Greenspan study and the federal regulators; and the federal regulators are blaming an accounting firm.

I couldn't help but notice that nobody said, "The buck stops here." Where is Harry Truman when we need him?

But the buck has got to stop somewhere. Maybe it should stop with our 1980s' culture, summed up by the bumper sticker "He who dies with the most toys wins."

This attitude is pervasive and best exemplified by a television commercial showing a driver of a Mercedes dejected and ashamed because he has been left at a red light by the driver of a Rolls-Royce. A culture that bombards us with these kinds of messages has to assume some responsibility when we lie, cheat, and steal in order to live up to its expectations.

It might not be so bad if we could achieve fulfillment by living up to these expectations and possessing all the right toys. But we can't. The culture is lying to us, and those lies are making us physically, mentally, and morally ill.

> We need to ask ourselves, Would we rather be working on collecting meaningless toys that, in the end, make us feel insecure, or would we rather be working on making our spirits whole?

Compare what our culture tells us with what the Plains Indians' culture told its members. The following is from Hyemeyohsts Storm's book, "Seven Arrows":

"Our spirit can be made whole only through the learning of our harmony with all our brothers and sisters and with all the other spirits of the Universe. To do this we must learn to seek and to perceive.

"The Vision Quest is the way we must begin this search. We must all follow our Vision Quest to discover ourselves, to learn how we perceive ourselves, and to find our relationship with the world around us."

After we make this comparison, we need to ask ourselves, Would we rather be working on collecting meaningless toys that, in the end, make us feel insecure, or would we rather be working on making our spirits whole?

At Citizens Fidelity Bank we think the Plains Indians were onto something important. So we are offering developmental workshops that allow people to make their vision quest.

One workshop helps people clarify their value systems. Several others allow participants to find out how they perceive themselves and how they are perceived by others. In another, participants discover the particular defenses they use ineffectively and unnecessarily to protect themselves.

There is a workshop in which employees complete a rope adventure course 30 feet off the ground. At that height they discover the exhilaration that comes with facing fears. In still another, participants complete an obstacle course on the ground with team members. The experience is one of warmth, security, and the connectedness that comes from being in harmony with others.

In each of these workshops the participants gain self-awareness, self-respect, and the courage to continue their own individual quest.

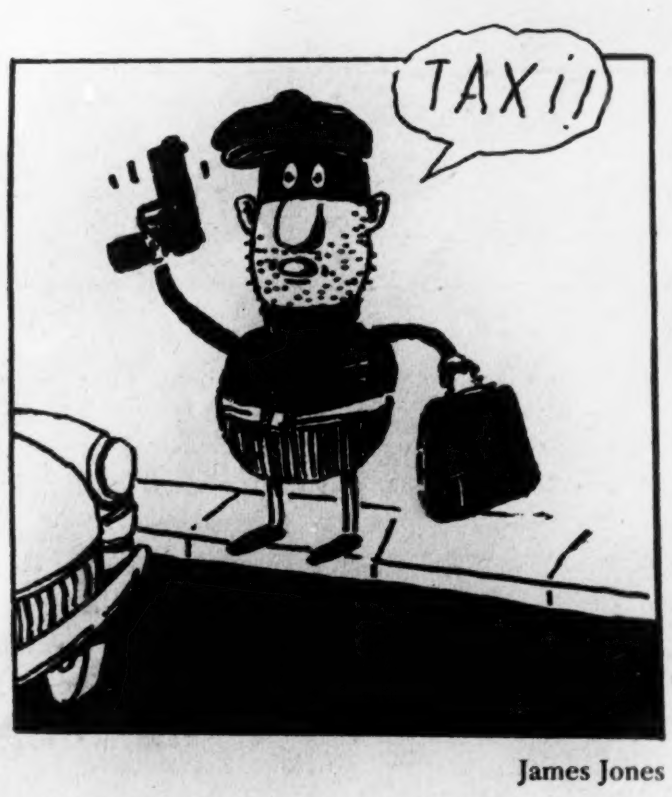
If your bank isn't offering developmental workshops like these, request them from your training director. In the meantime, start your own program. See Woody Allen's new movie, "Crimes and Misdemeanors" and read Carol Pearson's book "The Hero Within." Then talk to your friends about your quest instead of your toys.

If enough of us do this, we will create a culture free of Lincoln Savings and Loan look-alike scandals. After all, eventually the buck stops with us. ■

Ms. Mize is manager of training and development at Citizens Fidelity Bank, Louisville, Ky.

Funny Money

By TOM LEANDER



James Jones

Cabbie's Tip

Apparently relying on raw nerve rather than flawless planning, a bandit in Albany, N.Y., asked a cabbie to take him to a branch of First American Bank last Friday, then told the driver to wait at a nearby site while he robbed the bank.

After the bandit hopped out, driver Carl Olson Jr. immediately drove to the nearest phone booth and tipped off the police, who sped to First American. But they were too late: the bandit had disappeared after robbing the bank of $10,000; he told a teller he had a concealed weapon. Police are still searching for the robber.

∘ ∘ ∘

Superlative

The New York-based investment banking group of Japan's Mitsui Bank Ltd. pushed hard last year to enter the U.S. asset-backed and mortgage-backed securities market. It may have learned a lesson or two in Madison Avenue hyperbole in the process.

Masayoushi Abi, a senior vice president who runs the U.S. group, says the bank is actively marketing products dubbed Super CMOs and Super ABs to its clients.

How do they differ from traditional collateralized mortgage obligations and consumer-receivable-backed securities?

"They don't," Mr. Abi said. "But it sounds nice."

∘ ∘ ∘

More Chills and Thrills

In 1989, it seemed that everyone had plenty to worry about when it came to the nation's thrifts.

And the troubles are not over yet.

According to Alan Caruba, a journalist and public relations man who founded an organization last year dubbed the National Anxiety Center, there's enough trouble left in thrifts to give the nation fits well into the 1990s.

In a statement to the press on New Year's Day, Mr. Caruba rated problems created by irresponsible thrift officers alongside such other continuing causes of woe as computer viruses, junk bonds, cruise missiles, and Mediterranean fruit flies.

∘ ∘ ∘

Room Service

While the federal government has not had a stellar record regulating thrifts and banks, it may have found a niche where it can compete toe to toe with private entrepreneurs.

Under new management

Contrary to what the former owners of the Phoenician Hotel in Scottsdale, Ariz., are saying, the government appears to be doing an adequate job of running the 130-acre, 600-plus-room resort.

Bookings are up since the Resolution Trust Corp. seized 55% control of the hotel in November and eventually booted out manager Charles H. Keating Jr., according to Alan Whitney, a spokesman for the agency. Mr. Keating lost the hotel as a result of the April collapse of his California thrift, Lincoln Savings and Loan Association.

Mr. Whitney said the hotel is 85% to 90% occupied and that bookings will be up in January, February, and March.

Employees of Mr. Keating say some big groups have canceled meetings at the hotel since their boss lost control.

"We're aware of no cancellations," said Mr. Whitney. He said conventioneering Mercedes Benz dealers sent the hotel a letter recently congratulating it on improved service.

— Jim McTague

∘ ∘ ∘

Got an offbeat tale to tell? Send it to "Funny Money," c/o Tom Leander, American Banker, One State Street Plaza, New York, N.Y. 10004.

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS:
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Richard Ringer (bureau chief), Lisabeth Weiner
Northeast: Jed Horowitz (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Corporate Finance: John Forde, Kelley Holland, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (features editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Dylan Kreuzer, Peggy Turbett, Carl Zeichner

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; Telecopier: 212-943-2222.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex., 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU; Tel: 011-441-538-5959; Fax: 011-441-247-0404.

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Wires: WU Telex 882385 Answer Back: AmerBank NYK.WUI 62594 AMERIBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered witht he Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9598 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 4

800

C0175-1

American Banker

The Daily Financial Servic

VOL. CLV NO. 6 Tuesday, January 9, 1990 155th Year

TOP 1989 MERGERS
— TABLES BEGIN ON PAGE 9

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

A Grim Omen for Brady Plan?

Mexican Bond Deal May Spell Debt-Reduction Trouble

By JAMES R. KRAUS

NEWS ANALYSIS

NEW YORK — A U.S. proposal to sell zero-coupon bonds to Mexico at below-market prices may signal deeper problems ahead for other debt reduction agreements under Treasury Secretary's Nicholas F. Brady's Third World debt plan.

The Mexican deal was supposed to be the first of a series of debt-reduction agreements aimed at trimming the Third World's $1.3 trillion debt. But banks were unwilling to make the additional loans called for by the agreement.

Analysts said the proposed bond issue is a subsidy that Treasury cannot afford to grant to other Third World countries. Political opposition will likely stymie any such efforts. Without subsidies, they added, debt-reduction agreements with other countries are unlikely to succeed.

'Desperate Attempt'

The proposed bond sale was characterized as "a desperate political attempt to keep a fatally flawed deal intact" by Christopher Whalen, a political consultant in Washington with Wires Ltd.

Washington insiders said Monday that the proposals, first reported in *The Wall Street Journal,* showed that weeks of administration efforts to convince banks to grant Mexico more favorable terms had failed, forcing the Treasury to make up for the shortfall in the collateral.

According to the *Journal*, the Treasury has agreed to sell Mexico $36 bil-

See MEXICAN: Page 15 ➤

Curbs on 2 S&Ls in California Indicate Harsher Stance Than Taken Elsewhere

By SAM ZUCKERMAN

NEWS ANALYSIS

SAN FRANCISCO — The operating restrictions imposed by the Office of Thrift Supervision on two large capital-deficient California thrifts are the harshest moves yet in a national crackdown on the more than 800 institutions that fail to meet the tough capital standards of the federal bailout law.

In the next few weeks, the OTS's 12 district offices plan to mail letters to all capital-deficient thrifts formally notifying them of bans on asset growth, according to OTS spokesman William Fulwider.

The bailout law passed last August call for growth restrictions on capital-deficient thrifts, pending government approval of business plans outling how and when minimum standards would be met. The deadline for filing such plans was Monday.

Halt All Loans, No Dividends

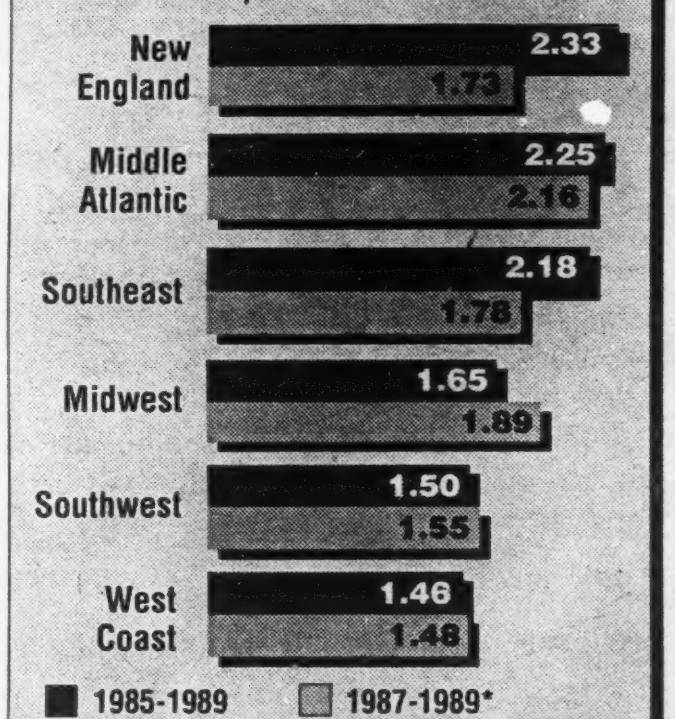
The OTS late Friday ordered Imperial Savings Association, San Diego, and Santa Barbara Savings and Loan Association, Santa Barbara, Calif., to halt all lending and investment operations indefinitely. They also are banned them from taking uninsured deposits, paying dividends, and granting executive bonuses.

The two thrifts can still take deposits, but may add no new assets except

See OTS: Page 15 ➤

Rising Merger Premiums In Midwest Buck Trend

Median multiples of book value



*From Oct. 19, 1987, to Sept. 30, 1989

Source: Shearson Lehman Hutton Inc.

Midwest Expected To See More Deals For Banks in 1990

By GORDON MATTHEWS

NEW YORK — After a year of sluggish merger activity, bank acquisitions in 1990 will likely be focused in the Midwestern industrial states, the only region where premiums paid over book value are still rising, analysts said.

The rising premiums reflect pent-up demand for Midwest banks as the region's economy turns around from a decade of decline, said Katherine R. Hensel, an analyst for Shearson Lehman Hutton Inc.

Since the stock market crash of October 1987, the median premium in the Rust Belt was 1.89 times book value, 15% greater than the regional ratio of 1.65 from 1985 through Sept. 30, 1989, according to Shearson. Until recently, the Midwest had lagged behind much of the East Coast in the pace of

See ANALYSTS: Page 10 ➤

Clarke Warns Retail Loans Are Vulnerable

By JED HOROWITZ

NEW YORK — While real estate lending problems are of most concern to regulators and bankers, regulators are becoming increasingly wary about a surge in nonperforming consumer loans, Comptroller of the Currency Robert L. Clarke said Monday.

Mr. Clarke said his staff in Washington is analyzing data for the third quarter to determine how the deterioration in individual banks' consumer portfolios will affect the overall condition of the banking system.

Too Early for 'Crisis'

He said it is far too early to characterize consumer lending as in crisis, but regulators want to be sure it does not cause the next great loan-loss debacle.

"In other words, we are evaluating just how serious our concern should be," Mr. Clarke said in a speech to the

See CLARKE: Page 15 ➤

Drop in Prime Rate To Cut Profit Margins

By ROBERT TRIGAUX

WASHINGTON — Led by the First National Bank of Chicago and Citibank, major banks across the country dropped their prime rates to 10% Monday, cutting into unusually wide profit margins.

With the Federal Reserve Board now targeting federal funds at 8.25%, the half-point drop in the prime narrows bank spreads to 175 basis points from 225 basis points –

See PRIME: Back Page ➤

Today

Fed Chairman Alan Greenspan, in a rebuttal to Rep. Frank Annunzio, defended his 3% capital standard for banks. ____ 2

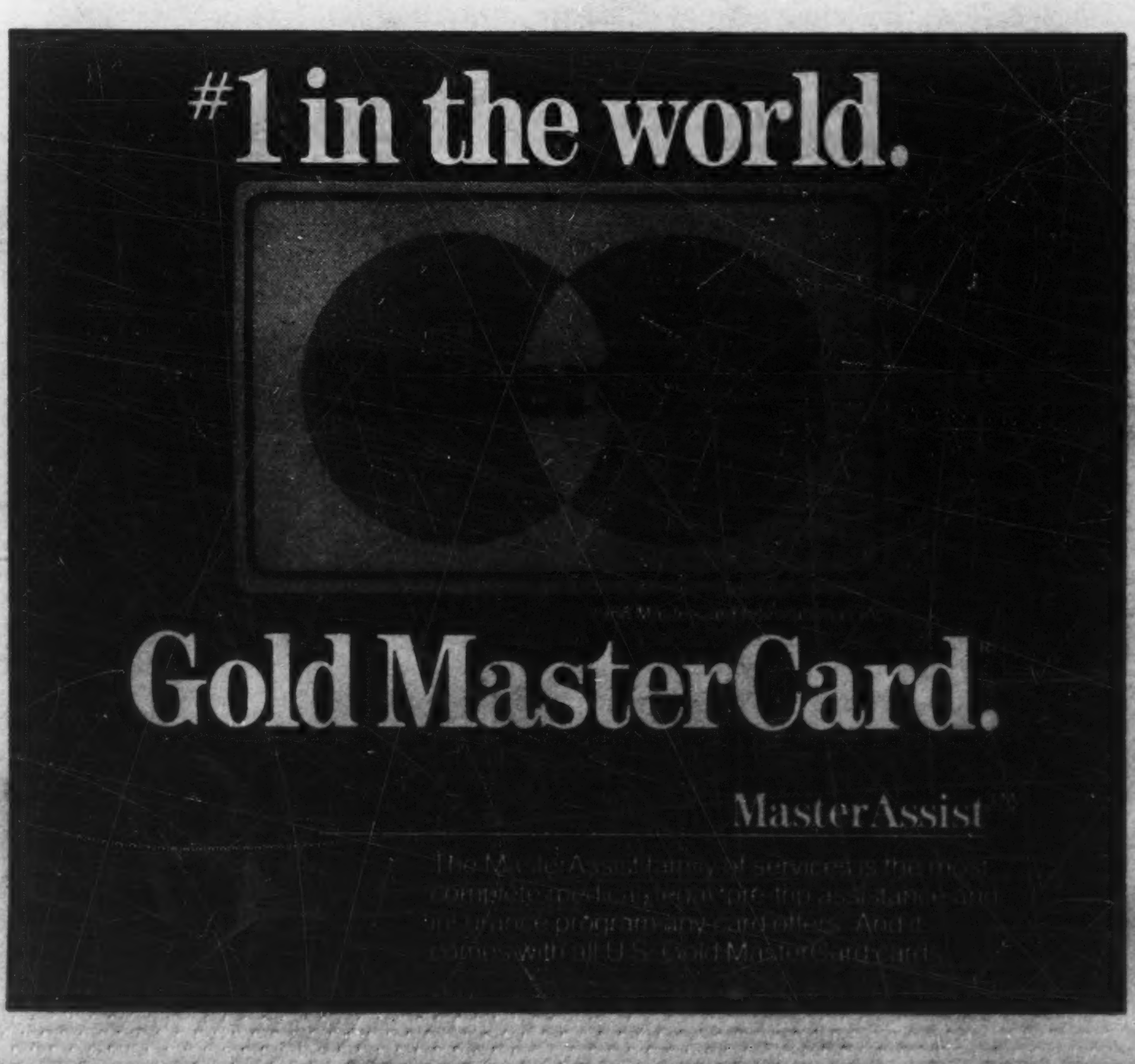
Wells Fargo Bank seeks to boost fee income by expanding services to wealthy customers who hold foreign securities. 2

Chemical Banking Corp. promoted David Mooney to head consumer banking at Texas Commerce Bankshares. __ 3

Bank-owned leasing companies are asking auctioneers to do appraisals and fee collections when automobile leases expire. ____ 2

Continental Bank Corp. revealed an increasing commitment to merchant banking with the appointment of Richard L. Huber as a vice chairman. __ 3

Inside Financing ____ 16
International ____ 9
Real Estate ____ 8
People ____ 13


#1 in the world.

Gold MasterCard.

MasterAssist

The MasterAssist family of services is the most complete medical/legal/pre-trip assistance and insurance program any card offers. And it comes with all U.S. Gold MasterCard cards.

INVENTIVE
INCENTIVE

An inventive, proven combination of base salary, bonuses tied to excess profits, retirement and deferred compensation plans, and equity ownership can help you achieve and exceed your highest goals. Call today for a consultation. (901) 682-0611

BANKING
CONSULTANTS
OF AMERICA

Who Benefits from Bank Acquisitions?

By SANFORD ROSE

CONVENTIONAL wisdom has it that if the criterion for the success of an acquisition is its impact on shareholder wealth, then it is better to be an acquiree than an acquirer. This observation seems nowhere more valid than in the banking industry.

According to "Analyzing Success and Failure in Banking Consolidation," a study just published by the Bank Administration Institute and prepared by FMCG Capital Strategies, acquisition has been a veritable godsend to shareholders of acquired banks.

Suppose that an investor had somehow been endowed with perfect foreknowledge of which banking companies among the 250 largest in the country were going to be acquired from 1982 through 1987. And suppose this investor had theoretically bought the stock of these banks in January 1982 and, as each bank was acquired, had reinvested his money in the stocks in the remaining banks that would subsequently be acquired, at the price prevailing for these banks at that time.

The investor putting $1,000 into stocks of the acquired institutions would have seen his investment grow to $5,200 by the third quarter of 1988. By contrast, if the same investor had put his money into stocks of those top 250 banks that were not subsequently acquired, he would have ended up with a portfolio worth only $2,605. In other words, shareholders of acquired institutions experienced a 420% gain whereas those of nonacquired banks had only a 160% improvement.

The shareholders of acquiring institutions have experienced much less happy results. In 1984 FMCG Capital Strategies analyzed some 26 banks among the top 250 that elected to spend over 10% of their equity capital on acquisitions in 1982. The firm found that by 1984, the stocks of these 26 acquiring banks – dubbed vultures – were trading at a 20% discount relative to those of a peer group of banks of similar size and geographic dispersion.

Updating this analysis, FCMG Capital Strategies found that by 1988, the stock prices of the 26 1982 vultures averaged only 61% of those of the peer group.

> 'According to "Analyzing Success and Failure in Banking Consolidation," a study just published by the Bank Administration Institute and prepared by FMCG Capital Strategies, acquisition has been a veritable godsend to shareholders of acquired banks.'

Nor is the disappointing stock-price impact of acquisition confined to the 1982 acquirers. The stock performance of the average bank that acquired from 1982 through 1986 worsened progressively each succeeding year after it made its acquisitions.

Thus one year after purchasing other banks, acquirers suffered a price discount equal to between 8% and 15% of the average of their peer group. Three years after acquiring, that discount ranged from 8% to 19%. And five years after acquisition, the average acquiring bank's stock-price discount amounted to nearly 30%.

Even more alarming, the vultures often end up being themselves acquired. Nearly half of the 1982 acquirers were subsequently taken over by other banks. And, very likely, the acquisition-induced weakness in their stock-price facilitated this cannibalization.

Half Fell Victim

Indeed, the pattern of cannibalization mirrors that of stock-price performance. That is, most acquirers are not immediately swallowed up. But after four years, the probability that the acquirer will be itself acquired is high and rising, reflecting its increasingly poor stock-price showing. Thus, while only 4% of the vultures of 1982 had themselves been acquired by 1984, by 1987 38% had disappeared, and by 1988 46% had fallen victim.

Notes the study: "If an acquiring bank knew for sure that the outcomes of the acquisition would be that its stock would trade at an increasingly larger discount to that of other banks and that five to six years down the road the chance of being itself acquired would be around 50%, then it would probably have thought twice about making the acquisition." ■

Crime Blotter

By TOM LEANDER

Luxury Cars Are Downfall For Officer at First Fidelity

A former loan officer of First Fidelity Bank, Newark, N.J., was sentenced Dec. 28 to 18 months in federal prison for making bad loans to the owner of a Manhattan nightclub in exchange for free use of imported luxury automobiles.

Antranig A. Arzoomanian, 47, of Alpine, N.J., wasn't required to pay restitution after U.S. District Judge Harold Ackerman found that he lacked the financial resources.

Mr. Arzoomanian pleaded guilty in October to falsely telling a fellow employee at First Fidelity's Paramus, N.J., office that he could authorize a $500,000 letter of credit to Neil Cohen, owner of the Ritz, a nightclub in Manhattan.

Prosecutors charged that Mr. Arzoomanian did not examine Mr. Cohen's financial records, offered him below-market interest rates on his loans, and allowed him to roll over the loans so that the principal was never repaid.

Mr. Cohen admitted to allowing Mr. Arzoomanian use of three Mercedes-Benz 450 SLs with free maintenance and repairs and selling a BMW to Mr. Arzoomanian's secretary for $3,000 less than its wholesale price in return for the loans.

Mr. Cohen, a New York resident, has been charged with receiving more than $4 million in loans from First Fidelity and failing to repay more than $3.1 million. He has pleaded guilty but has not been sentenced.

Ploy by Robbery Suspect Bombs at Citibank Branch

A man claiming he had a bomb inside a briefcase walked into a Citibank branch in uptown Manhattan last Wednesday, but bank employees did not believe him and wrestled the briefcase from his arms, police said.

Nirmal Singh, 30, a Manhattan resident, walked into a Citibank branch at 207th Street and Broadway shortly before 3 p.m. and allegedly told tellers he would blow up the bank unless they handed over $10,000, said police officer Frederick Weiner.

While an employee of the Citicorp subsidiary notified police, others tried to wrestle the case away from the man, Officer Weiner said. During the struggle, the case came open, revealing no bomb inside.

Mr. Singh was charged with first-degree robbery, Officer Weiner said.

• • •

Comptroller Offers Bankers An Antilaundering Primer

The Comptroller of the Currency has released "Money Laundering: A Bankers Guide to Avoiding Problems," a primer for bank officers and directors.

The booklet details often-used schemes to deposit, transfer, and retransfer large sums of money to conceal the criminal activity that generated them.

It also advises banks to beware of customers reluctant to go ahead with a transaction of more than $10,000 when told the deal must be reported to the federal government.

Banks wishing to obtain the booklet or get extra copies should write the Communications Department of the Office of the Comptroller of the Currency, Washington, D.C. 20219, or send a request by fax to (202) 447-0759.

• • •

'Condition Red' Helps Cops Nab Bank Robbery Suspect

Apparently desperate, the 67-year-old owner of a financially troubled helicopter transportation company allegedly robbed a bank in Vancouver, Wash., but was nabbed after a red-dye booby trap exploded, drenching his hands, weapon, and booty.

James Hamilton told Vancouver police after his arrest last Tuesday that his company, Greenleaf Helicopters, had been suffering financial difficulties. He also said he had recently been diagnosed as having cancer, which caused him to lose his pilot's license, impairing his ability do business.

Mr. Hamilton was being held without bail on a charge of first-degree armed robbery. Police said a teller at the Sterling Savings Association on Mill Plain Boulevard gave the robber an undisclosed amount of money, which had been fitted with an explosive dye-loaded device.

Mr. Hamilton was stopped by police a short time later in a nearby residential area. The red-stained money and pistol were on the front seat of his car. ■

American Banker
The Daily Financial Services Newspaper
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS:
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Nanine Alexander (bureau chief), Lisabeth Weiner
Northeast: Jed Horowitz (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Corporate Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt
COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford
STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring
FEATURES
Patricia Stundza (features editor), Suzanne Christy, Judy Ferring
ART
Pamela Budz Moriarty (art director), Dylan Kreuzer, Peggy Turbett, Carl Zeichner
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz
NEWS BUREAUS
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex., 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU; Tel: 011-441-538-5959; Fax: 011-441-247-0404.

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Wires: WU Telex 882385 Answer Back: AmerBank NYK.WUI 62594 AMERIBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222
©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.
Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered witht he Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9598 collect).

Analysts See Midwest Focus For Bank Deals

➤ Continued from Page 1

bank consolidation.

"The Midwest economy has progressed, during the '80s, from our weakest regional economy, except Texas, to our strongest because of what some people see as the coming 'reindustrialization' of America," said Ms. Hensel. "We can expect to see the most merger activity there."

With Midwest banks now viewed as valuable franchises, premiums paid are rising, and competition to acquire those banks grows stronger, she noted.

While premiums are rising in the Midwest, they were lower in the major mergers announced last year, according to the *American Banker's* annual survey of mergers and acquisitions. (A list of the top 1989 mergers begins on page 10.)

Prices Rise; Premiums Fall

The top 10 deals last year carried an aggregate price tag of $7.5 billion, the survey found. That is well over the $4.5 billion for the 10 largest deals of 1988, but the comparison is deceptive in relation to premiums.

The largest deal unveiled last year was the $2.1 billion "merger of equals" between Sovran Financial Corp., Norfolk, Va., and Citizens and Southern Corp., Atlanta. It was announced after the failure of the $2.4 billion bid for C&S by NCNB Corp., Charlotte, N.C.

The second-largest transaction was not strictly a banking merger but the partial sale of a major asset, CIT Group, by Manufacturers Hanover Corp., New York, to Japan's largest banking organization, Dai-Ichi Kangyo Bank, Tokyo, for $1.3 billion.

More revealing than the aggregate price of deals is the fact that both the Sovran-C&S merger and the third-largest transaction, the acquisition of Florida National Banks, Jacksonville, by First Union Corp., Charlotte, are both being done at relatively low premiums.

The combination of Sovran and C&S will bring their shareholders a premium of about 1.6 times book value, and shareholders of Florida National, owner of a valuable franchise in a high-growth state, will get about 1.5 times book. The prices seem far removed from the heady days of 1985-1987, when deals valued at twice book value were routine.

Economy Hurts Premiums

Since then, except for the industrial Midwest, increasing economic worries have meant flat or lower premiums over book value for banks sold.

Nowhere has the falloff in premiums been sharper than in New England, where concerns over the real estate market have cast an economic pall. The median price there, once the nation's highest, has fallen 26%, according to Shearson.

In New England, the median premium has fallen to 1.73 times book since the 1987 market crash, from 2.33 times book, the highest price level in the country. (The 2.33 premium is the median for 1985 through 1989. Shearson was not able to break out figures for 1985 to 1987.)

The figures demonstrate how closely the fortunes of commercial banks in the United States remain tied to the health of local and regional economies.

The increase in Midwestern premiums "largely reflects export-driven strengthening in the region's economy," said Ms. Hensel of Shearson. The Midwest industrial states surveyed were Illinois, Indiana, Kentucky, Ohio, Michigan and West Virginia.

In the Midwest farm states – Wiscon-

See BANK: Next Page ➤

1989 Agreements and Offers

(Prices and assets in millions of dollars)

Acquirer	Assets	Acquired	Assets	Price	Price to Equity	Price to Earnings
Sovran Financial Norfolk, Va.	$23,275	Citizens and Southern Atlanta	$22,061	$2,054	1.6	9.5
Dai-Ichi Kangyo Bank Tokyo	386,937	CIT Group New York	10,000	1,280	N.A.	N.A.
First Union Corp. Charlotte, N.C.	32,200	Florida National Banks Jacksonville, Fla.	7,700	849	1.5	21.7
CoreStates Financial Philadelphia	16,277	First Pennsylvania Philadelphia	6,410	731	2.5	11.8
MNC Financial Baltimore	18,200	Equitable Bancorp. Baltimore	5,200	560.6	2.4	13.3
Boatmen's Bancshares St. Louis	9,590	Centerre Bancorp. St. Louis	5,120	468	1.35	N.A.
Society Corp. Cleveland, Ohio	6,600	Trustcorp. Toledo, Ohio	5,900	455	1.2	18
Banco Popular San Juan, P.R.	4,800	BanPonce Corp. Ponce, P.R.	2,800	455	3.0	20
LaSalle National Corp. Chicago	3,200	Exchange Bancorp Chicago	3,000	420	2.7	15.3
Midlantic Corp. Edison, N.J.	18,628	Central Trust Co. Rochester, N.Y.	2,100	291	N.A.	N.A.
National Westminster Jersey City, N.J.	8,806 Bridgewater, N.J.	Ultra Bancorp.	1,250	282	2.5	15.8
First of America Kalamazoo, Mich.	9,000	Midwest Financial Group Peoria, Ill.	2,300	248	1.5	13.2
Royal Trustco Ltd. Toronto	$18,900	Pacific First Financial Tacoma, Wash.	6,600	212	N.A.	N.A.
Norwest Corp. Minneapolis	21,686	First Interstate of Wisconsin Sheboygan, Wis.	1,537	199	1.5	15.1
Emigrant Savings Bank New York	3,600	Greater New York Savings Bank New York	3,000	181.6	N.A.	N.A.
Fifth Third Bancorp Cincinnati	5,300	First Ohio Bancshares Toledo, Ohio	993	178	2.0	23.4
Wells Fargo & Co. San Francisco	46,976	Central Pacific Corp. Bakersfield, Calif.	825	160	2.9	23.4
Bancorp Hawaii Honolulu	6,700	First Federal of America Honolulu	780	140.8	1.5	12
First Bank System Minneapolis	26,850	Central Bancorp. Denver	2,000	125	0.9	N.A.
Comerica Detroit	11,114	Plaza Commerce Bancorp San Jose, Calif.	431	117	2.9	14.7
Security Pacific Corp. Los Angeles	87,000	La Jolla Bancorp. La Jolla, Calif.	487	102.7	2.9	24.3
Huntington Bancshares Columbus, Ohio	9,585	First Banc Securities Morgantown, W.Va.	418	100	2.1	14.5
Republic New York Corp. New York	25,700	Manhattan Savings Bank New York	3,000	100	N.A.	N.A.
KeyCorp Albany, N.Y.	$12,500	First Wyoming Bancorp. Cheyenne, Wyo.	863	89	1.4	N.A.
Summit Bancorp. Summit, N.J.	2,775	Somerset Bancorp. Somerville, N.J.	425	75	2.35	15.4
Wells Fargo & Co. San Francisco	46,976	Torrey Pines Group Solana Beach, Calif.	399	74.5	2.7	25.7
Banc One Corp. Columbus, Ohio	23,484	Metropolitan Bancorp. Lima, Ohio	255	61	N.A.	N.A.
First Florida Banks Tampa, Fla.	5,500 Ocala, Fla.	Mid-State Federal Savings	1,000	60	1.1	N.A.
Wells Fargo & Co. San Francisco	46,976	Valley National Bank Glendale, Calif.	259	55	2.2	13.4
Mercantile Bankshares Corp. Baltimore	3,800	Baltimore Trust Co. Selbyville, Del.	184	54.7	2.5	21
Huntington Bancshares Columbus, Ohio	9,585	First Macomb Bancorp Mount Clemens, Mich.	361	52	2.3	14.1
Constellation Bancorp. Elizabeth, N.J.	1,219	New Brunswick Savings Bank New Brunswick, N.J.	754	50	N.A.	N.A.
Arrow Bank Corp. Glens Falls, N.Y.	441	United Vermont Bancorp. Rutland, Vt.	330	38.4	1.5	9.5
First of America Kalamazoo, Mich.	$10,250	Quad Cities First Co. Rock Island, Ill.	340	38	1.35	26

1989 Agreements and Offers

(Prices and assets in millions of dollars)

Acquirer	Assets	Acquired	Assets	Price	Price to Equity	Price to Earnings
First Security Corp. Salt Lake City	5,200	United Savings Bank Salem, Ore.	200	36.3	2.0	14.5
Citizens Holding Newport Beach, Calif.	750	Eldorado Bancorp. Tustin, Calif.	198.9	34.2	2.0	14.7
First of America Kalamazoo, Mich.	10,250	Primebank Federal Savings Grand Rapids, Mich	412	32.4	1.5	13
Security Pacific Corp. Los Angeles	87,000	Southwest Bank Vista, Calif.	390	32	2.4	N.A.
Security Pacific (Northwest) Seattle	87,000	Mountain West Savings Couer d'Alene, Idaho	320	31.5	1.75	N.A.
Apple Bank for Savings New York	3,400	Sag Harbor Savings Bank Sag Harbor, N.Y.	250	29.5	N.A.	N.A.
Susquehanna Bancshares Lititz, Pa.	1,300	Elmwood Federal Savings Media, Pa.	258	27.7	1.2	N.A.
Investor Group Baltimore	N.A.	Reistertown Federal Savings Reistertown, Md.	186.5	26	1.43	7.4
First Western Bancorp. New Castle, Pa.	540	First Federal of Western Pa. Sharon, Pa.	360	25	0.9	14.2
Boulevard Bancorp. Chicago	1,324	Northwest Financial Corp. Chicago	200	21	1.9	15
Mercantile Bankshares Baltimore, Md.	3,200	Eastern Shore National Bank Pocomoke City, Md.	64	16	2.6	13.8
Lincoln Financial Fort Wayne, Ind.	1,341	Signal Bancorp Monticello, Ind.	125	15	1.6	21.9
Horizon Financial Beachwood, Ohio	251	Northern S&L Co. Elyria, Ohio	181	14.2	1.3	10.1
City National Corp. Beverly Hills, Calif.	4,300-	Warner Center Bank Los Angeles	60.7	14.1	2.4 —	17.3
Ashtabula First Bancorp Ashtabula, Ohio	500 Ashtabula, Ohio	Peoples Savings Bank	309	14	1.25	N.A.
Citizens Bancorp. Riverdale, Md.	1,700	Arlington Bank Arlington, Va.	60	12.6	2.38	N.A.
Great Lakes Bancorp. Ann Arbor, Mich.	2,691	Dollar Federal Savings Bank Hamilton, Ohio	152	12.4	N.A.	N.A.
First Eastern Corp. Wilkes-Barre, Pa.	2,473	First National Bank Wyoming, Pa.	51	12.4	1.4	14.3
First Illinois Corp. Evanston, Ill.	1,700 South Elgin, Ill.	Valley Financial Services	80	11.9	2.6	28
Raleigh Federal Savings Raleigh, N.C.	482	First Federal Savings Sanford, N.C.	127.2	11.3	N.A.	N.A.
Gateway Bank South Norwalk, Conn.	1,230	Connecticut Community Bank Greenwich, Conn.	59	9.7	1.4	22.7
Valley National Bancorp Passaic, N.J.	1,720	Meadowlands National Bank North Bergen, N.J	50	7.5	2.1	25.7
First Financial Bancorp. Monroe, Ohio	1,000	ILB Financial North Manchester, Ind.	85	9.4	N.A.	N.A.
Puget Sound Bancorp Tacoma, Wash.	2,200 Mt. Vernon, Wash.	Valley Bank	38.8	6.7	2.3	N.A.
Fifth Third Bancorp. Cincinnati	4,673	C.S. Bancshares Connorsville, Ind.	68	6.6	N.A.	N.A.
Cheshire Financial Keene, N.H.	376	Village Savings Greenville, N.H.	29	4.4	1.4	44
U.S. Bancorp Portland, Ore.	14,524	Yaquina Bay Bank Newport, Ore.	37	4	1.7	11.7
Moore Financial Group Boise, Idaho	3,400	First Security Bank Tacoma, Wash.	34	3.6	N.A.	N.A.
BankAmerica Corp. San Francisco	96,688	Woodburn Bancorp Woodburn, Ore.	15	3.3	1.7	28
One Valley Bancorp Charleston, W.Va.	1,778	Farmers & Citizens State Bank Clendenin, W.Va.	59	2.4	1.1	N.A.

Sources: American Banker, Securities Data Co., Keefe Bruyette & Woods Inc. and Lyons, Zomback & Ostrowski Inc.

Bank Analysts See More Deals For Midwest

▸ Continued from Page 10

sin, South Dakota, North Dakota, Nebraska, Missouri, Minnesota, Kansas, Iowa, and Arkansas – the median premium since Oct. 19, 1987, was 1.43, versus 1.48 for 1985 to 1989.

Median Over 2 in Mid-Atlantic

Meanwhile, in the Middle Atlantic region, where the diversified economy has softened but is more vibrant than New England's, the median premium paid for banks has fallen to 2.16 times book value, from 2.25.

But significantly, the Middle Atlantic region is now the only one where the median price for banks remains above the level of twice book value.

In the East, Ms. Hensel said, falling prices could prompt an increase in acquisitions. Smaller banks that have held out for higher prices may realize as the economy slows that they do not have a competitive slice of the banking market and be forced to adopt a more realistic assessment of their true value.

"The wide spread that has existed between the bid and ask prices in bank takeovers is narrowing, in our view, and should create a pickup in transactions," Ms. Hensel said.

"In the Northeast, chairmen at 90% of the target banks who would have thrown you out of their offices a year ago would welcome you with open arms today," said John J. Lyons, managing principal of Lyons, Zomback & Ostrowski, a New York consulting firm.

The remaining 10%, the cream of the crop, will likely not take much lower prices, barring a sharp recession, said another analyst.

"I think they're not under pressure and will sit and wait, for a year or two if necessary, and won't mind staying independent to get their price," said Lacy M. Shockley, regional banking analyst for Smith Barney, Harris Upham & Co.

Acquisition Targets Listed

Ms. Shockley picks the stellar targets as Signet Banking Corp. and Crestar Banking Corp., both of Richmond, Va.; Dominion Bankshares Corp., Roanoke, Va.; First Virginia Banks, Falls Church, Va.; BB&T Financial Corp., Wilson, N.C.; Summit Bancorp., Summit, N.J.; Mercantile Bankshares, Baltimore; and UJB Financial Corp., Princeton, N.J.

The least pressure of all is probably felt by the prime independents in the Southeast, she said. "I would be extremely surprised to see any unfriendly deals in that area anytime soon, and that's what really puts the sellers under pressure."

The situation in the Rust Belt is quite different from in the Northeast or Southeast.

"The structure of the banking industry there lends itself to acquisitions and mergers of equals," said Ms. Hensel. "There are many midsized banks in the area with assets of $8 billion to $12 billion but only five very large likely acquirers."

They are: Banc One Corp., Columbus, Ohio; First Chicago Corp.; NDB Bancorp, Detroit; National City Corp., Cleveland; and PNC Financial Corp., Pittsburgh.

A point on which nearly all industry analysts agree is that the availability of healthy thrift institutions for acquisition by banks will not have a major impact this year on the purchase prices of commercial banks. "While cheaper up front," Ms. Hensel said, "thrifts lack the customer base and management expertise that characterize full-service commercial banks." ■

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10, 11

850

C0125-1

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

American Banker

The Daily Financial Services Newspaper

VOL. CLV NO. 8 Thursday, January 11, 1990 155th Year

Norwest to Buy Healthy Thrift In Minnesota

By WENDY GROVER

NEW YORK — Prompted by its inability to meet new federal capital requirements, First Minnesota Savings Bank, a $3 billion Minneapolis thrift with 50 branches, has agreed to be acquired by Norwest Corp., Minneapolis.

Terms of the tentative agreement, which was announced late Tuesday, are still being worked out. But since First Minnesota is a mutually owned thrift, Norwest could acquire the thrift at a low price because there are no shareholders to be compensated. A mutual is a thrift owned by its depositors.

Norwest, a $22 billion-asset super-regional company, would increase its assets by more than $3 billion and increase its already strong presence in the Minneapolis-St. Paul market.

A Healthy Thrift

"They're paying nothing for it," said Ben Crabtree, bank analyst at Dain Bosworth Inc. in Minneapolis.

First Minnesota is considered a healthy thrift, but its capital does not meet the new federal guidelines. Analysts said the thrift has good credit quality and would likely report a profit for 1989.

Officials at Norwest and First Minnesota declined to elaborate on their joint press release.

Analysts said the acquisition would enable Norwest to strengthen its position against its archrival, the $24 billion-asset First Bank System, Minneapolis.

Mr. Crabtree estimated the acquisition would increase Norwest's consumer deposits in the Twin Cities region by about 50%, to about $6 billion.

Analysts predicted substantial cost

See NORWEST: Next Page ➤

Gottlieb Exits As Staff Director Of Senate Panel

By ROBERT M. GARSSON

WASHINGTON — Kevin Gottlieb, the embattled staff director of the Senate Banking Committee and a longtime aide to Sen. Donald Riegle, D-Mich., announced Wednesday he will leave his Capitol Hill post on March 1 to return to the private sector. He will be succeeded by Steven B. Harris, the committee counsel.

Mr. Gottlieb has been controversial almost from the day he arrived at the banking committee a year ago. Most recently, it was disclosed that he had received $85,000 in fees from the American Bankers Association during the 17 months preceding his appointment as staff director.

Though legal, the payment raised eyebrows because it directly preceded congressional action on what turned out to be the most significant piece of financial services industry legislation since the Depression.

Payments Weren't Disclosed

More disturbing to some was Mr. Gottlieb's failure to disclose the payments, even though he was not required by Senate rules to do so.

Consumer advocate Ralph Nader said it looked "suspiciously like a deferred bribe," and congressional staffers and industry lobbyists alike said they were reevaluating the history of the thrift legislation in light of the connection.

Mr. Gottlieb said in an interview earlier this week that he did not mention it because he was not asked and he was not required to do so.

In an interview on Wednesday, he denied that he was leaving for any reason other than a desire to return to the private sector where, he said, he will "do some teaching and some consulting work." He declined to elaborate.

See GOTTLIEB: Page 10 ➤

Bank Stocks Continue to Tumble On Dim Outlook for Earnings

By JOHN FORDE

NEW YORK — Wall Street's expectations of earnings that many major banks will report in coming weeks have turned gloomy. And the rate at which analysts are cutting profit predictions is steepening the slide in bank stock prices.

Citing continued troubles in domestic and international loan portfolios as well as sluggish noninterest income, bank analysts have cut their profit estimates for five times as many banks as they have raised in recent weeks.

In the month ended last Friday, the consensus estimate for 25 major banking companies declined, and estimates rose for only five, according to Institutional Brokers Estimate System, a division of Lynch Jones & Ryan, New York, which tracks analysts' estimates.

The IBES figures showed the consensus estimate of full-year earnings per share for 287 publicly owned banking firms fell by 5%, to $1.96, or 42.6% less than for 1988.

Investors Pessimistic

Investors, too, are becoming more pessimistic on most major bank stocks, especially money-centers. Estimates of lower-than-expected fourth-quarter

See EARNINGS: Page 10 ➤

Banks Told to Write Down 20% More Of Argentine Debt; Reserves May Rise

By JAMES R. KRAUS

NEW YORK — In a move that could prompt another round of increases in loan-loss reserves, federal regulators have ordered U.S. banks to write down their medium-term and long-term loans to Argentina by another 20% because of the country's deteriorating economic condition.

It is the second writedown U.S. banks have been forced to take on their Argentine loans. In May, federal regulators forced banks to write down their loans by 20% after Argentina defaulted on its debt.

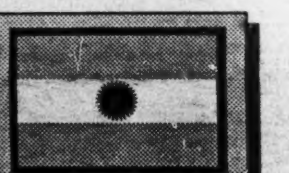
Analysts said Wednesday that they expected the chargeoffs would be taken against reserves already set aside for Third World loan losses and will not have an impact on fourth quarter or yearend earnings.

The impact of the writedown will vary from bank to bank depending on the level of its loans to Argentina and its reserves against Third World loan losses.

Manufacturers Hanover, for example, will have to chargeoff $224.6 mil-

See BANKS: Page 9 ➤

Loan Exposure To Argentina



Medium- and long-term loans

	$ in millions	% of total equity
Manufacturers Hanover	$1,123	45 %
Citicorp	800	7
Chase Manhattan	660	16
J.P. Morgan*	570	14
BankAmerica	400	8
Chemical Banking	349	11
Continental Bank	240	14
Bankers Trust*	214	9
Bank of New York	181	7
First Chicago	78	3

*Figures are for total outstandings

Source: Keefe, Bruyette & Woods Inc.

Today

The SEC's moves to police bank and thrift securities activities may be a first step toward regulating that function. 2

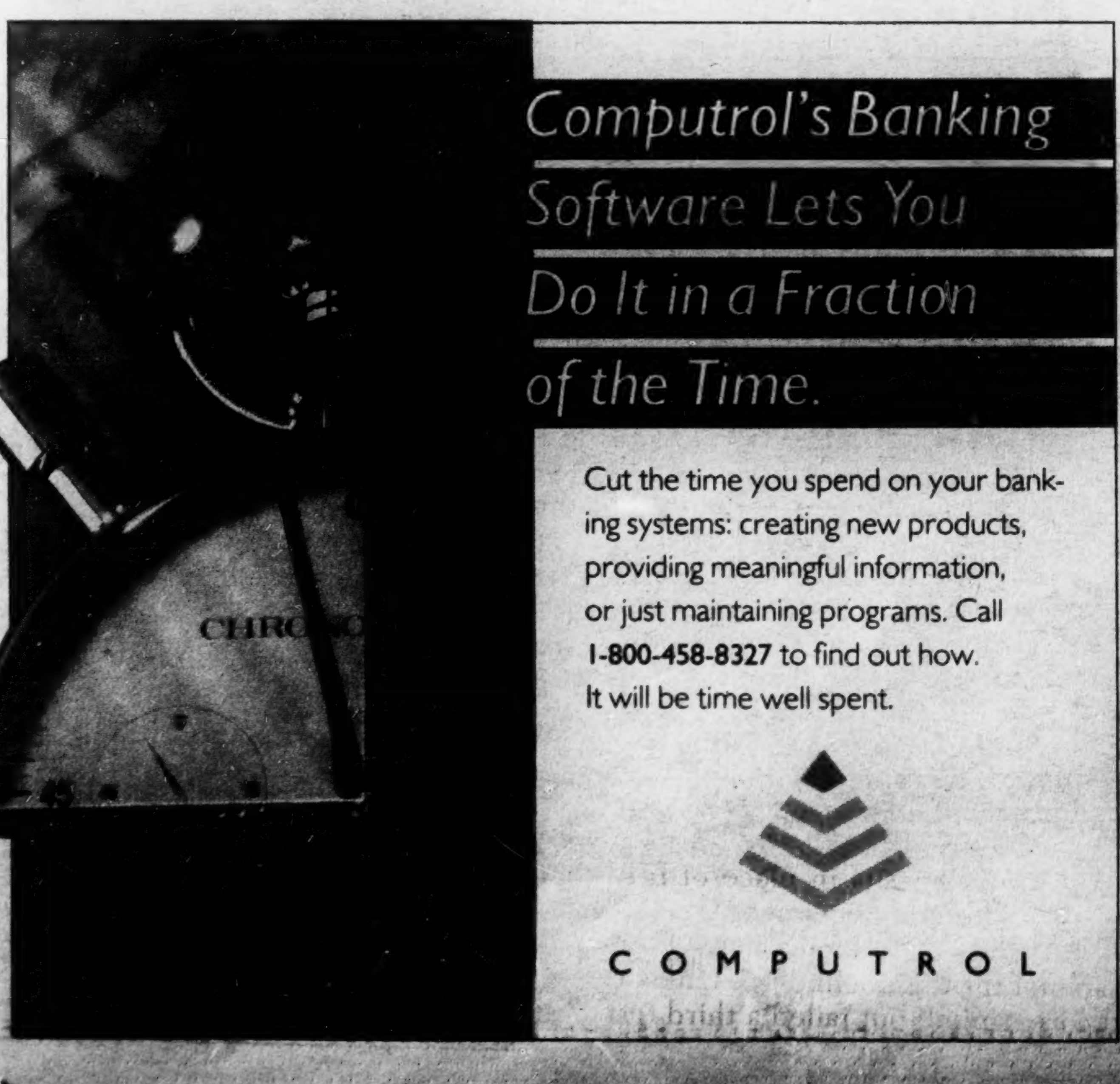
Chase Manhattan Bank is the latest institution to offer New York consumers a packaged bank account. 3

A unit of Nynex Corp. is working on an electronic payments system for commuters that travel on New Jersey Transit. 2

The Office of Thrift Supervision has restricted the activities of two former officers of the failed Silverado Banking, Savings and Loan Association, Denver. 2

Lechmere Inc., a Northeast retailer, has contracted with a unit of Sears to process its private-label credit cards and finance the program's receivables. 3

Inside Financing 11
International 9
Management 6
People 12



Computrol's Banking Software Lets You Do It in a Fraction of the Time.

Cut the time you spend on your banking systems: creating new products, providing meaningful information, or just maintaining programs. Call **1-800-458-8327** to find out how. It will be time well spent.

COMPUTROL

Media, Public Relations and Market Research.
Advertising — Promotion.
From corporate image to new product introductions, Arlen is your single source for total communications planning.

ARLEN
FINANCIAL COMMUNICATIONS INC

COMMENT

The Key to Successful Acquisitions

By SANFORD ROSE

Good expense control is the single most important factor that appears to correlate with success in bank acquisitions, notes a study just published by the Bank Administration Institute and authored by FMCG Capital Strategies.

But what constitutes good expense control? Analysts have traditionally evaluated expense performance through the use of standard ratios such as noninterest expense to assets or noninterest expense to revenue.

But these ratios are not particularly illuminating since banks with different business mixes have different levels of expenses to assets or expenses to revenues. For example, banks that specialize in fee-based services have expense levels that are typically about 40% higher than those that make most of their money lending to middle-market borrowers.

To determine whether a bank is really good at cost control, its expense level must be compared to that of the average institution in its particular business peer group. Thus a fee-based bank with an expense-to-assets ratio of 425 basis points turns out to be a good cost controller. That's because the average bank in the fee-based peer group has an expense-to-assets ratio of about 450 basis points.

But a middle-market lender with a lower expense ratio – say, 350 basis points – nevertheless is a poor expense performer. That's because the median middle-market lender has expenses equal to only about 320 basis points of assets.

Preserving Equity Values

Using a model that relates expenses to business mix, FMCG Capital Strategies analyzed the stock price performance of above-average as well as below-average cost controllers that elected to acquire other banks from 1982 through 1986. It found that only those acquirers in the top quartile of expense performance managed to preserve and even enhance their post-acquisition equity valuations, compared, that is, to the valuations of banks of similar size located in the same geographic areas.

More specifically, two years after acquiring other banks, those institutions that were ranked among the top 25% in expense control had stock prices equal to 104% of their size peers. By contrast, those ranked in the second quartile had stock prices equal to only 92% of the peer level.

The stock of third-quartile expense controllers had fallen to a 22% discount relative to that of their size peers. And the poorest cost controllers – those in the bottom quartile – had sustained the largest haircut. Their stock was trading at a discount of 29%.

The data suggest that acquirers good at expense control can transfer this skill to their acquirees. An analysis of 88 in-state acquisitions where the acquired bank was not consolidated into the financials of the acquirer reveals that in 28% of the cases, acquirers rated best in expense management – the top-quartile performers – were able to improve their acquirees' cost performance by more than 50 basis points.

The acquirers in the second and third quartiles of expense control were able to improve acquirees' expense performance by more than 50 basis points in only 17% of the cases. And acquirers in the worst quartile were never able to upgrade the expense performance of acquirees by this amount.

The data also reveal the close connection between good expense control and improved returns on equity. Those acquirers in the best expense-control quartile bought banks with an average pre-acquisition ROE of 11.3%. After acquisition, the ROEs of these acquirers rose to 15.8% – a gain of 4.5 percentage points. Acquirers that were

See COMMENT: Page 10 ➤

The Lobbyists

By Barbara A. Rehm

Community Banks Trying to Head Off Added Regulation

Community bankers came to Washington this week to lobby against mounting regulation. **S. David Gohn**, president of **West Plains Bank**, West Plains, Mo., and chairman of the American Bankers Association's **Community Bankers Council**, acknowledges that bankers are unlikely to convince anyone to lift existing regulations.

S. David Gohn

But the 15-member council spread out across Capitol Hill to let lawmakers know that the cost of compliance has gotten out of hand. Mr. Gohn says the main goal was to deter lawmakers from passing any further onerous legislation.

The community bankers also met with regulators at the Comptroller of the Currency and the Federal Deposit Insurance Corp. to urge uniform examination procedures, Mr. Gohn said.

The ABA council meets every January in Washington as part of its five yearly meetings. "It allows us to get our year of strategic planning in gear," he says. Next stop is Scottsdale, Ariz., Feb. 18 to 23 for the council's national conference.

Big, Small Banks Escalate Their Wrangle in California

Possibly nowhere in America is the wrangle between large and small banks more tangled than in California.

Robb Evans, a director of the California Bankers Association, rebuts claims made in this column last week by **Craig Hudson**, western regional director of the Independent Bankers Association **of America**.

Mr. Evans, who is also president and chief executive officer of **First Indo-American Bank**, San Francisco, heads a CBA committee concerned with revamping the state's banking law. He disputes Mr. Hudson's statement that the CBA did not consult with the independent banking group before it sent its recommendations to state lawmakers.

"That is either a misquote or a lie," Mr. Evans says. "They were consulted repeatedly over a long period of time."

Mr. Hudson says it was not a misquote. "The fact remains that they never consulted us," he repeats. Mr. Hudson does acknowledge that he got all the papers produced by Mr. Evans' task force. But Mr. Hudson says: "You don't get in on the process by getting the paper after it's composed."

Mr. Evans says that any California banker could have joined the task force, but that no trade groups were invited. "We didn't want hired guns," Mr. Evans says. "I also didn't ask the **American Bankers Association** to get involved."

Mr. Evans charges that Mr. Hudson is claiming to be ignored by CBA and is hiring his own lobbyist as a stunt to attract members. Mr. Hudson says: "I think that's my job."

Homebuilders Snag Bush As Speaker at Convention

The **National Association of Homebuilders** snagged the ultimate lobbying opportunity when it convinced **President Bush** to address its national convention Jan. 19 in Atlanta.

Bill Ellingsworth, a Homebuilders spokesman, says the group's top officers met with Mr. Bush and White House Chief of Staff John Sununu recently. "Our major concern is the loans-to-one-borrower issue," Mr. Ellingsworth explains. The thrift-bailout law required thrifts to follow the same lending rules as national banks, which means thrifts that used to be able to lend up to 100% of their capital to a single borrower may now only lend up to 15% of capital to any customer.

"Our members are not accustomed to shopping around and having to get loans at 10 places," he says.

Everything You Wanted To Know About Lobbying

Thanks to **John L. Zorack**, anybody with $125 and the time to read 1,118 pages can learn the basics of lobbying.

Mr. Zorack wants to put the art of lobbying in reach of everyone. He spent seven years writing *The Lobbying Handbook*, a just-published, start-to-finish guide on how to lobby Congress and the executive branch.

The Lobbyist's Motto, according to Mr. Zorack, expands on the Boy Scout's. It is: "Be prepared, be precise, be professional, be patient, and persevere."

The handbook methodically plots how to get what you want from policymakers. It explains the complicated congressional committee structure, including the art of a conference committee; it delves into the bizarre budget-making process, including specifics on how to handle the Office of Management and Budget; and it exposes the best of grass-roots lobbying, including the right way to handle a political action committee.

Mr. Zorack became a lobbyist for the airline industry after a 20-year career with the Marines, during which he earned a variety of degrees including a law degree from Denver University. In 1983, he founded the Professional Lobbying and Consulting Center, which in addition to publishing his book serves as a clearinghouse of sorts for lobbyists. The center connects people in search of a lobbyist with lobbyists in search of clients. ■

American Banker
The Daily Financial Services Newspaper

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric Starkman
Financial Editor: Sanford Rose

STAFF WRITERS:
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm
Midwest: Nanine Alexander (bureau chief), Lisabeth Weiner
Northeast: Jed Horowitz (bureau chief), Tom Leander, Gordon Matthews, Franklin Smith
Southeast: Kenneth Cline (bureau chief)
Southwest: Steve Klinkerman (bureau chief)
West Coast/Los Angeles: Teresa Carson (bureau chief)
West Coast/San Francisco: Sam Zuckerman (bureau chief)
London: John Evans (bureau chief)
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Corporate Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

COPY EDITORS
Domenica Trevor (chief), Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

STATISTICS
L. Michael Cacace (chief statistician), Harvey Glassman, John Ferring

FEATURES
Patricia Stundza (features editor), Suzanne Christy, Judy Ferring

ART
Pamela Budz Moriarty (art director), Dylan Kreuzer, Peggy Turbett, Carl Zeichner

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

NEWS BUREAUS
Washington: 911 National Press Building, Washington, D.C. 20045; 202-347-5529; Telecopier: 202-628-6522.
Midwest: 53 W. Jackson Blvd., Suite 230, Chicago, Ill. 60604; 312-663-6380; Telecopier: 312-939-4925.
Northeast: One State Street Plaza, 31st Floor, New York, N.Y. 10004; Telecopier: 212-943-2222.
Southeast: 3390 Peachtree Road NE, Suite 1000, Atlanta, Ga. 30326; 404-364-6572.
Southwest: 1401 Elm Street, Suite 4577, Dallas, Tex., 75202; 214-748-5666; Telecopier: 214-748-5668.
West Coast/Los Angeles: Suite 320, 510 W. Sixth St., Los Angeles, Calif. 90014; 213-627-0953; Telecopier: 213-627-8310.
West Coast/San Francisco: 450 Sansome Street, Suite 1420, San Francisco, Calif. 94111; 415-986-8705; Telecopier: 415-398-4156.
London: Seventh Floor, South Quay Plaza 2, 183 Marsh Wall, London, England E14 9FU; Tel: 011-441-538-5959; Fax: 011-441-247-0404.

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Advertising Manager - Lewis W. Wood
Production Manager - Erwin W. Hambright

Advertising:
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except Saturday, Sunday, and holidays, by American Banker • Bond Buyer.
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120.
Single copy $5.75
Wires: WU Telex 882385 Answer Back: AmerBank NYK.WUI 62594 AMERIBANKER
Cable Address: AMERBANKER New York.
Telecopier: 212-943-2222

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Photocopy and Reprint Permission
Those registered witht he Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9598 collect).

Global View

Japan to Fight Yen Speculation

TOKYO — Bank of Japan governor Yasushi Mieno called currency movements since the New Year very speculative and said Japan and other major nations will continue to take strong concerted action against them.

Mr. Mieno told a press conference that he sees no need now for major nations to meet to reconfirm their commitment to currency stability because policy coordination among major nations remains steadfast.

The currency market has been affected since Jan. 1 by speculation concerning scandals involving politicians of the ruling Liberal Democratic Party and the political situation in the Soviet Union, Mr. Mieno said.

In a rumor-driven market, the most appropriate measure is concerted intervention, he said. Not many people in the market expect the recent trend toward a weaker yen to last long, he added.

— Reuters

$1 Billion Credit Plan Unveiled

QUITO, Ecuador — The government hopes to receive $1 billion in foreign credits and plans to reduce annual inflation to no more than 30% this year, Presidency Minister Washington Herrera said.

"We propose mobilizing about $1 billion in approved foreign loans," Mr. Herrera told a press conference, referring to credits from banks, lending agencies, and governments.

Ecuador plans to reduce annual inflation to between 25% and 30% by December, Mr. Herrera said, compared to 54% in 1989. The nation has foreign debt of about $11 billion, about half of which is owed to commercial banks.

— Reuters

Bank of Trade Changes Name

LOS ANGELES — Bank of Trade, one of the oldest Asian-owned banks in California, is changing its name Jan. 18 to Lippobank.

"We wanted the bank to become more directly affiliated with the Lippo Group, our parent company," said David T. Yeh, president. "In addition, the name 'Bank of Trade' may suggest that we primarily focus on servicing business accounts while, in fact, we offer comprehensive financial services to both commercial and consumer clients."

Bank of Trade, which reported assets of $148 million at Sept. 30, 1989, has four branches in California.

Lippo Group, a multibillion-dollar financial services network with banking operations in Hong Kong, Indonesia, New York, and California, acquired Bank of Trade five years ago.

— Reuters

Trustee Paid on Bond Brewing Notes

BOSTON — The First National Bank of Boston, in its capacity as trustee for holders of notes issued by Bond Brewing Holdings Ltd., announced Wednesday that it has received payment on a sight draft submitted to National Australian Bank Ltd.

The sight draft will permit payment on Bond Brewing's zero coupon notes due Jan. 22, 1991.

The submission by the Bank of Boston Corp. subsidiary was the result of an automatic acceleration of the notes when receivers were appointed Dec. 29 for Bond Brewing Holdings in Australia.

— Reuters

Yen Shortage Spurs T-Bill Offer

TOKYO — The Bank of Japan offered to buy about $1.4 billion worth of T-bills, or short-term government discount paper, from a limited number of banks and discount houses through repurchase agreements, a central bank official said.

The bills will be bought through a yield-competitive tender, he said; settlement will be Friday, and maturity, Feb. 14.

Due to tax payments Friday, the money market faces a yen shortage equivalent to nearly $15.2 billion.

— Reuters

Hanover Plans Big Growth in Spain

Bank to Ride Nation's Boom with 22 Branches After '92

By JAMES R. KRAUS

NEW YORK — Manufacturers Hanover Trust Co. plans a major expansion of its operations in Spain to take advantage of the country's booming financial markets.

James R. Brokken, executive vice president for Western Europe, said in a recent interview that the bank intends to expand its Spanish branch network to 27 from 5 and will establish a brokerage unit to underwrite and distribute securities. The bank also wants to increase its management of mutual funds and commercial paper programs.

"We've been closely tied to Spain for years and want to get closer to our customers and closer to investors," Mr. Brokken said in the interview in his New York office.

Branches Slated After '92

The new Spanish branches are not likely to open until after 1992, Mr. Brokken said, when Spain and other member countries of the European Community integrate their financial markets.

Foreign investment has flooded into Spain in recent years and has made the Spanish economy one of the fastest-growing in Europe. Banco Santander, a major Spanish bank, reported the country has the fifth-largest economy in the European Community and 7.5% average annual growth in gross national product.

However, tight liquidity in Spain is driving a rapidly rising number of borrowers to capital markets for their funding, Mr. Brokken said.

James R. Brokken
Executive VP, Manufacturers Hanover

Manufacturers Hanover is the only foreign bank among six market makers in Spanish treasury bonds, according to Mr. Brokken. He added that his bank has also been a leader in setting up commercial paper programs in Spain, where it first opened a branch in 1964.

Most Profitable Foreign Bank

Mr. Brokken said Manufacturers is the most profitable foreign bank operating in Spain, accounting for 28 percent of all profits by foreign banks at the end of last June. He did not provide specific profit figures.

As part of its strategy to expand operations in southern Europe, Manufacturers also plans to increase its branch network in Portugal, to six from two, to take advantage of economic growth and liquidity shortages in that country.

Mr. Brokken said the bank was concentrating on southern Europe because low inflation, stable interest rates, and powerful domestic competitors in countries like West Germany offer fewer opportunities. ■

Banks Writing Down More of Argentine Debt

➤ Continued from Page 1

lion, or nearly 10% of its $2.4 billion in Third World loan-loss reserves.

At the other end, First Chicago will have to charge-off only $14.6 million, or 1.7% of its $866 million in reserves.have an impact on fourth quarter or year-end earnings.

By writing down bad loans, the banks will be reducing both their reserves and the amount of bad loans outstanding on their books. This means they will have fewer reserves to cover remaining bad loans.

Total Reaches 40%

The latest writedown will bring total chargeoffs for Argentine loans to 40%, meaning that the loans can be carried on banks' books at 60 cents on the dollar. The writedown must be taken in the fourth quarter of 1989.

However, banks with low loan-loss reserves, such as Citicorp, Manufacturers Hanover Corp., and Chemical Banking Corp., may soon have to add to them, which could have an adverse effect on those banks' earnings in the first quarter of next year. But some of the impact will be mitigated because loan writedowns mandated by the government can be deducted from a bank's taxable income.

The impact of the writedown will vary from bank to bank depending on the level of its loans to Argentina and its reserves against Third World loan losses.

Manufacturers, for example, will have to charge off $224.6 million, or nearly 10% of its $2.4 billion in Third World loan-loss reserves. At the other end, First Chicago Corp. will have to charge off only $14.6 million, or 1.7% of its $866 million in reserves.

"My guess is that at some point, the banks are going to have to replenish their reserves, obviously [the writedowns] are only interim steps," said Guillermo Estebanez, assistant vice president and analyst for Latin American debt at Moody's Investors Service.

The Argentine writedown was mandated late last month by the Interagency Country Exposure Review Committee, a joint regulatory body of officials from the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corp. The agency does not make its decisions on foreign loans public, but several banks confirmed that regulators had ordered an Argentine loan writedown.

Total Debt Estimated

Argentina owed U.S. banks $6.5 billion as of the end of June, according Federal Reserve Board statistics, out of a total foreign debt of around $60 billion.

Manufacturers Hanover, Citicorp, and Chase Manhattan Corp. are the three banks most heavily exposed to Argentina. Manufacturers Hanover has $1.12 billion in medium and long term loans, Citicorp $800 million and Chase $660 million. ■

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	1/10	1/09	1/03	1/10	1/09	1/03	1/10	1/09	1/03	1/10	1/09	1/03	1/10	1/09	1/03
United States	8.31	8.18	8.50	8.31	8.18	8.37	8.31	8.18	8.31	7.00	7.00	7.00	10.00	10.00	10.50
Japan	6.43	6.37	6.37	6.93	6.93	7.06	7.06	7.06	7.12	4.25	4.25	4.25	4.87	4.87	4.87
Canada	12.50	12.25	12.18	12.37	12.12	12.18	12.18	12.00	11.87	12.44	12.47	12.47	13.50	13.50	13.50
U.K.	15.00	15.06	15.12	15.12	15.12	15.18	15.12	15.06	15.06	N.A.	12.47	12.47	15.00	15.00	15.00
West Germany	7.56	7.56	8.25	8.37	8.37	8.68	8.56	8.62	8.75	6.00	6.00	6.00	9.50	9.50	9.50
Switzerland	9.87	9.87	10.12	9.43	9.37	9.56	9.25	9.12	9.31	6.00	6.00	6.00	8.50	8.50	8.50
France	11.56	11.06	11.18	11.50	11.43	11.75	11.43	11.50	11.75	9.50	9.50	9.50	10.50	10.50	10.50
Italy	11.75	11.50	12.50	12.37	12.75	12.87	12.50	12.87	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.02	14.57	8.57	8.87	7.05
6 to 12 months	8.14	13.65	8.45	8.52	7.00
12 to 24 months	8.70	13.60	8.22	7.90	6.76

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: , 4, 9

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 20, 21, 22

800

C0175-1

AMERICAN B

VOL. CLV NO. 11 Tuesday, January 16, 1990 5th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Banks Reject Warning on Retail Loans

By YVETTE D. KANTROW

NEW YORK — Most bankers remain bullish on the consumer lending business even as regulators express concern about a recent surge in delinquency rates.

In the wake of remarks last week by Comptroller of the Currency Robert L. Clarke that his agency is beginning to scrutinize consumer-loan portfolios, most lenders said it remained business as usual at their institutions.

ANALYSIS
Follow-up on the news

Citing the diversity of their portfolios, stringent credit policies, and the financial health of the American consumer, most lenders interviewed last week were perplexed by the urgency of Mr. Clarke's warning that consumer lending might succeed real estate as the next area of crisis for lenders.

"I really don't know what he's talking about," said James R. Daniel, president of Friendly Bank in Oklahoma City. Mr. Daniel said his bank's consumer loan portfolio is "cleaner than a houndstooth."

Some Are Concerned

While most bankers shared Mr. Daniel's optimism, some expressed concern about the consumer's continued penchant for borrowing. For these bankers, managing consumer-lending risk is becoming a priority.

"We have a leveraged consumer in the marketplace today," said George E. Kilguss, an executive vice president at Citizens Financial Group in Providence, R.I. "If we have a recession and unemployment escalates, we will have a serious problem."

Consumer lending is big business for commercial banks. The Federal Deposit Insurance Corp. reported that consumers owed $726 billion to banks on mortgage, credit card, and other installment loans at Sept. 30. This debt – 22.5% of the banking

See **BANKERS** page 11

OUR NEW LOOK

This is the first issue of the redesigned *American Banker*. It includes many new departments and columns, including a full page of bank and thrift stock quotes.

For a full description of the changes and their purpose, please see page 4.

INSIDE NEWS

FINANCE

BANK STOCKS SLID sharply on Friday, but the overall market kept them company this time. J.P. Morgan was hard hit, as were Wells Fargo, BankAmerica, and Banc One. *Page 24*

TECHNOLOGY

BANKERS TRUST is joining the vanguard of companies that use image-processing to reduce the paper clutter in their back offices. *Page 3*

CONSUMER

NO MONEY FOR APARTHEID

Peggy Turbett

PROTESTERS FROM the Union Theological Seminary gathered in front of a New York branch of Manufacturers Hanover to demonstrate against the company's ties to South Africa. *Page 6*

INTERNATIONAL

WEARY BANKERS completed days of nonstop meetings in New York to wrap up the Mexican debt-reduction accord. *Page 10*

REAL ESTATE

THE CALIFORNIA market is being watched closely for signs of weakness. Jittery investors have caused some state bank stocks to dip. *Page 8*

OTHER NEWS

ATLANTIC FINANCIAL Federal, a go-go Pennsylvania thrift, was seized by the OTS and put under Resolution Trust Corp. conservatorship. *Page 2*

MARYLAND MOVED to dissolve the agency that regulates its thrifts. *Page 2*

INDEX

Crime Blotter 4
People in the News 2
Company Index 2
Financial Services Stocks 23
Index to Week's Top Stories 12
Classified Advertising 18

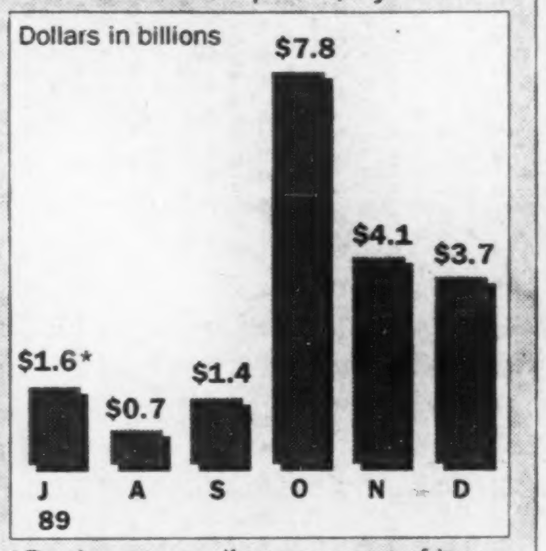
Banks Jump Into the Market for Thrifts

The five largest deals*

Acquired thrift/	Acquiring bank	Assets (dollars in billions)
First Federal, Pittsburgh	PNC Financial Corp.	$3.1
University Federal, Houston	NCNB Corp.	$2.6
Hill Financial, Red Hill, Pa.	Meridian Bancorp	$2.6
Gem Savings, Dayton, Ohio	National City Corp.	$1.6
Freedom S&L, Tampa, Fla.	NCNB Corp.	$1.0

*Spurred by bailout law

S&L assets acquired, by month



*Deals set pending passage of law

Source: BEI Golembe Inc.

Banks Buying S&Ls Faster Than Industry Perceives

By GORDON MATTHEWS

This is the first of a four-part series examining the impact of the thrift-bailout law.

NEW YORK — From the tiny Mother Lode Savings Bank in Sacramento, Calif., to the sizeable Mid-State Savings Bank in Ocala, Fla., thrift institutions across the country are being snapped up by commercial banks.

Activity has reached a higher level than has generally been perceived in industry circles, where there has been much talk of the banks' reluctance to seize opportunities to buy thrifts.

While few major deals have been struck, the number of small transactions has mounted. In fact, banks have agreed buy 55 thrifts with assets of $20 billion – about 1.6% of the industry's total – under the provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, according to data compiled by BEI Golembe Inc., the Washington-based consulting concern. (The deals are listed in a table beginning on page 20.)

Pace May Pick Up

The pace of acquisitions will almost certainly accelerate this year as banks grow more familiar with thrifts, and particularly after the Office of Thrift Supervision irons out unfinished regulations to guide the purchase of thrifts that are still mutual institutions.

Asked about the level of activity since the bailout law, most banking industry observers esti-

See **SWIFT** page 21

RTC Plans To Dispose Of 50 Thrifts In 1st Period

By BARBARA A. REHM

WASHINGTON — The Resolution Trust Corp. said on Friday that it plans to liquidate or sell 50 thrifts during the first quarter. But even its own chairman, L. William Seidman, says it cannot meet its goal without additional funding from the government.

Mr. Seidman has been saying for months that the RTC does not have the cash to finance the deals. He estimates that the RTC must be allowed to borrow between $50 billion and $100 billion to get the institutons in shape and to entice investors by taking a portion onto its own books.

However, Treasury officials have told Congress that the RTC has enough money to last at least through the end of the second quarter.

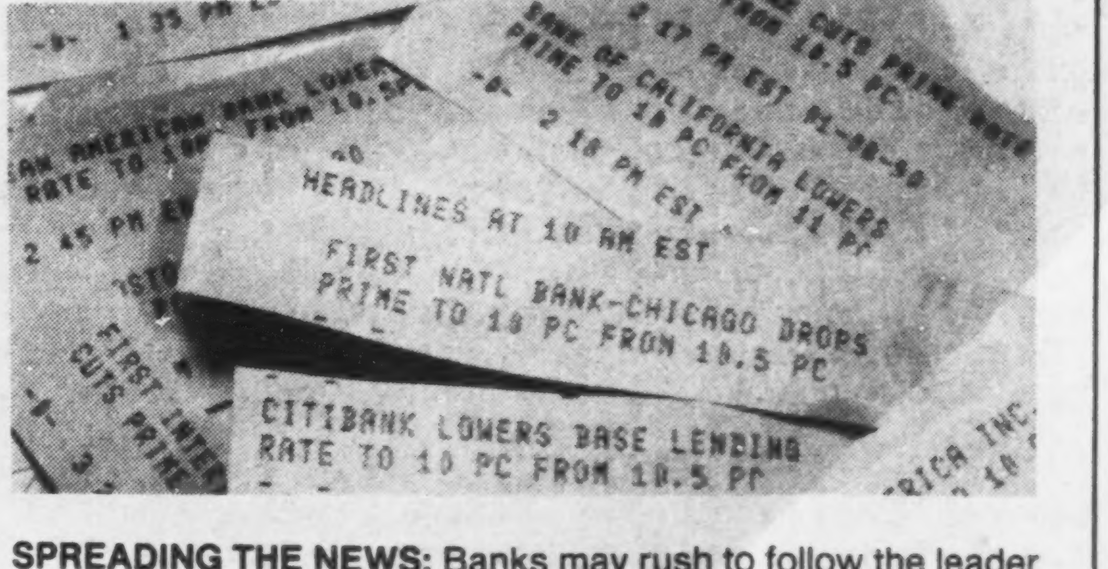
The issue is expected to come to a head on Jan. 23 when a variety of administration officials, including Mr. Seidman and Treasury Secretary Nicholas F. Brady, testify before the House Banking Committee.

Money-raising options include borrowing from the Federal Home Loan Bank System, chartering a new agency to sell

See **RTC** page 16

Fine Time to Fall in Line with the Prime

By TOM LEANDER


HEADLINES AT 10 AM EST
FIRST NATL BANK-CHICAGO DROPS PRIME TO 10 PC FROM 10.5 PC
CITIBANK LOWERS BASE LENDING RATE TO 10 PC FROM 10.5 PC
BANK OF CALIFORNIA LOWERS PRIME TO 10 PC FROM 11 PC
2 18 PM EST
2 17 PM EST 01-08-90
CUTS PRIME RATE FROM 10.5 PC
2 45 PM EST

SPREADING THE NEWS: Banks may rush to follow the leader when the ticker reveals that one has cut its prime rate.

NEW YORK — At 8:45 a.m. on Jan. 8, the doors swung open in the 9th floor conference room at First National Bank of Chicago headquarters, and senior management told public relations to spread the news: The bank would cut its prime rate to 10% from 10½%.

The race was on.

Within hours, 30 of the nation's largest banks had jumped into what may be the greatest game of follow-the-leader in American business: changing the prime rate.

Touched off by news services, that link the financial world, such as Dow Jones and Reuters, a typical scene unfolded in banks across the nation. As the news that First Chicago had dropped the prime flashed across computer screens in bank trading rooms and executive offices, hasty meetings were called among credit committee officers, resulting in the cascade of announcements.

But this round of cuts had an extra air of suspense. Banks had held fast to a 10½% prime rate even though the Federal Reserve Board had allowed the rate on federal funds – or the rate at which banks lend to each other – to ease several times since October. While a cut in the prime could have occurred anytime since Thanksgiving, based on historical spreads over fed funds, banks were just as glad to eke out profits off the higher interest rates.

Now that First Chicago had spoiled the party, everyone waited to see which major bank would follow its lead – and start the stampede.

One factor made the proceedings especially tense: No

See **FINE** page 14

PEOPLE *in the news...*

Cleveland Fed Chief Waves Ax at Deposit Insurance

With deposit-insurance reform emerging as one of the hot industry topics, central bank hardliner **Lee Hoskins** is on the stump, pushing his free-market ideas on a system many consider a 57-year-old dinosaur.

Among several reforms the president of the Federal Reserve Bank of Cleveland is promoting in speeches and press interviews is the cutting of deposit insurance from $100,000 to $25,000 per account to curb the government's risk.

Lee Hoskins

That concept is industry heresy, at least to community bankers convinced any cut in insurance coverage will induce depositors to withdraw funds en masse. But there is no longer any denial that some kind of reform is absolutely critical.

Energized from a recent week of skiing at Breckenridge in Colorado, the 48-year-old economist said in an interview that he is unperturbed by critics who pan him as the Federal Reserve's equivalent of Don Quixote.

In fact, he has relished the volume of mail – which ran 5-to-1 against his recommendations – that he received following a recent speech he delivered at a meeting of the Pennsylvania's community bankers association.

"I'm trying to cast this as a broader regulatory reform issue," said Mr. Hoskins, who served as chief economist in Pittsburgh for **PNC Financial** Corp. before joining the Cleveland Fed in October 1987.

An Invitation to Recklessness

He and others point out that moving the deposit insurance ceiling to $100,000 in the early 1980s enabled untested and unscrupulous management of savings and loan associations to attract billions of dollars in deposits that were then squandered on bad loans and sometimes fraudulent deals.

Asked why he he is taking such a high profile, Mr. Hoskins, who lives with his wife in Gates Mills, Ohio, said "Our intent here is to raise the profile of reform. It's a very important issue."

Arguably, Mr. Hoskins is simply ahead of the debate curve on deposit insurance. Even the Fed hasn't taken a position on how to update the federal deposit insurance system – despite Mr. Hoskins' strong opinions and willingness to share them with his Fed peers.

Eventually, the central bank will forward some thoughts on reform of insurance to the Treasury Department, which is required by the thrift law to issue its own study of the deposit insurance system no later than early 1991.

— Robert Trigaux

First Interstate Executive Shifts From Plum to Tough Assignment

In trading the top job at **First Interstate** Bancorp's Washington State subsidiary for the same position at the bank company's troubled Arizona unit, William S. Randall is leaving one of the nation's most ebullient banking markets to take the helm of another unit in one of the most depressed.

Mr. Randall, 49, was named Thursday chairman and chief executive officer of First Interstate Bank of Arizona, marking a return to the bank where he worked from 1969 to 1981. He replaces Robert H. Duckworth, who had open heart surgery in November.

Mr. Duckworth announced last week he would take early retirement but will remain associated with the bank as a senior adviser.

During Mr. Randall's eight years as its CEO, the Washington bank established itself as one of the most profitable units in the First Interstate system.

For 1989, the $3.4 billion-asset institution will report earnings of nearly $50 million and a return on assets of 1.45%, company officials say, making it one of the best performing banks in the hot Washington state market.

By contrast, the $6.6 billion-asset Arizona bank, mired in real estate woes like most other lenders in the state, recorded a net loss of $156.1 million for the first nine months of 1989.

An Energetic Manager

Mr. Randall, who served during the 1960s on the staff of the Federal Reserve Bank of San Francisco, is described by colleagues as an energetic, hands-on manager.

In Arizona, he will have his managerial hands full immediately. Analysts note that forthcoming federal asset sales of troubled thrifts may make the state's real estate market even more unpredictable than it is now.

Mr. Randall won't have much time to settle into his new job. He will have as one of this first orders of business deciding how to dispose of First Interstate's bad real estate holdings in the midst of extremely volatile conditions.

— Sam Zuckerman

Strict Capital Rules Sink Atlantic Financial

Pennsylvania Thrift Seized When It Fails to Meet New Requirements

By JEFFREY KUTLER

NEW YORK — Atlantic Financial Federal, one of the highest-flying thrift institutions of the 1980s, succumbed last week to regulatory pressures that mounted as it became clear that it could not meet the industry's more stringent capital requirements.

The Bala Cynwyd, Pa., thrift was seized by the Office of Thrift Supervision and placed in the Resolution Trust Corp. conservatorship program. The institution reopened as Atlantic Financial Savings, with a federal thrift charter, 78 branches, $5.8 billion in assets, and regulators in the executive suite.

Atlantic, the largest of six institutions seized last Thursday, brought to 290 the number of thrifts under government control pending selloffs or other resolution of their holdings.

The new management at Atlantic Financial, led by RTC managing agent Joseph G. Hynes, quickly issued a statement to assuage depositors' concerns about Atlantic's stability.

"We will continue to maintain our regular hours," said Mr. Hynes, a 42-year-old Louisianan and former banker who has supervised several RTC conservatorships. "We're still going to be making mortgage loans, and deposits up to $100,000 will continue to be federally insured."

Subsidiaries Not Affected

Atlantic Financial subsidiary operations in West Virginia, Nevada, and California were not affected by the regulatory action, Mr. Hynes said.

At yearend 1988, Atlantic had $176 million in credit card loans to rank 16th among thrifts in that category, and $1.1 billion in total consumer loans. Depending on an assessment of credit quality, major retail banks across the country may consider buying those portfolios from the RTC.

Atlantic Financial's demise became almost certain on Dec. 6, when Donald R. Caldwell, the former chief executive officer, announced a $161.1 million loss for the fiscal year that ended Sept. 30. Mr. Caldwell admitted that the company could not meet the core, tangible, and risk-based capital standards and was likely to be taken over by regulators.

To cut back its operations and raise cash, Atlantic agreed to sell nine branches in northeastern Pennsylvania with $250 million in deposits to First Eastern Bank, Wilkes-Barre, and six branches in the Los Angeles area with $170 million in deposits to Columbia Savings and Loan Association, Beverly Hills.

The 1989 fiscal year, which ended Sept. 30, was the first in which Atlantic suffered a net loss. Of the $161.1 million of red ink, or $39.33 per primary share, $78.3 million or $18.78 per share was lost in the fourth fiscal quarter. ☐

Maryland Bill May Speed Phaseout of S&L Agency

By BILL ATKINSON

WASHINGTON — A bill that is expected to be introduced into the Maryland General Assembly this session would speed up the process of dissolving the state's 29-year-old savings and loan regulatory and chartering body.

Maryland is following the lead of a number of states that have one oversight agency to charter and regulate savings and loans and banks. Even on the federal level, legislation will be introduced to eliminate the Office of Thrift Supervision.

The bill "is definitely under discussion," said Joseph Owens, deputy secretary of the Maryland Department of Licensing and Regulation, an umbrella department that oversees all regulatory boards.

Under Maryland law, the Division of Savings and Loan Associations is to be phased out in 1992, but the state is trying to dissolve it more quickly because there are only seven state-chartered thrifts left in Maryland and three have already applied for federal charters.

In 1986, Maryland rewrote its law governing S&Ls after the state's thrift crisis in 1985, which stemmed from the collapse of a private deposit insurance system. At that time, there were 115 state-chartered S&Ls with $4 billion in assets.

A forerunner to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Maryland law put strict limits on the amount of money S&Ls could lend out of state, increased examination fees, limited insider loans, and required all state-chartered S&Ls to get federal charters or merge with an institution that already had one.

Correction

Due to an editing error, J.P. Morgan & Co.'s per-share earnings in the fourth quarter were reported incorrectly in a Jan. 12 story ("J.P. Morgan's Earnings Drop Below Analysts' Expectations," page 1). Morgan earned 81 cents a share. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
American Bankers Assn. 1,3
American Federal Savings 1
Anchor Federal 1
Andersen Consulting 3
Association of Bank Holding Companies 7
Atlantic Financial Federal 2
Banc One 24
Bancorp Hawaii 1
Bancplus Savings 8
Bank of Japan 10
BankAmerica 8,10,24
Bankers Trust 1,3,6,10
Barclays Bank 4
BEI Golembe 1
Bexar Savings 1
Birinyi Associates 24
Blue Valley Federal 1
Boatmen's Bankshares 24
Bright Banc Savings 8

C
Canadian Imperial 1,24
Carteret Savings 6
Chase Manhattan 1,6,10,24
Chemical Bank 3,6,10
Citicorp 1,8
Citizens Financial 1
City Savings 6
CM&M Group 1
Columbia Savings 2
Commonwealth Savings 8
Compagnie Financiere de Suez 10
Continental Bank 3
CoreStates Financial 6

D - F
Drexel Burnham Lambert 24
Drinker Biddle & Reath 7
Equitable Real Estate 8
Fairfield Manufacturing 24
Ferguson & Co. 8
FileNet 3
First Atlantic Securities 1
First Chicago 24
First Eastern 1,2
First Federal of Michigan 4
First Fidelity Bancorp. 6
First Florida 1
First Interstate 2,8
First National of Chicago 1
First of America 1
FirstFed America 1
Fleet/Norstar 1
Friendly Bank 1
Furash & Co. 7

G - K
Georgia Gulf 24
Gill Savings 1
Golden Pacific Savings 4
Goldman Sachs 24
Greyhound 3
Horizon Financial F.A. 1
J.P. Morgan 10,24
KPMG Peat Marwick 3

L - N
Lancer Industries 24
Laventhol & Horwath 8
Long Term Credit Bank 24
Lower East Side People's Federal Credit Union 6
Manufacturers Hanover 6,10
Mellon Bank 3
Merchants National 10
Merrill Lynch 22,24
Mid-State Savings 1
Midlantic 6
MNC Financial 4
Montgomery Securities 24
Morgan Guaranty 1,6
Mother Lode Savings 1
National Federation of Community Development Credit Unions 6
National Westminster 4,10
NCNB 24
Neoax 24
New York Cash Exchange 6
New York Switch 6
NL Industries 24

O - P
One Federal Management 24
Otero Savings 1
Pacific First Financial 1
Philips Industries 24
Pitcairn Financial Management 24
Portman Cos. 8
Price Waterhouse 7
Primebank 1

R - Z
Resolution Trust 1,2,8
Royal Palm Federal 1
Royal Trustco 1
Salomon Brothers 1,8
San Diego Trust 1
Security Pacific 3,4,8,24
Shearson Lehman Hutton 1
Sherman & Sterling 10
Southwest of St. Louis 1
Sovran Financial 1
Star Bank 1

T - Z
Texas Bankers Assn. 6
Texas Credit Union League 6
Tokai Bank 10
U.S. Bancorp. 24
UAL 24
Union of Switzerland 10
United Jersey 6
Wang Laboratories 3
WEFA Group 8
Wells Fargo 8,24
Western Savings 1
Williams Securities 1

EDITOR'S NOTE

The 'New' American Banker

Dear Reader,

You have seen a number of new features in the *American Banker* in recent months, including additional columns and greater use of graphics and photography. Today, we are completing the introduction of a total redesign of our 154-year-old newspaper.

All of this stems from a thorough look at the needs of our readers and the changing dimensions of the banking industry. It began about a year ago with a Booz, Allen & Hamilton survey that included interviews with more than 1,000 past and present subscribers and continued throughout 1989 in meetings with banking industry experts.

Driving the process was our own journalistic sense of getting off the mark faster to deliver banking news first and with the most insightful analysis.

A further aim of the redesigned paper is to help readers find what they want to read with greater ease. In short, we want to give them a faster way to get through the paper and to make it more enjoyable in the process.

The result is more than a dozen new columns and daily departments for consumer, international, technology, and financial news.

Under the guidance of newspaper designer Robert Lockwood, the *American Banker* also has a new look. Reflecting the faster pace of the industry itself, the paper has shifted from a four-column to a five-column format.

And to give greater attention to news analysis and feature stories, the advertisement space that has been allocated at the bottom of page 1 for more than a century has been eliminated in favor of giving readers more editorial material.

Among the added sections, Finance, which begins on the back page, is especially new. For the first time, the *American Banker* is carrying closing prices of bank and thrift stocks, including a recalculation daily of the market price-to-book ratio.

The Finance section also contains a daily bank stocks column and a daily capital column that tracks how banks are funding their assets and raising long-term capital. The Deals column is a shortened moniker for "Inside Financing," the column begun a few months ago to track corporate lending.

> **All these changes are in keeping with the dynamic role that the banking community is playing.**

The segmentation of the paper into departments, an expanded Inside News column on page one, a company index on page two, the use of much more art, and the introduction of several human interest columns are ways we have devised to meet the goal of becoming, in the terminology of product designers, more user friendly.

All these changes are, we believe, in keeping with the dynamic role that the banking community is playing in the consumer, corporate, and political worlds. They also reflect the changing parameters of the banking business itself as banking becomes more of a generic name for any financial institution that borrows, lends, and serves as a money intermediary.

Throughout this period of changing the *American Banker* over recent months, we attempted to adhere to the mission statement we wrote early in the process. Among the standards we set out then were "to deliver in-depth banking news and analysis to America's bankers – to alert and inform them, every day, about the most significant events affecting their business."

Help in Decision-Making

Further, we said: "Our goal is to help our readers make the decisions that will enable their organizations to survive and prosper in the fast-changing competitive environment of today's global financial services industry."

The shelf life of any edition of a daily newspaper is, by design, short. But if, day after day, it informs, delights, and challenges the minds of its readers, it delivers value from one generation to the next. That, we hope, will be the lasting measure of this redesign.

Fred Bleakley, Editor

CRIME BLOTTER/*By Tom Leander*

Transfer Fraud Artist Nabbed in Hong Kong

A bank trainee earning $10,000 a year swindled Britain's Barclays Bank PLC out of nearly $2.5 million by exploiting loopholes in the bank's automated cash-transfer systems.

The bank did not spot the scam for a year, by which time Stephen Hedges, 23, had departed to fly first-class around the world.

Mr. Hedges, an economics student, joined Barclays in the City of London in 1986. He was given the job of moving funds for major corporations and institutional investors, a London court learned.

In his ploy to cheat the bank, the clerk created a company called Pharmogen and opened an account for it at the rival National Westminster Bank PLC.

He then filled out loan requests for various legitimate companies and got them authorized by his superiors. He next altered the paperwork so that the funds went to Pharmogen through the bank's automated systems.

Mr. Hedges repeated his swindle five times. The biggest hit, in August 1987, amounted to $1 million. Two days later he resigned, telling colleagues he wanted to travel the world.

Barclays' audits finally exposed the fraud, and Mr. Hedges was arrested in Hong Kong, where detectives found two bags containing $1.5 million worth of $100 bills.

London's crown court sentenced Mr. Hedges to three years in prison. Because he has already spent six months in custody, he could be released on parole next year.

— **John Evans**

FBI Blames Drug Ring For Bank-Heist Wave

A heroin and cocaine ring was partly to blame for the record number of bank robberies in California's Ventura County in 1989, according to the county's top FBI agent.

FBI agent Gary Auer said at least four drug addicts were responsible for more than 20 of the 76 bank robberies in the county last year. He said the addicts were ordered to carry out the robberies by the head of a local drug ring as a way to support their habits.

According to Mr. Auer, the four suspects said they were getting their instructions from the same dealer, whose identity they would not reveal.

Mr. Auer expressed hope that the unidentified ringleader may have been apprehended in the first week of January, during a sweep of local drug dealers, but he said this has not been determined.

* * *

Wigged Bank Bomber Charged in Baltimore

A man dressed in a wig and a woman's coat robbed a Baltimore branch of MNC Financial Inc.'s Maryland National Bank, then exploded a bomb in the bank as he fled, according to Baltimore police.

Lloyd Dickerson, 36, of Baltimore, appeared before U.S. Magistrate Daniel Klein Jr. He was indicted Jan. 4 on federal bank robbery charges.

Police have also confirmed that the suspect recently completed a prison term for slaying his grandmother.

The indictment accuses Mr. Dickerson of wearing a wig and woman's coat when he gave a teller a holdup note written on a matchbook.

He also allegedly lobbed a homemade bomb behind him as he left. The bomb shattered a front window and damaged cars, but no one was injured.

* * *

S&L Directors to Pay For Spending Spree

Federal regulators will seek stiff prison terms for two former savings and loan directors who squandered $500,000 when they were supposed to be making restitution of $1.5 million on an earlier bank-fraud conviction.

Officials of the Federal Deposit Insurance Corp. said they would ask a federal judge to impose "significant prison sentences" on Jan. 22 for brothers Leif and Jay Soderling, former directors of Golden Pacific Savings and Loan Association in Santa Rosa, Calif.

Jack Smith, deputy general counsel for the FDIC, said the judge needs to send "a strong message to anyone contemplating fraud that we will not tolerate this kind of criminal conduct and contempt."

The Soderlings were convicted in December of going on a $500,000 spending spree at the same time they claimed they could not pay $1.5 million they owed in restitution to the FDIC as the result of a previous bank fraud conviction.

The brothers were directors and shareholders of Golden Pacific when it was closed by federal regulators in May 1985. The two served eight months in halfway houses.

* * *

Bogus Bomb Forces Evacuation of Bank

A fake bomb left on a desk by a would-be robber forced the evacuation of about 20 people from a Security Pacific National Bank branch in Hollywood, Calif. on Jan. 5, according to police.

Dressed casually in a sport coat and polo shirt, a man entered Security Pacific Corp.'s branch of on Sunset Boulevard at about 2 p.m. and asked for a $35,000 loan. After discussing the loan for about a half hour with a bank employee, the man pulled out a red box and threatened to blow up the bank unless he got the money, police said.

The man fled when the employee went to the bank vault. No money was taken and employees were allowed to return in about an hour. Police found crumpled newspapers in the box.

* * *

Michigan Bank Robber To Be Tried for Murder

A man charged with kidnapping four bank employees and killing one of them when he ran over her with his car must stand trial for murder, a judge ruled this week.

William McAlister, 21, allegedly robbed the First Federal Bank of Michigan to get money to pay his college tuition.

Mr. McAlister is accused of robbing a First Federal branch on Sept. 26 and kidnapping four bank employees. The employees were taken to a rural site, where they were forced to lie on the ground. One of the workers, Marilyn Parks, was killed when Mr. McAlister allegedly drove over her with his car.

Mr. McAlister was picked up later that day and the $46,000 taken in the robbery was recovered. Police say that Mr. McAlister has already confessed to the bank robbery.

According to police, he planned to use the money to pay his tuition at Andrews University, a Seventh-Day Adventist school in Berrien Springs, Mich., where Mr. McAlister was to begin his sophomore year. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-939-4925
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2222

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

S&L RESCUE UPDATE

Thrifts Being Acquired by Banks Under Bailout Law

Listed geographically by acquired thrift and announced date of acquisition agreement

	Name of acquiring bank, city, state Name of acquired thrift, city	Announcement Date	Inst. Type[1]	Total Assets[2] $ Mil.	Premium/ Deposits[3,4] (%)	Price/ Book[4] (%)	Price/ Earnings[4,5] (%)	Deal Type
California	**US Bancorp, Portland, Ore.**	11/3/89	Com	15,974				Acquisition for cash or stock of a sound, stock thrift institution.
	Mother Lode Savings Bank, Sacramento[6]		Stk	107	0.86	1.17	10.64	
	First American Bank, Rosemead, Calif.	9/22/89	Com	118				Assisted supervisory transaction (a so-called "clean bank" transaction).
	First California Savings FSA, Orange		Mut	136	0.02	...	...	
	Olympic National Bank, Los Angeles	8/25/89	Com	83				Assisted supervisory transaction (a so-called "clean bank" transaction).
	City Savings & Loan Assn., Westlake Village		Stk	32	0.75	...	...	
	Bank of Industry, City of Industry, Calif.	8/25/89	Com	222				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Perpetual Savings Assn. FS&LA, Santa Ana		Mut	276	0.5	...	...	
Florida	**First Florida Banks, Inc. Tampa**	11/27/89	Com	5,256				Acquisition for cash or stock of a sound, stock thrift institution.
	Mid-State Federal Savings Bank, Ocala		Stk	1,017	0.00	1.00	33.01	
	NCNB National Bank of Florida, Tampa	10/13/89	Com	11,145				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Freedom Savings & Loan Assn., Tampa		Stk	1,082	3.67	...	...	
	NCNB National Bank of Florida, Tampa	10/06/89	Com	11,145				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Southern Floridabanc FS&LA, Boca Raton		Mut	137	0.04	...	...	
	Citizens and Southern National Bank of Fla., Ft. Lauderdale	8/10/89	Com	6,194				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Liberty FS&LA, Port Richey		Mut	55	1.22	...	...	
Georgia	**First National Bank, Commerce, Ga.**	9/21/89	Com	69				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Habersham Federal Savings & Loan Assn., Cornelia		Stk	91	1.44	...	...	
Hawaii	**Bancorp. Hawaii, Inc., Honolulu**[7]	11/10/89	Com	6,562				Acquisition for cash or stock of a sound, stock thrift institution.
	FirstFed America, Inc., Honolulu[6]		Stk	874	6.34	1.49	14.98	
Idaho	**Security Pacific Corp., Los Angeles**	11/3/89	Com	87,027				Acquisition for cash or stock of a sound, stock thrift institution.
	Mountain West Savings Bank, Coeur d'Alene[6]		Stk	328	5.66	1.71	152.91	
Indiana	**First of America Banking Corp., Kalamazoo, Mich.**[7]	12/19/89	Com	9,745				Acquisition for cash or stock of a sound, stock thrift institution.
	Shelby Federal Savings Bank, Indianapolis[6]		Stk	192	4.31	1.56	16.12	
	First Financial Corp., Terre Haute, Ind.	12/1/89	Com	819				Acquisition for cash or stock of a sound, stock thrift institution.
	Fidelity Federal Savings Bank, Marion		Stk	84	1.11	1.07	22.47	
	CNB Bancshares, Evansville, Ind.[7]	9/29/89	Com	1,259				Acquisition for cash or stock of a sound, stock thrift institution.
	Valley Federal Savings Bank, Terre Haute		Stk	245	(1.14)	0.83	153.09	
Kansas	**Garden National Bank, Garden City, Kan.**	9/22/89	Com	112				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Colonial Savings Assn. of America, Liberal		Stk	56	0.17	...	...	
	Bank IV of Coffeyville NA, Kan.	8/18/89	Com	105				Assisted supervisory transaction (a so-called "clean bank" transaction).
	First Federal Savings & Loan Assn., Coffeyville		Mut	73	0.84	...	...	
Louisiana	**Hibernia National Bank, New Orleans**	10/6/89	Com	6,135				Assisted supervisory transaction (a so-called "clean bank" transaction).
	River City Federal Savings Bank, Baton Rouge		Stk	57	0.6	...	...	
	Hibernia National Bank, New Orleans	9/15/89	Com	6,135				Assisted supervisory transaction (a so-called "clean bank" transaction).
	First Savings of Louisiana FSA, La Place		Mut	24	0.52	...	...	
	Whitney National Bank, New Orleans	9/8/89	Com	2,518				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Enterprise Federal Savings & Loan Assn., Marrero		Stk	56	0.11	...	...	
	First National Bank of Commerce, New Orleans	9/8/89	Com	2,773				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Elmwood Federal Savings & Loan Assn., Harahan		Mut	53	0.73	...	...	
	Hibernia National Bank, New Orleans	8/18/89	Com	6,135				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Evangeline FS&LA, Lafayette, LA		Mut	38	0.29	...	...	
Michigan	**First of America Banking Corp., Kalamazoo**[7]	11/16/89	Com	9,745				Acquisition for cash or stock of a sound, stock thrift institution.
	PrimeBank, FSB, Grand Rapids[6]		Stk	402	3.91	1.63	12.55	
Nebraska	**First National Bank & Trust Co., North Platte**	9/15/89	Com	91				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Nile Valley Federal Savings & Loan Assn., Scottsbluff		Stk	50	1.29	...	...	
New Jersey	**Citizens First Bancorp., Glen Rock**[7]	10/24/89	Com	2,693				Acquisition for cash or stock of a sound, stock thrift institution.
	Lakeland First Financial, Succasunna[6]		Stk	281	4.30	1.25	13.23	
New York	**First Glen Bancorp. Inc., Glens Falls**[7,8]	11/3/89	Com	702				Acquisition for cash or stock of a sound, stock thrift institution.
	Champlain Valley Federal S&L Assn., Plattsburg[6]		Mut	196	NA	NA	NA	
North Carolina	**BB&T Financial Corp., Wilson**[7,9]	10/24/89	Com	4,549				Acquisition for cash or stock of a sound, stock thrift institution.
	First Fed. Svgs. Bank of Pitt County, Greenville[6]		Stk	141	5.66	1.77	11.07	
	Southern National Corp., Lumberton	10/15/89	Com	2,787				Acquisition for cash or stock of a sound, stock thrift institution.
	Mutual Federal Savings & Loan Assn., Elkin		Stk	129	6.47	1.35	17.99	
	First Citizens BancShares, Raleigh	10/1/89	Com	3,583				Acquisition for cash or stock of a sound, stock thrift institution.
	Catawba SavShares, Inc., Charlotte		Stk	268	(0.58)	0.83	7.97	
	NCNB, Charlotte	9/15/89	Com	17,257				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Great Atlantic Savings Bank, FSB, Manteo		Stk	110	0.35	...	...	
	Southern National Corp., Lumberton	9/15/89	Com	2,787				Acquisition for cash or stock of a sound, stock thrift institution.
	Western Carolina Saving & Loan Assn., Valdese		Stk	76	7.37	1.36	14.78	
	Peoples Bancorporation, Rocky Mount[7]	8/24/89	Com	1,287				An unassisted supervisory conversion.
	Watauga Savings & Loan Assn., Boone[7]		Mut	128	...	...	...	
	BB&T Financial Corp., Wilson	5/24/89	Com	4,549				Acquisition for cash or stock of a sound, stock thrift institution.
	Carolina Bancorp., High Point		Stk	316	2.38	1.26	13.23	
Ohio	**First Bancorp of Ohio, Akron**	12/15/89	Com	3,242				Acquisition for cash or stock of a sound, stock thrift institution.
	Peoples Savings Bank, Ashtabula		Stk	299	1.28	1.34	5.14	
	MidAm Inc., Bowling Green[7,8]	11/10/89	Com	624				Acquisition for cash or stock of a sound, stock thrift institution.
	Home S&LA, Defiance[6]		Stk	210	NA	NA	NA	
	Park National Corp., Newark[7]	11/10/89	Com	747				Acquisition for cash or stock of a sound, stock thrift institution.
	Mutual Federal Savings Bank, Zanesville[6]		Stk	361	(3.70)	0.48	NA	
	MidAm Inc., Bowling Green[7]	9/14/89	Com	624				Acquisition for cash or stock of a sound, stock thrift institution.
	Citizens Loan & Building Co., Lima		Stk	124	(0.34)	0.87	2.74	
	National City Corp., Cleveland	7/3/89	Com	21,623				An unassisted supervisory conversion.
	Gem Savings Association, Dayton		Mut	1,557	...	...	...	
	BancOne Corp., Columbus	5/3/89	Com	25,153				Acquisition for cash or stock of a sound, stock thrift institution.
	Home Federal SB of Northern Ohio, Lakewood		Stk	329	2.03	1.34	9.43	

Data Source: Data provided by **BEI Golembe, Inc., Washington, D.C.** from its Deals Database. (1)— Institution Type: Com= commercial banking organization; Stk= stock savings institution; Mut= mutual savings institution. (2)— For deals where the target thrift has less than $500 million in total assets, balance sheet data are as of June 30 or December 31 preceding the date of announcement (application) excepted as noted. In transactions where the target thrift has total assets of $500 million or more, balance sheet data are as of the quarter preceding the date of announcement except as noted. (3)— Price minus book divided by total deposits. (4)— Price is valued as of application date, exept in deals where the target had total assets greater than $500 million in which case price is valued at announcement date. (5)— Income is net income before securities transactions and is for the full calendar year prior to the announcement (application) date for deals where the target had less than $500 million in assets, except as noted. If the target had more than $500 million in assets, net income is for the trailing four quarters preceding the date of announcement, except as noted. (6)— Balance sheet data as of 6/30/89. (7)— Balance sheet data as of 3/31/89. (8)— Terms not disclosed. (9)— BB&T will issue 1.75 shares of common stock for each of the 388,500 outstanding shares of First FSB common stock. First FSB agreed conditionally to give BB&T an option to purchase 128,000 shares of its authorized stock at $26 per share. (10)— Plans to convert Central into a bank subsidiary. **NA**— Not available.

Source: BEI Golembe Inc.

S&L RESCUE UPDATE

Thrifts Being Acquired by Banks Under Bailout Law

Listed geographically by acquired thrift and announced date of acquisition agreement

	Name of acquiring bank, city, state Name and city of acquired thrift	Announcement Date	Inst. Type[1]	Total Assets[2] $ Mil.	Premium/ Deposits[3 4] (%)	Price/ Book[4] (%)	Price/ Earnings[4 5] (%)	Deal Type
Pennsylvania	**PNC Financial Corp., Pittsburgh[8]**	12/11/89	Com	41,753				An unassisted supervisory conversion.
	First Federal Savings & Loan Assn., Pittsburgh		Mut	3,126	...	...	...	
	Susquehanna Bancshares, Inc., Lititz[7]	11/21/89	Com	1,279				Acquisition for cash or stock of a sound, stock thrift institution.
	Elmwood Federal Savings Bank, Media[6]		Stk	260	2.83	1.24	15.20	
	First Western Bancorp., New Castle	11/14/89	Com	532				Acquisition for cash or stock of a sound, stock thrift institution.
	First Federal of Western PA, Sharon		Stk	361	0.00	1.00	15.57	
	Univest Corp. of Pennsylvania, Souderton[7]	10/31/89	Com	531				Acquisition for cash or stock of a sound, stock thrift institution.
	Pennview Savings Bank, Souderton[6]		Stk	148	2.85	1.43	12.94	
	FNB Corp., Hermitage[7]	10/26/89	Com	1,038				Acquisition for cash or stock of a sound, stock thrift institution.
	Dollar Savings Association, New Castle[6]		Stk	110	1.83	1.19	20.45	
	Meridian Bancorp. Inc., Reading	10/13/89	Com	9,906				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Hill Financial Savings Assn., Red Hill		Mut	2,589	1.53	...	...	
	Financial Trust Co., Carlisle	10/9/89	Com	596				An unassisted supervisory conversion.
	First Federal Savings Bank, Hanover		Mut	77	...	...	...	
	CCNB Corp., New Cumberland[7 8]	10/3/89	Com	1,126				Acquisition for cash or stock of a sound, stock thrift institution.
	Parent Federal Savings Bank, Lancaster[6]		Stk	71	NA	NA	NA	
Texas	**NCNB Texas National Bank, Dallas**	10/13/89	Com	27,941				Assisted supervisory transaction (a so-called "clean bank" transaction).
	University Federal SA, Houston		Stk	2,615	3.69	...	...	
	Hibernia National Bank in Texas, Pflugerville	10/6/89	Com	NA				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Trinity Valley S&LA, Cleveland		Stk	86	0.56	...	...	
	NCNB Texas National Bank, Dallas	9/22/89	Com	27,941				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Village Savings Bank FSB, Houston		Stk	91	0.75	...	...	
	NCNB Texas National Bank, Dallas	9/22/89	Com	27,941				Assisted supervisory transaction (a so-called "clean bank" transaction).
	First Capital SA of Texas, Houston		Stk	76	0.41	...	...	
	Hibernia National Bank in Texas, Pflugerville	9/15/89	Com	NA				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Humble S&LA, Humble		Stk	46	0.38	...	...	
	NCNB Texas National Bank, Dallas	9/8/89	Com	27,941				Assisted supervisory transaction (a so-called "clean bank" transaction).
	American FSB, Austin		Stk	32	0.17	...	...	
	NCNB Texas National Bank, Dallas	8/18/89	Com	27,941				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Century S&LA, Baytown		Stk	58	0.03	...	...	
	Comercia Bank-Texas, Dallas	8/10/89	Com	611				Assisted supervisory transaction (a so-called "clean bank" transaction).
	Park Cities SA, Dallas		Stk	44	0.05	...	...	
Wisconsin	**Marshall & Ilsley Corp., Milwaukee[8 10]**	9/13/89	Com	6,692				A modified conversion.
	Central Federal S&LA, Ripon		Mut	99	...	...	...	

Data Source: Data provided by **BEI Golembe, Inc., Washington, D.C.** from its Deals Database. **(1)**— Institution Type: Com= commercial banking organization; Stk= stock savings institution; Mut= mutual savings institution. **(2)**— For deals where the target thrift has less than $500 million in total assets, balance sheet data are as of June 30 or December 31 preceding the date of announcement (application) excepted as noted. in transactions where the target thrift has total assets of $500 million or more, balance sheet data are as of the quarter preceding the date of announcement except as noted. **(3)**— Price minus book divided by total deposits. **(4)**— Price is valued as of application date, exept in deals where the target had total assets greater than $500 million in which case price is valued at announcement date. **(5)**— Income is net income before securities transactions and is for the full calendar year prior to the announcement (application) date for deals where the target had less than $500 million in assets, except as noted. If the target had more than $500 million in assets, net income is for the trailing four quarters preceding the date of announcement, except as noted. **(6)**— Balance sheet data as of 6/30/89. **(7)**— Balance sheet data as of 3/31/89. **(8)**— Terms not disclosed. **(9)**— BB&T will issue 1.75 shares of common stock for each of the 388,500 outstanding shares of First FSB common stock. First FSB agreed conditionally to give BB&T an option to purchase 128,000 shares of its authorized stock at $26 per share. **(10)**— Plans to convert Central into a bank subsidiary. **NA**— Not available.

Source: BEI Golembe Inc.

Swift Pace of Bank Deals for Thrifts Surprises the Industry

Continued from *page* **1**

mate that it involved far fewer deals. "My guess would have been about 30 deals," acknowledged William B. McWilliams, president and chief executive officer of First Atlantic Securities Inc., Raleigh, N.C.

Moreover, the number of small transactions has led to the mistaken notion in some quarters that most transactions have involved troubled savings and loan associations being handled through the Resolution Trust Corp. Actually, nearly half the 1989 deals – 25 of them – involved banks buying thrifts without direct government involvement.

Many Deals Unassisted

"This should finally put to rest the idea that banks are not interested in thrifts," said Bruce W. Harting, thrift industry analyst at Salomon Brothers, the New York investment banking firm.

"What's most impressive is the number of unassisted deals," he added. "It demonstrates that banks have begun their own search for thrifts rather than waiting for a package from the government."

"It's a surprising amount of activity, given that the bailout bill wasn't enacted until mid-August, the regulations took several further months, and that the long debate over capital rules went on until December," said Allan G. Bortel, the senior thrift analyst for Shearson Lehman Hutton Inc.

Besides the thrifts purchased under the thrift law's provisions last year, there was also the acquisition of the $6.6 billion-asset Pacific First Financial Corp., Tacoma, Wash., by Royal Trustco Ltd., Toronto. The $212 million transaction was announced last February and completed in December.

Contact Was Limited

The difficulty of gauging banks' reactions to buying thrifts when the chance finally arrived stemmed partly from the small amount of contact that previously went on between the two kind of institutions.

"Bankers always looked down their noses at thrifts, and that was before the crisis of the last few years. They've been on an accelerated learning curve since August," noted Samuel J. Beebe, a banking and thrift industry analyst at Williams Securities Group, Tampa, Fla.

The first bank acquisition of a thrift only dates to 1982 and, given both regulatory difficulties and bankers' attitudes, few occurred between then and 1987, when a two-year moratorium was clamped on such deals. In effect, banks have only five years of history and a handful of examples for guidance.

"That's really pretty brief experience," said John J. Mingo, the BEI Golembe managing director who closely tracks bank purchases of thrifts. As more is gained, he feels the number of these deals will grow rapidly.

He also believes that the considerable gap that has existed between typical prices paid for thrifts and banks will begin to narrow.

Price Gap Is Wide

Since the October 1987 stock market crash, the median price paid for banks with more than $500 million in assets has been 1.8 times book value, or 15 times earnings, or a 6% premium over deposits. In contrast, for similar healthy thrifts it has been a meager 1.2 times book, 12.5 times earnings, and a 2% premium to deposits.

"Thrifts are cheaper now precisely because they are a little-known entity as far as banks are concerned," he said. The removal of regulatory barriers to such acquisitions effectively removes a market imperfection that had been a big source of the pricing gap, Mr. Mingo believes.

"With increasing demand, I think we'll see the prices of thrifts and banks closer together by the end of this year."

Price Factors Disputed

Mr. Mingo disagrees with those who assign the lower prices paid for thrifts to the higher risks involved for banks, and particularly to the perceived lack of management talent at many thrifts. "Management is something you pay for if you need it, and don't if you don't," he said.

Most Active States In Bank-Thrift Deals

Agreements under bailout law

State	Thrift assets acquired (billions of dollars)	# of deals
Pennsylvania	$6.7	8
Texas	$3.0	8
Ohio	$2.9	6
Florida	$2.3	4
N. Carolina	$1.2	7

Source: BEI Golembe Inc.

"There are regulatory difficulties and extra due diligence required in buying savings and loans, and some operating differences involved in running them, but nothing that is not priceable or manageable," he maintains.

Nearly all the thrift deals struck in 1989 were used by banks as a means of filling in gaps in their franchises, rather than as extensions of their markets.

Geographic Concentration

The focus on small institutions last year meant that the largest number of deals and the most thrift assets acquired by banks took place in states such as Pennsylvania, Texas, and Ohio that have a large number of small institutions.

Of the 25 deals not involving government assistance, most if not all are still pending. Most banks have not yet decided if their thrifts will continue to be operated as thrifts or, where permitted, be merged into bank operations.

While 41 of the bank-thrift deals arranged last year involved shareholder-owned thrifts, the majority were small and did not rank among the roughly 425 stock thrifts whose shares are traded on a routine basis. Deals for stock thrifts prevailed in the absence of rules for buying mutuals, but those are expected in the next 90 days.

A Typical Deal

Typical of them is the planned purchase of $107 million-asset Mother Lode Savings by U.S. Bancorp., Portland, Ore. The $5.3 million price tag is equal to 1.2 times Mother Lode's book value and 11 times its earnings, with a 0.9% premium on deposits.

For far less than it would pay for a bank, the $16 billion-asset Oregon superregional is obtaining a state-chartered thrift with three office in what it called "one of the fastest growing urban areas in the country." The new offices will enhance the

See **SWIFT** *next page*

CAPITAL

Increase Seen in Subordinated Debt Issues

By KELLEY HOLLAND

Look for increased issuance of subordinated debt by smaller banks in the first half of 1990, analysts and capital markets specialists say.

Provided the market for bank bonds strengthens, these banks will be seeking to bolster Tier 2 capital, the portion of required capital under the new rules that can be funded with subordinated debt, among other things.

"There is a very definite need for Tier 2 capital versus Tier 1," observed William King, first vice president at Merrill Lynch. "You're going to see a lot of smaller bank holding companies that have never been to the public debt markets before."

Historically, large banks have been the big issuers of subordinated debt because their more liquid issues were more attractive to investors. Most regional banks have resorted to other means of financing, and "most of these banks under the old rules seemed well capitalized," Mr. King said. "But the new capital rules changed this." As a result, smaller banks may soon enter the debt market, he added.

Some already have. In October 1989, Merchants National Corp. made its debut in the public debt markets with a $65 million issue of subordinated debt. A spokesman for the bank said Merchants National had Tier 1 capital of 8.66% as of Sept. 30. However, the bank wanted to borrow following several acquisitions, and "we felt that as long as we needed to go out and get debt we might as well get the sub debt first because that counts for Tier 2." Before the debt issue, Merchants National had no Tier 2 capital at all, he added.

A weak bank bond market is leading banks to defer debt issuance, however. In December, MNC Financial Inc. postponed a subordinated debt offering when the market softened, according to Arthur Gilbert, assistant treasurer.

* * *

Traders expect earnings news over the next couple of weeks to remove some uncertainty from the market for bank bonds. But one observed that "it's a shooting gallery" for bank bonds, as news of real estate or other woes continues to batter selected credits. After Bank of New England's troubles surfaced last month, for instance, an outstanding issue of its subordinated capital notes, due in 1999, plummeted to the point where its spread over Treasuries was more than 900 basis points.

Fed funds traded down slightly Friday in advance of a long weekend. Traders said they expected the market to hold around 8¼% or come down slightly over the next few weeks. Of the general policy of the Federal Reserve Bank, one trader said, "I think they'll be biased more toward the soft retail sales than the stronger than expected producer price index number." ☐

n/e/r/a
National Economic Research Associates, Inc.
Consulting Economists

We are pleased to announce that
Charlotte Chamberlain
has joined our Los Angeles office as
Vice President
specializing in financial and economic consulting
for the banking, real estate and thrift industries.
555 South Flower Street
Los Angeles, CA 90071
(213) 628-0131

White Plains, NY / Washington, DC / Los Angeles / Cambridge, MA
Philadelphia / San Francisco / Ithaca, NY / Seattle / London
A Marsh & McLennan Company

Knowing Value
In Real Estate
And S&L Workouts
Minimizes Risk

We Know Value

- Purchase/sale of RTC commercial property
- Business plans for conservatorships
- Acquisition of S&Ls, whole or assets
- S&L mutual to stock conversions
- Core deposit valuation

Call today. We'll send information at once.
1-800-228-4888

American Appraisal Associates

DEALS

Continued from *page* 24

that deal, especially if the economy continues to soften. Merrill Lynch did not return telephone calls.

The price that the Philips board might demand is unknown. Initially, Philips shares were to be purchased at $25.50. Under the most recent terms, the price was cut to $24 a share.

"HLT [highly leveraged transaction] funds are now a scarce resource," said one banker. "Before we commit to a deal, we have to make sure it's a deal we want and one that will make money.

"For money-center banks, that means they probably won't do deals unless they can be named agent or coagent where they stand to make the most money."

— Lisabeth Weiner

* * *

Lancer Industries Seeks To Refinance Bridge Loan

In a climate of increasing skepticism from bankers toward credits in cyclical businesses, Lancer IndustriesInc. is making its case to potential lenders for refinancing on a $130 million bridge loan that it used to purchase Fairfield Manufacturing Co. last August.

Lancer, a New York-based industrial holding company, says it is covering all the bases by talking to variety of funding sources besides commercial banks. Lancer purchased Indiana-based Fairfield Manufacturing from Neoax Inc.

"We're talking to different types of lenders: one-stop shops, senior lenders and subordinated lenders, and we're keeping an eye on the public market," said Angus Littlejohn, president and chief financial officer of Lancer.

Merrill Lynch, Pierce, Fenner & Smith, Inc., a subsidiary of Merrill Lynch & Co., is presently advising the company on the refinancing. Merrill provided the bridge financing.

Although several deals has met with banker resistance recently because of their cyclical nature, Lancer officials said they are not too concerned.

"It [Fairfield] has some cyclical businesses, but they're in so many different industries," Mr. Littlejohn said. "It has mining equipment on the down cycle and agricultural equipment for the up cycle, so they offset each other."

Lancer officials have not yet decided on the structure of the refinancing. A memorandum recently sent to about 10 potential funding sources, however, reportedly states that Lancer is looking for approximately $95 million in senior financing and $35 million in subordinated debt.

Some lenders have already responded with proposals, Mr. Littlejohn said. He would not elaborate except to say that the equity component in the structure would be north of $20 million.

— Caren Chesler-Marsh

* * *

Georgia Gulf Set to Name Chase as Leader on Recap

Chase Manhattan Bank was expected to be approved as lead banker for the recapitalization of Georgia Gulf Corp. at the company's special board meeting today, according to reliable bank sources.

Security Pacific National Bank and Canadian Imperial Bank of Commerce will be named coagents, they said.

Georgia Gulf said Friday that it was meeting to consider a definitive proposal for financing the recapitalization. Details on the structure of the financing were not immediately available.

Banking sources had speculated earlier that the recapitalization could be up to $900 million, with about two-thirds consisting of senior bank debt. In recent weeks, as the company remained silent about its plans, stock speculators have lowered their expectations for a large payout.

The board of the Atlanta-based company chose Goldman, Sachs & Co. to help structure a leveraged recap after the company received an uninvited $50-a-share takeover bid from Harold Simmons' NL Industries.

Approximately eight banks were invited by Goldman to bid for the agent position, sources said.

— Lisabeth Weiner and Jed Horowitz

Swift Pace of Bank Purchases Of S&Ls Surprises the Industry

Continued from *page* 21

franchise of its existing subsidiary, U.S. Bank of California.

"Over the next few years, I think we will see the banks steadily nibble away at the bottom 1,500 thrifts in the country, either using the government's assistance or paying small premiums," said Mr. Harting.

Some Requirements

"But banks buying into the top 100 or 200 thrifts that can really make a difference in market share," he said, "will depend on the healthiness of real estate markets, the pricing and valuations of bank stocks and, not least, more comfort by banks with thrifts as time passes and the education process goes on."

Only a few fully priced deals between banks and sizeable healthy thrifts with major shares in their markets were struck last year.

Among them, Bancorp Hawaii, Honolulu, agreed to buy FirstFed America, Honolulu, which has assets of $875 million, paying a price equivalent to 1.5 times book, 15 times earnings, and a hefty 6.34% premium to deposits.

In Michigan, First of America Bank Corp., Kalamazoo, agreed to buy the 402 million-asset Primebank Federal Savings Bank, Grand Rapids, for a price of 1.63 times book, 12.5 times earnings, and a 3.9% premium to deposits.

And in Florida, First Florida Banks, Tampa, agreed to buy the $1 billion-asset Mid-State Federal Savings Bank, Ocala, Fla.

C0175-1

800

AMERICAN BA

VOL. CLV NO. 13

Thursday, January 18, 1990

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

California Court Sides with Banks In Liability Cases

By SAM ZUCKERMAN

SAN FRANCISCO — After years of silence on the explosive issue of lender liability, during which lower courts awarded tens of millions of dollars to borrowers, California's Supreme Court has weighed in on the side of the banks.

The California high court's attitude was revealed in decisions last month not to review a pro-bank appeals court ruling while disallowing a pro-borrower verdict's use as precedent. The actions, which followed a string of lender appeals court victories in the state, add new strength to banks' defenses against aggrieved borrowers.

ANALYSIS
Follow-up on the news

Because the court refused to hear either lender liability case, its moves are seen more as signals than definitive pronouncements.

But in the last decade California has seen the most litigation over a lender's responsibilities to a borrower. Because decisions here tend to be cited as precedents across the country, the development could have national significance.

Supreme Deterrent

"You are not going to see people as willing to drag us in on these multimillion dollar lawsuits," said David Grappo, a Wells Fargo Bank staff attorney.

The Supreme Court acted in two contradictory cases, one of which had been won by the lender, the other by the borrower. In Price v. Wells Fargo Bank, a San Francisco state appeals court dismissed a suit by ranchers who claimed the bank backed down on promises to extend loans past official maturity dates.

In Security Pacific National Bank v. Williams, a San Diego appeals court upheld a $7 million award in favor of an auto dealer who contended his business failed because of the bank's faulty advice.

Preserving Lender Precedent

The Supreme Court refusal to hear either case let the lower court decisions stand.

But the high court ordered what is technically known as a decertification of the Williams decision, meaning that lawyers cannot cite the case as precedent in any future litigation. By not issuing a decertification on the Price decision, the net result was to preserve the pro-lender precedent while wiping the pro-borrower decision off the books.

Observers say decertification allows the Court to send a signal on its position on a case without

See **CALIFORNIA** *page* **7**

INSIDE NEWS

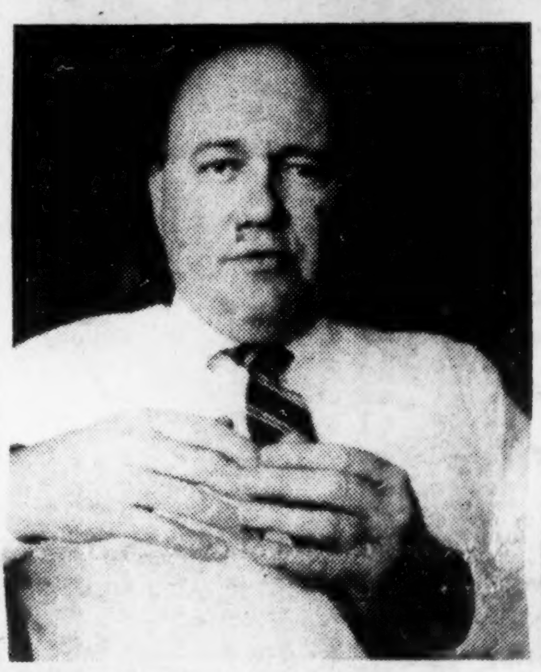
INTERNATIONAL

VENEZUELA is threatening to withhold interest payments on $21 billion it owes foreign banks unless new loans are provided. *Page 10*

FINANCE

NORTHEAST BANCORP, Shelton, Conn., led the list of bank stock losers. Though the overall market declined, several money-center and regional banks reported gains. *Page 16*

MANAGEMENT



ROBERT N. BECK, head of human resources at BankAmerica Corp., was handed the job of slashing 30,000 employees from the payroll. *Page 8*

TECHNOLOGY

A HANDFUL of bank technology executives are raking in annual compensation packages of almost half a million dollars. *Page 3*

CONSUMER

MANY NEW YORK CITY banks and thrifts make it a policy to deny checking accounts to people who live too far from the branch, state regulators found. *Page 6*

OTHER NEWS

NEIL BUSH, son of President Bush and a former director of a failed Denver S&L, faces regulatory banishment from the banking industry. *Page 2*

FIRST BANK SYSTEM Inc. reported a loss for the quarter and a tiny profit for the year, both due to problem loans. *Page 5*

INDEX

People in the News **2**
Company Index **2**
The Lobbyists **4**
Marketing/Advertising **6**
Financial Services Stocks **15**
Classified Advertising **12**

FDIC Plans Lid On Using Service Pacts As Capital

By BARBARA A. REHM

WASHINGTON — The Federal Deposit Insurance Corp. plans to limit sharply the use of purchased mortgage servicing rights to meet minimum capital requirements, and that would force at least 56 thrifts to seek new capital, analysts said.

The FDIC Tuesday postponed putting out the rule for public comment but is expected to do so in two weeks.

The change, phased in over five years, would permit thrifts to count purchased mortgage servicing rights for only half of their 1.5% tangible capital requirement. Some state-chartered banks would be similarly affected.

Tangible Capital Rule

Thrifts now can meet all of their tangible capital requirement with purchased mortgage servicing rights.

Under these servicing contracts, the owners of mortgages pay institutions a fee for collecting payments and other services. The contracts can be assigned values and counted as capital.

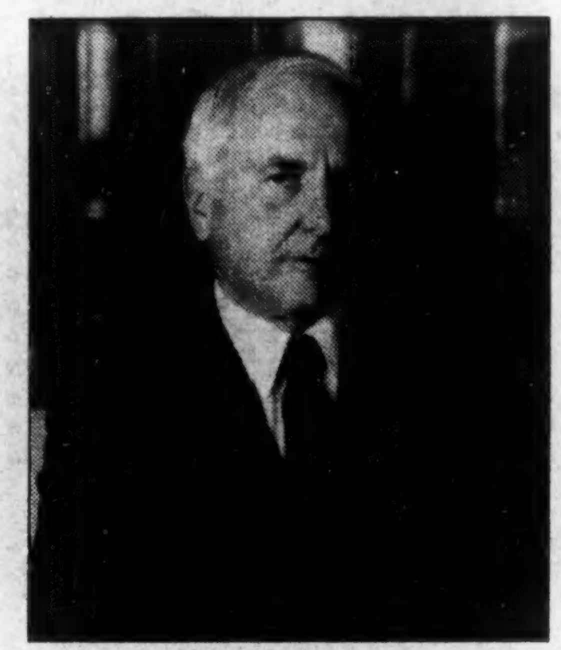
The treatment of mortgage servicing rights was controversial last year when Congress debated the thrift bailout law. It left up to the FDIC the setting of a cap on the amount that could be applied to tangible capital requirements.

Regulators consider mortgage servicing rights a relatively less

See **FDIC** *page* **14**

Pinola Is Latest to Yield As New Leaders Emerge

By SAM ZUCKERMAN



Joseph J. Pinola

SAN FRANCISCO — A new era of banking leaders continued to unfold Wednesday as First Interstate Bancorp announced that Joseph J. Pinola, who transformed the bank into the nation's first true superregional, will retire on June 1 as chairman and chief executive officer.

He will be succeeded by Edward M. Carson, 60, who has spent his entire 39-year career at First Interstate.

The announcement of Mr. Pinola's impending retirement, which was expected, came one day after Richard J. Flamson resigned as CEO at Security Pacific Corp. And it marks a continuation of the pell-mell change of leadership at many of the country's biggest banks in recent months.

Changing Face of Banking

Among the bank executives who recently stepped down or plan to soon are Lewis Preston, former chairman and CEO of J.P. Morgan & Co., and Robert Ferguson, chairman and CEO of First Fidelity Bancorp.

John F. McGillicuddy of Manufacturers Hanover Corp. and Willard C. Butcher of Chase Manhattan Corp. have announced plans to retire in the next few years.

Bank observers predicted Wednesday that more executive changes will continue to occur.

"What we are seeing is the passing of the torch," said James J. McDermott Jr., head of research at Keefe, Bruyette & Woods Inc., a New York securities firm. "Some banks need fresh views, and these younger guys get a chance to manage through this difficult period."

At First Interstate, Mr. Carson is seen as a transitional figure who will probably retire himself in a few years.

A possible successor is William E.B. Siart, the fast-rising 43-year-old president and CEO of First Interstate Bank of California, the corporation's flagship subsidiary, who will become president of the $58 billion-asset holding company when Mr. Carson becomes chairman.

He was also named a company director, and will continue as chief of the California bank.

Another possible successor is First Interstate Bank of Washington chief executive William S. Randall, 49, who last week was named to head the Arizona subsidiary, which is experiencing serious financial problems because of the decline in the real estate market.

Siart Versus Randall?

"They are pitting Siart against Randall," said a New York bank analyst who asked not to be identified.

See **PINOLA** *page* **14**

Thrift Villains: Easy to Spot, Hard to Nail

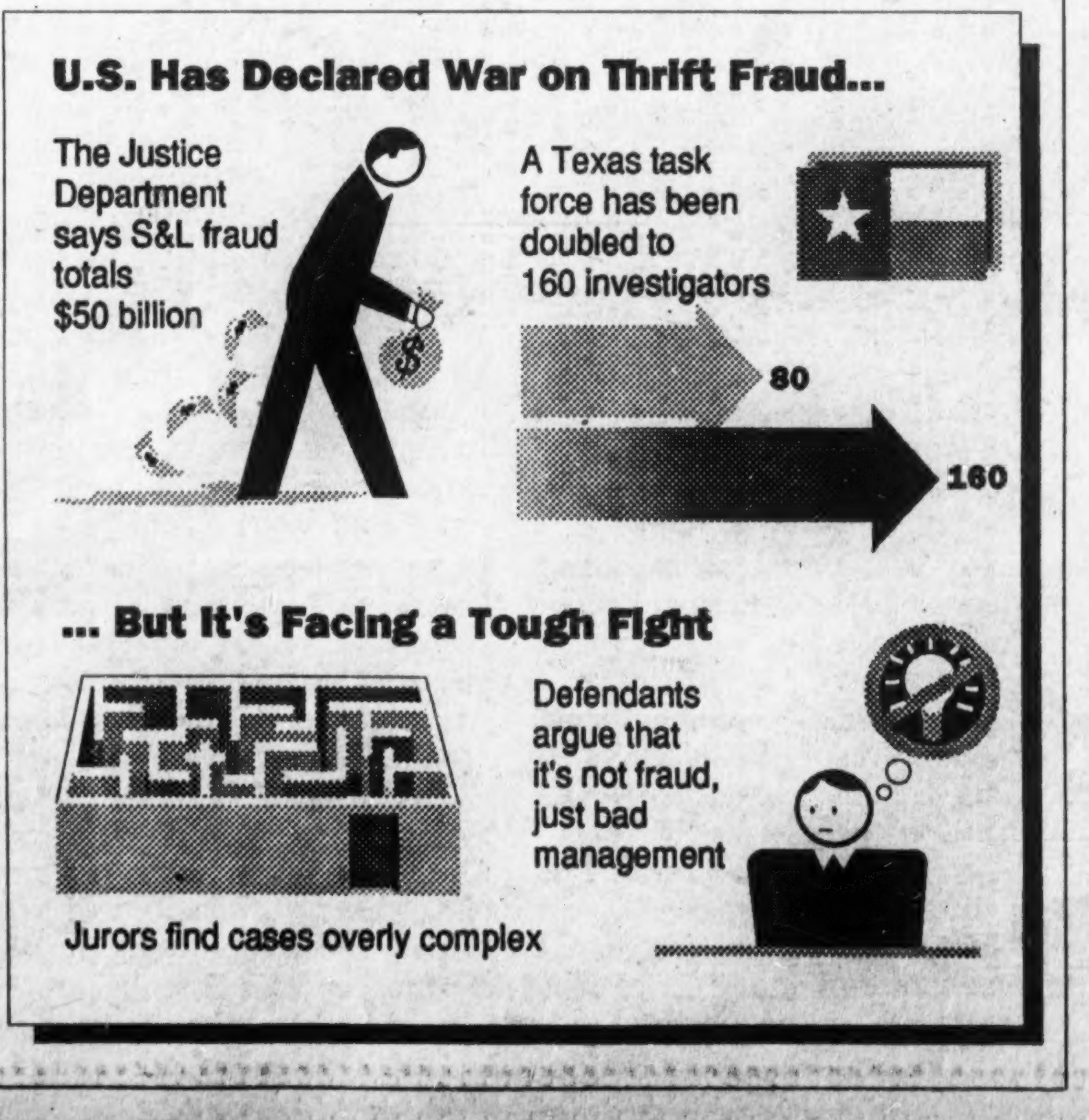
By STEVE KLINKERMAN

DALLAS — When federal prosecutors won an indictment against Danny L. Faulkner after a five-year investigation, it appeared they had solid evidence that he and six other defendants had looted $136 million from the failed Empire Savings Association, Mesquite, Tex.

But after listening to seven months of testimony, a jury in Lubbock deadlocked, unable to render even one of the more than 300 verdicts possible in the 88-count indictment.

The defeat, in what was the largest bank fraud case ever brought to trial, came just one month after the enactment of the thrift-bailout law last August. And experts say it is but a glimpse of the frustration that is to come as federal agents go after thrift executives charged with

See **REGULATORS** *page* **11**



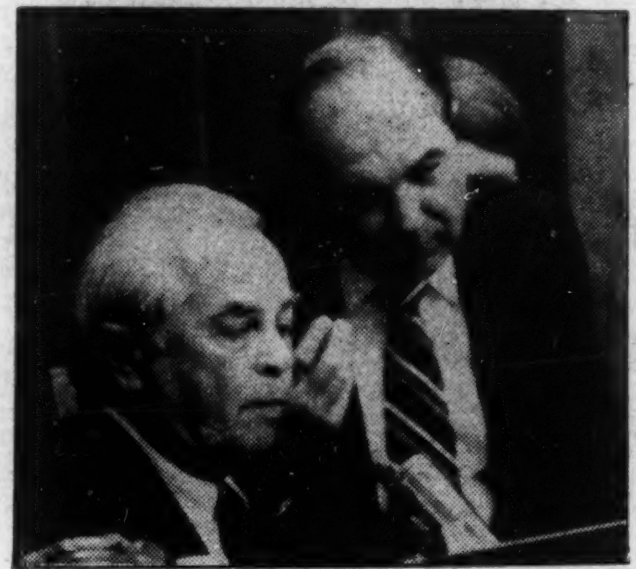
U.S. Has Declared War on Thrift Fraud...
The Justice Department says S&L fraud totals $50 billion
$
A Texas task force has been doubled to 160 investigators
80
160
... But It's Facing a Tough Fight
Defendants argue that it's not fraud, just bad management
Jurors find cases overly complex

PEOPLE *in the news...*

Paul Nelson Comes Back To the House as Economist

Former House Banking Committee staff director Paul Nelson is returning to Capitol Hill, where he was once one of the biggest backstage players of them all.

Mr. Nelson will be chief economist of the House Small Business Committee and special adviser to a task force studying the competitiveness of U.S. financial institutions.



FORMER TEAM: Paul Nelson seen in his days as an aide to former Rep. Fernand J. St Germain, D-R.I.

He was House Banking Committee staff director from 1963 until 1987, when he went to Tulane University, New Orleans, as an administrator. The 60-year-old Mr. Nelson served under three banking committee chairman, from Wright Patman, D-Tex., to Fernand J. St Germain, D-R.I. Mr. Nelson is regarded by many as a master of the legislative process, as well as an expert on banking law and regulation.

Because of his background and stature on the Hill, and because Small Business is chaired by Rep. John J. LaFalce, a senior member of the House Banking Committee, it is expected that Mr. Nelson will have an opportunity to have an impact on a broad range of financial institutions issues, including the debate over industry restructuring. Mr. LaFalce, a New York Democrat, also chairs the Banking Committee task force on U.S. competitiveness.

He told associates in late 1987 that the latter legislation was the most difficult bill of his career, and that he was reluctant to go through the process again.

But Mr. Nelson quickly tired of academic life at Tulane, where he was executive vice president, and he began looking for a Washington job. Among other things, he aggressively sought an appointment to a seat on the Federal Deposit Insurance Corp. Mr. Nelson did not return calls this week or last.

Mr. LaFalce also plans to name Jeanne Roslanowick, his banking aide, as staff director for the task force.

— **Robert Garsson**

... by region

MIDDLE ATLANTIC

Dewe Rogerson Inc., New York, the financial and corporate communications firm, has formed a mergers and acquisitions advisory and proxy solicitation services division. The new service will be launched by three new executives.

They are **Daniel H. Burch,** executive vice president, previously a senior vice president at D.F. King & Co., New York; **Neil J. Call,** executive vice president, formerly an executive vice president at D.F. King; and **Mark H. Harnett,** senior vice president, previously a vice president at D.F. King.

Dewe Rogerson Inc. is part of the Dewe Rogerson Group, based in London.

Washington Bancorp, Hoboken, N.J., has elected **Theodore J. Doll** as president and chief operating officer of the holding company and its subsidiary, Washington Savings Bank.

He has served as executive vice president of the bank since last October.

Binghamton Savings **Bank,** Binghamton, N.Y., has named **John J. Consey** and **Alex S. DePersis** to executive vice presidents, a new administrative title at the bank.

Mr. Consey supervises banking operations and Mr. DePersis supervises lending operations.

Westinghouse Credit Corp., Pittsburgh, has named **James E. Focareta** as president of this unit of Westinghouse Financial Services Inc. He formerly was senior vice president in charge of credit policy and planning. Mr. Focareta succeeds **William A. Powe,** who becomes chairman.

Three senior managers were named executive vice presidents of Westinghouse Financial Services. **Robert T. Barbour,** who headed Westinghouse Credit's corporate capital group, now heads the new international operations. **Laurence A. Chapman,** chief financial officer of both Westinghouse Financial Services and Westinghouse Credit, is now also responsible for asset review. **James W. Meighen,** formerly head of Westinghouse Credit's real estate finance group, moves to head a new capital markets operations, with responsibility for structured finance and syndications.

SOUTHWEST

First City, Texas-Houston elected **Robert G. Brooks, James M. Kipp** and **William B. Wiener 3d** as executive vice presidents.

Mr. Brooks is manager of First City real estate division; Mr. Kipp is manager of the bank's energy division; and Mr. Wiener is the senior credit officer for corporate banking.

— **Franklin Smith**

Neil Bush Faces Ban from Banking Industry

By ROBERT TRIGAUX

Neil Bush

WASHINGTON — Neil Bush, the President's 35-year-old son, is close to signing a consent order with thrift regulators that in all likelihood will ban him from banking.

A spokesman at the Office of Thrift Supervision said an agreement could be reached with Mr. Bush as early as today.

Mr. Bush's problems with the thrift regulators stem from his directorship at Denver's now-defunct Silverado Banking, Savings and Loan Association from 1985 until September 1988. The S&L, which was the third-largest in Colorado at the time, failed in December 1988.

Similar agreements have been signed with three other directors, including the institution's former chairman, Michael R. Wise. Mr. Wise was considered a rising star in the thrift industry and was an executive committee member of the U.S. League of Savings Institutions from 1986 until his thrift failed.

No Admission of Wrongdoing

The agreements, which required the former directors to obtain regulatory approval before working for a bank again, are not an admission of any wrongdoing. Lawyers claim it is a way to avoid expensive administrative hearings that, by their very nature, are weighted in favor of the agency.

According to published reports, regulators have been looking at two loans made by the thrift to business associates of Mr. Bush, including one to a prominent Republican fundraiser.

In addition, the Federal Bureau of Investigation and several government agencies, including the Securities and Exchange Commission and the Federal Deposit Insurance Corp., have been investigating allegations that the thrift was part of a "daisy chain." The chain involved as many as six other institutions that passed problem loans from one to another to hide them from examiners and also moved junk bonds for Drexel Burnham Lambert Inc. when Michael Milken worked for that firm.

The OTS action is the strongest step that agency can take against officers and directors of failed thrifts. It is up to the FDIC to collect civil penalties from the directors to cover losses to the deposit insurance funds. An FDIC spokesman said his agency is reviewing the case.

Fighting the Feds

William Leone, the Denver lawyer who represents Mr. Bush, had no comment.

But lawyers for Mr. Wise and the other two directors who have signed similar agreements claimed their clients gave in because they did not have the money to "fight the feds."

"It's very difficult to win," said Bettina Lawton of Dechart, Price & Rhodes, who represented Mr. Wise. "There's very limited discovery for a defendant in an administrative hearing."

Former directors Richard K. Vandapool and Robert M. Lewis, both former vice chairmen and officers, signed agreements last week. □

Junk Bonds Cited in CenTrust's $119.5 Million Loss

By KENNETH CLINE

ATLANTA — CenTrust Bank, Miami, on Tuesday reported a net loss of $119.5 million for the fiscal year ended Sept. 30. The bank blamed its problems primarily on "changes in law and regulatory directives," specifically a requirement that it divest itself of high-yield securities at market value.

"These losses, in our opinion, do not reflect the actual performance or value of the bank," said chairman David L. Paul in a prepared statement.

Black Ink in 1988

CenTrust's 1989 loss compares with earnings of $50.1 million in fiscal 1988. In the fourth quarter, CenTrust lost $97.3 million, versus red ink of $2.7 million during the same period of 1988.

Since early last year, Mr. Paul has been feuding with state and federal regulators over control of $9 billion-asset CenTrust, the largest thrift in the Southeast. In early December, the Office of Thrift Supervision issued a cease-and-desist order against the bank, requiring it to take various steps to return to safe and sound banking practices.

A few weeks later, Florida regulators issued an administrative complaint to CenTrust ordering Mr. Paul to step down as chairman and chief executive.

In the conflict's latest episode, the U.S. Court of Appeals in Washington on Jan. 12 upheld a temporary order by the OTS requiring CenTrust to carry defaulted securities in its portfolio at their current market value. In his press release discussing CenTrust's fiscal 1989 earnings, Mr. Paul said the order forced the bank to recognize $26 million in losses above what it considers to be the securities' value if sold.

Mr. Paul also criticized other regulatory directives related to last year's thrift-bailout bill that required CenTrust to divest itself of high-yield securities, or junk bonds, and reserve for losses arising from those sales.

"No one really expected them to write off that much of their junk bonds," said Paul Bauer, president of Coral Gables-based Bauer Financial Reports, a thrift research company. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
American Bankers Association 4
Assn. of Bank Holding Companies 4
AT&T 14
Banc One 5
BankAmerica 3,6,8,16
Bankers Trust 8
Bank of Boston 12
Bank of New England, Northeast 16
Bank of New York 16
Bauer Financial Reports 2
Binghamton Savings 2
BISYS 3

C
Campeau 14
Canadian Imperial Bank 14
Capitol Savings and Loan 1
Carteret Savings Bank 1
Cenlar Federal Savings Bank 1
CenTrust Bank 2
Chase Manhattan 1,3,6,10,14
Chemical Banking 4,6,8
Citicorp 3,6
Coalition of Del. Insurance Agents 4
Comerica 4
Conf. of State Bank Supervisors 6

D - F
Delaware Bankers Association 4
Dewe Rogerson Group 2
Drexel Burnham Lambert 2,3,14
Empire Savings 1
Exxon 14
Ferguson 1
First Bank System 5
First Boston 14,16
First Chicago 14
First City 2
First Fidelity 1,12
First Financial Management 3
First Interstate Bancorp 1
First Security 4
First Union 5
FiServ 3
Fleet/Norstar Financial Group 5
Franklin Savings Association 1
Fuchs Cuthrell 8

G - K
General Motors 3
Georgia Gulf 14
Goldman Sachs 14
Heidrick & Struggles 3
Home Owners Savings 1
Independent Bankers Assn. of America 4
Independent Insurance Agents 4
International Business Machines 8
J.P. Morgan 1,14
Johnson & Gibb 1
Keefe, Bruyette & Woods 1

L - M
Leader Federal Bank for Savings 1
Lincoln Savings 7
Manhattan Savings 6
Manufacturers Hanover 1,6
Marshall & Ilsley 3
MasterCard International 6
McCann Erickson 6
McKinsey 3
Mellon Bank 3
Merrill Lynch 3
Midlantic 12
Moody's Investors Service 16
Morgan Stanley 3

N - R
National Council of Savings Institutions 1
New York State Bankers Association 6
PaineWebber 14,16
PNC Financial 5
Reserve Financial Management 1
Resolution Trust Corp. 7
RJR Nabisco 14
Ryan Beck 16

S
Salomon Brothers 3
Sanford C. Bernstein 1
Secura Group 7
Seaman Furniture 14
Securities Industry Association 4
Security Pacific 1,3,6,14
Silverado Banking 2
Standard & Poor's 16
Standard Federal Savings 1
State Street Bank & Trust 3
Sunbelt Savings 1
Suncoast Savings 1
Swain & Swain 8

T - Z
Thomson Bankwatch 16
Time Warner 14
U.S. League of Savings Institutions 1,2
UJB Financial 16
Vernon Savings and Loan 1
Visa U.S.A. 6
Washington Bancorp 2
Wells Fargo 1,6,16
Western Savings 1
Westinghouse 2
Xerox 6

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1- Pgs: 2, 3, 4,

Technology Execs Close Pay Gap at Banks

Journal Puts Top At Half Million

By KAREN GULLO

Wall Street Technologists Outearn...

Company	Chief information officer	Compensation in 1988*
Merrill Lynch	DuWayne Peterson	$1,000,000
Salomon Brothers	Francis Dramis	800,000
Morgan Stanley	Robert Gartland	750,000
Drexel Burnham	Joseph Castellano	750,000
Goldman Sachs	George F. 'Rick' Adam	750,000
CS First Boston	Eugene Bedell	750,000
Their Counterparts at Commercial Banks		
Security Pacific	John Singleton	500,000
Citicorp	Paul Glaser	450,000
BankAmerica	Michael Simmons	400,000
Chase Manhattan	Elaine Bond	350,000

*Middle of estimated salary range

Source: Computerworld

NEW YORK — An elite handful of bank technology executives are raking in annual compensation packages of almost half a million dollars, giving them parity with many chief operating officers and financial officers, according to a report in a computer trade journal.

The bank technology executives are among the highest-paid computer managers in all of U.S. business, the survey by *Computerworld* showed. Only technology chiefs at Wall Street investment banks earn more than their counterparts at such banking companies as Security Pacific Corp. and Citicorp.

The salaries of the bank-technology elite are well above the $185,000 that an average top computer manager earns annually at a commercial bank. That average was reported in a survey of U.S. companies last fall by the Chicago-based executive recruiting firm Heidrick & Struggles Inc.

Coast Bank Has Top Earner

John Singleton, vice chairman of Security Pacific, leads the pack of top earners in the banking industry with a compensation package worth $450,000 to $550,000, according to *Computerworld*. Mr. Singleton, who is widely admired outside Security Pacific for helping to enhance the prestige of bank operations managers, was given the added title of chief operating officer this week.

The highest-paid information systems executive in the United States is DuWayne Peterson, chief information officer of Merrill Lynch & Co., with 1988 compensation of $1 million. Before joining Merrill Lynch, Mr. Peterson founded Security Pacific Automation Co. and was succeeded by Mr. Singleton, who is still chairman of that Security Pacific Corp. subsidiary.

Computerworld obtained the data for Mr. Singleton and Mr. Peterson from proxy statements. The remaining income figures resulted from research.

Wall Street's Elite

Other highly paid technologists on Wall Street work for Salomon Brothers Inc., Morgan Stanley Group Inc. and Drexel Burnham Lambert Inc. The report said these executives made between $700,000 and $800,000 last year.

The second best-paid bank technology executive was Paul Glaser, chairman of the Citicorp Technology Office Inc., which coordinates technology efforts throughout the New York-based holding company. *Computerworld* estimated his earnings at $400,000 to $500,000.

Michael Simmons, executive vice president of systems engineering and data processing at BankAmerica Corp., San Francisco, is the third highest-paid banking technology chief, with 1988 compensation estimated at $350,000 to $450,000.

Mr. Simmons acknowledged that his compensation was within that range. He said that salaries for technology chiefs are only now catching up to those of line-business executives at large banks. "Senior technology executives have been underpaid because technology wasn't recognized as strategic,'' Mr. Simmons said.

That has changed. Information systems that drive banking functions such as check collection and transaction processing are viewed by top management as crucial to the business, and salaries reflect that status.

Also reported among the highest-paid information systems managers is Elaine Bond, senior vice president at the Chase Manhattan Bank. She would not confirm or deny the $300,000 to $400,000 salary range attributed to her in the report. But she noted, "People get paid what the market will bear."

Executive recruiters say it is debatable whether these technology chiefs are worth their salaries. Some believe the compensation packages in investment banking, which can include bonuses of 200% to 300% of a yearly salary, "verge on insanity," especially considering that some highly paid technology chiefs change jobs every few years. ☐

Boston's State Street Sells Account Processing Unit

By RICHARD LAYNE

NEW YORK — State Street Bank & Trust Co., which analysts have called a leading technology bank, has decided to exit one aspect of the transaction processing business.

State Street has sold its account processing business for 40 New England banks and thrifts to BISYS Inc., a Houston-based supplier of data processing to 300 financial institutions.

Boston-based State Street, which earns most of its income from data processing services, will continue to offer transaction services that it deems central to its business. The bank is by far the leading global-custody and mutual-fund processor.

Bank Departure Trend

In abandoning basic financial-institution processing, State Street is following the lead of other banks that have preferred to leave the business in the hands of nonbank competitors and a few remaining banking companies, such as Citicorp-;Mellon Bank Corp., Pittsburgh; and Marshall & Ilsley Corp., Milwaukee.

"We think this is a good deal for us," said Lynn Mangum, chairman and chief executive of BISYS, a privately held company that serves banks and mortgage companies in 30 states.

"We want to increase our presence in New England, and this gives us a grubstake," said Mr. Mangum. He refused to specify the price paid State Street.

'Out of Gas'

State Street executives could not be reached for comment on why they sold the business or whether it was profitable. Mr. Mangum said that the Boston bank's data processing service had "run out of gas."

The Boston bank was unwilling to make the investment in information technology needed to meet clients' escalating demands for more sophisticated information processing services, Mr. Mangum said. State Street processed demand-deposit and time-deposit accounts and commercial and installment loans.

The small data processing operation was unrelated to State Street's main – and profitable – lines of business.

Requirement to Focus

"This is an issue of focus – and focus is necessary to be a successful third-party processor," said Diogo B. Teixeira, a consultant with McKinsey & Co., New York.

"The banks that are successful in this are those that can continue to justify the level of investment needed every year to keep up the product offerings," said Mr. Mangum.

Industry observers said that big companies with deep pockets and many customers dominate this business. The major nonbank players include Electronic Data Systems, owned by General Motors; First Financial Management Corp., Atlanta; and FiServ, Milwaukee.

No Intrinsic Disadvantage

The presence of Mellon and Citicorp among the major players indicates that banks are not intrinsically at a competitive disadvantage. This has been more true in credit-card processing, which is highly concentrated among a handful of banks and outside processors.

In a prepared statement, George J. Fesus, executive vice president of State Street, said, "We have studied the service options for our clients, and we believe BISYS' national service is the best solution available."

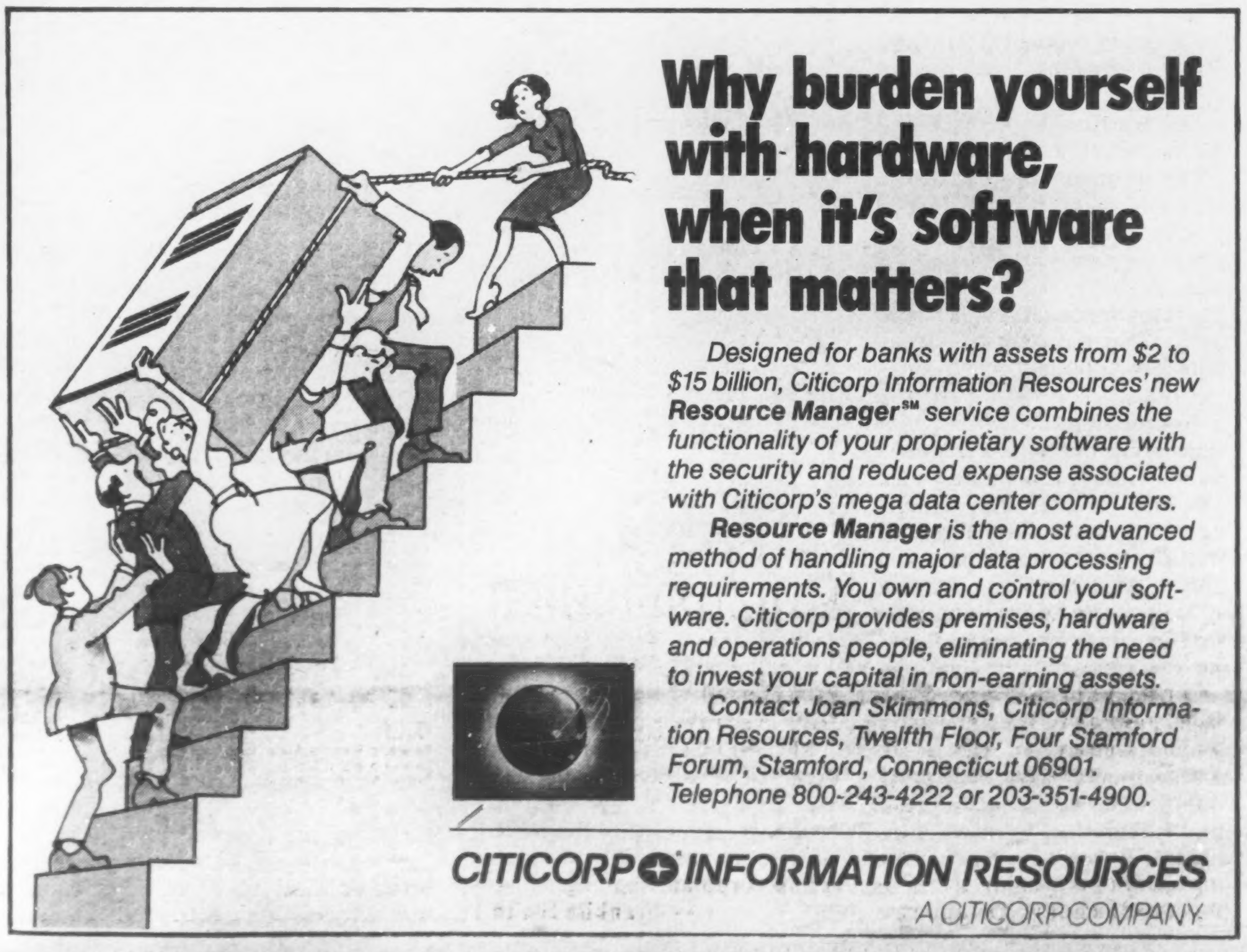
BISYS customers range in asset size from $50 million to $2 billion. ☐

Delinquencies,
Bankruptcies,
Write-Offs...

How do you separate the bad risks from the good?

DELPHI has been *tested* and *validated* to predict more levels of credit risks more accurately than ever before. Today, you can use DELPHI as a stand alone or as an enhancement to your present point scoring system. It identifies all potential delinquency, write-off and bankruptcy candidates as well as good customers you might otherwise reject as bad risks. For facts, write or call Trans Union,
111 W. Jackson Blvd., Chicago, IL 60604,
(312) 431-5093.

DELPHI™
A data processing service of
TRANS UNION
Leading the way.



Why burden yourself with hardware, when it's software that matters?

Designed for banks with assets from $2 to $15 billion, Citicorp Information Resources' new **Resource Manager℠** *service combines the functionality of your proprietary software with the security and reduced expense associated with Citicorp's mega data center computers.*

Resource Manager *is the most advanced method of handling major data processing requirements. You own and control your software. Citicorp provides premises, hardware and operations people, eliminating the need to invest your capital in non-earning assets.*

Contact Joan Skimmons, Citicorp Information Resources, Twelfth Floor, Four Stamford Forum, Stamford, Connecticut 06901. Telephone 800-243-4222 or 203-351-4900.

CITICORP INFORMATION RESOURCES
A CITICORP COMPANY

COMMENT/*By Stephen Axilrod*

Fed Confounds the Markets

The markets have become greatly perplexed by the Federal Reserve, the trend of interest rates, and the economy. The changing attitudes and gathering doubts of market participants about the posture of the Fed –and also about prospective inflationary and business conditions –have shaped and reshaped the yield curve.

The Fed's basic objectives should be no great mystery; its intentions have been clear for some time. It would first like the economy to slow to the point where there is at least no further threat that the rate of inflation will get worse. Eventually, it would like to attain price stability, which in practice means overall price increases of zero to 2%.

In the course of this year, some increase in the unemployment rate would probably be tolerated – a so-called growth recession –because that is needed to contain the creeping inflation of the past few years. But the Fed would like to avoid a decline in output that could reduce the rate of inflation quickly and substantially. It wants inflation to decline, but slowly and in an orderly way.

Goals Are No Mystery

The mystery then is not so much about the Fed's objectives as it is about the Fed's perception of the economy's performance.

The Fed must be no less puzzled than the rest of us. It is not privy to information about industries or consumer attitudes that is any more reliable than reports in the financial and business press.

If one looks behind the current flow of data on spending and prices, it is hard to see clear sources of economic strength. Fiscal policy in the United States is scheduled to be more restrictive in the current than in the past fiscal year.

No Weak-Dollar Effect

The last time there was a substantially contractive fiscal policy, in 1987, it was offset by the stimulative effects of a sharp drop in the dollar. But that offsetting stimulus is not available now, at least not to the same extent. Moreover, other major countries are in the process of tightening monetary policies, which will slow demand for U.S. exports.

These fundamental shifts in other policy conditions should predispose the Fed to lean toward easing credit. Indeed, it has been doing so since early last summer.

But the speed and extent of easing is uncertain, and the timing has been less than predictable. That is because easing has taken place even while the threat of inflation has by no means abated.

This means the Fed is forced to make delicate judgments about market psychology. It keeps its policy adjustments to cautious steps that depend on those judgments and on interpretation of the latest, often unpredictable and eminently revisable, economic data.

For many months, the credit markets were anticipating further easing by the Fed. The result was a yield curve that featured an overnight money market rate – essentially representing the cost of carrying securities – that was high relative to the rest of the market.

As a result, dealers and other short-term holders were losing money on their inventories because the cost of carrying the securities was greater than their yield. They were betting heavily on further price increases on the securities to bail them out.

Excessive Cost of Carry

This was a pretty safe bet for a while. But at some point the cost of carry becomes such a heavy burden that market patience wears thin. That point is reached when longer-term interest rates become so low relative to the cost of carry that further rate declines cannot be fueled by speculative demand; the risk to dealers' capital positions is finally too great.

If ultimate investors also stop being eager buyers at the same time – as they recently have in part because rates have risen in major markets abroad – the conditions are ripe for a substantial reshaping of the yield curve.

The reshaping is needed to reduce the negative cost of carrying securities and make it minimal or positive. If the Fed does not encourage that by lowering overnight money rates through monetary easing, the market will do it by causing longer-term interest rates to rise.

Recent Easing Not Enough

The Fed did ease a little further several weeks ago, but by no means enough to significantly reduce the cost of carrying debt obligations. So the market has recently made the necessary correction. Yields on U.S. Treasury notes and bonds have now backed up considerably to more viable levels under current circumstances – above 8% throughout the curve at this writing, with the long end about 8¼%.

The next substantial, sustained rally in the bond market will probably require a marked further easing by the Fed, or prospects of one – not just prospects of another cautious monetary move. Basically, that will depend on weakness in consumer spending. Absent that, and given concerns about inflation, the other forces tending to slow the economy may not carry a sufficient threat of recession to make the Fed feel it should risk abandoning its cautious approach. ☐

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

THE LOBBYISTS/*By Barbara A. Rehm*

Banks, SIA Ready To Seek an Accord On Glass-Steagall

Little has been heard of the **Securities Industry Association's** plan to bring down the Glass-Steagall barriers since the trade group unveiled its idea Dec. 1 during its annual meeting.

But the first face-to-face parley between SIA and banking trade groups may be just weeks away, sources say, and both industries may be looking for common ground.

Spencer Eccles

Top officers and staffers of the **Association of Bank Holding Companies** – led by ABHC chairman **Spencer Eccles** of **First Security** Corp. in Salt Lake City, chairman-elect **Eugene Miller** of **Comerica** Inc. in Detroit, and treasurer **Richard Simmons** of **Chemical Banking** Corp., New York – are expected in the next few weeks to begin a series of meetings with the SIA's chairman, **Robert N. Downey**, and possibly other Wall Streeters. A separate meeting between the SIA and the **Independent Bankers Association of America** is trying to be scheduled for the same day. So far, the **American Bankers Association** says it has not been in touch with the SIA.

"The SIA does want to talk to us, and just the fact that it is interested is positive," said **John Rippey**, a senior vice president for ABHC. — **Robert Trigaux**

* * *

Is the ABA Floating New Plan for Poor?

On many of the issues that affect the industry most, the American Bankers Association looks to the Republican minority on the House Banking Committee as a solid foundation of support.

But a crack developed in that foundation last month, as reports circulated among the panel's Republican staff that ABA lobbyist **Floyd Stoner** was attempting to work out a compromise on measures proposed by **Sen. Howard Metzenbaum**, D-Ohio, to provide new services to the poor.

For the record, Mr. Stoner denies vehemently that he ever suggested the possibility of compromise with Mr. Metzenbaum on his proposal to require banks to cash government checks and offer accounts for the poor.

"I have certainly not floated a compromise," said Mr. Stoner. "I have no idea where it came up."

But the Republican staff, whose support is crucial to the banking industry, believes otherwise. A number of senior Republican aides, in interviews with the *American Banker*, said Mr. Stoner did, indeed, float the idea of compromise.

Floyd Stoner

"We're not sure [Mr. Stoner's] thoughts on the issue are the same as where his members are," said one Republican aide. "We hear from banks back home, and from state (banking) associations. And all we hear is, no compromise, no compromise."

The GOP staffers believe they are in a good position to defeat Mr. Metzenbaum's proposal this year and they are furious at what they believe was an attempt by Mr. Stoner to undermine them.

— **Robert M. Garsson**

* * *

Delaware Vote Set On Sale of Insurance

Next Tuesday is judgment day for bank and insurance lobbyists in Dover, Del.

On Jan. 23 the Delaware state senate is scheduled to vote on legislation that, if enacted, would allow state-chartered banks to underwrite and sell insurance.

Francis X. Morris, executive vice president of the **Delaware Bankers Association**, says the latest round of lobbying on the bill began June 30 – the day the state legislature adjourned last year. The bill passed the GOP-controlled House of Representatives last year, but not the Senate. Bankers need 14 of 21 votes in the Senate – a long shot since Democrats control 13 votes and one of the chamber's eight Republicans is an insurance agent.

"We're trying to concentrate on those people who might be leaning on the 'no' side," says Mr. Morris. "It's going to be a very close – very close – vote."

Banking lobbyists are making their case by saying that opening the insurance door to banks would create jobs in Delaware. "We feel that one of the compelling reasons for passing it is for ecomonic development," Mr. Morris says, noting that two recent bank mergers in the state had eliminated about 300 jobs with credit card banks.

Leaders of the **Coalition of Delaware Insurance Agents**, the banks' lobbying opposition, who held a reception for the entire Delaware Assembly Tuesday night, could not be reached for comment. But **Leonard Brevik**, director of state government affairs at the **Independent Insurance Agents of America**, the national trade association for agents, insisted the legislation would force independent insurance agents out of business. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2222

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

800

C0175-1

AMERICAN BANKER

VOL. CLV NO. 13 Friday, January 19, 1990

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

What's the Word At Citicorp? It's 'Consumer'

By JED HOROWITZ

NEW YORK — Other than the Federal Reserve Board, no other American financial institution has more people on the outside watching its every move than Citicorp. This week Citicorp watchers had a field day looking through the banking giant's news and earnings reports for clues about future direction and current ailments.

The biggest message they deciphered is that, more than ever, the nation's largest banking company is betting on consumer banking to drive its earnings through the next decade.

The bank elevated consumer chief Richard S. Braddock to the long-vacant post of president of the holding company and Citibank. (For a profile of Mr. Braddock, see page 10.)

ANALYSIS
Follow-up on the news

Underscoring the development, Citicorp said it earned $842 million from retail banking activities in 1989, up 35% from the level in 1988. The retail earnings, for the first time in recent memory, outpaced combined income from commercial and investment banking activities in the developed world, according to Lawrence W. Cohn, an analyst at Drexel Burnham Lambert Inc.

Less Scope for Small

Hidden in the announcement about Mr. Braddock, however, were darker signs that corporate banking head Lawrence M. Small had lost much of his power. Though Mr. Small was named vice chairman and chairman of Citicorp's executive committee, a bank spokesman said he would no longer have line responsibility for either institutional or investment banking. The spokesman was unable to say just what Mr. Small's new duties entail.

Mr. Small, two months older than Mr. Braddock and until Wednesday his corporate equal, has a reputation as a sharp-minded manager with little patience for the niceties of working with subordinates. He works closely with chairman John S. Reed – even coordinating the planning and design of the Japanese-style executive floor that Mr. Reed conceived several years ago. But Mr. Reed's heart has always been with retail, analysts said.

Job Change Possible

In recent years, Mr. Small was rumored to have been offered positions at the top of several large banks. Analysts and former colleagues said it was now

See **WHAT'S** *page* 6

INSIDE NEWS

CONSUMER

RICHARD S. BRADDOCK, Citicorp's president, learned how to market package goods at General Foods. That skill has proved invaluable at the retail banking giant. *Page 10*

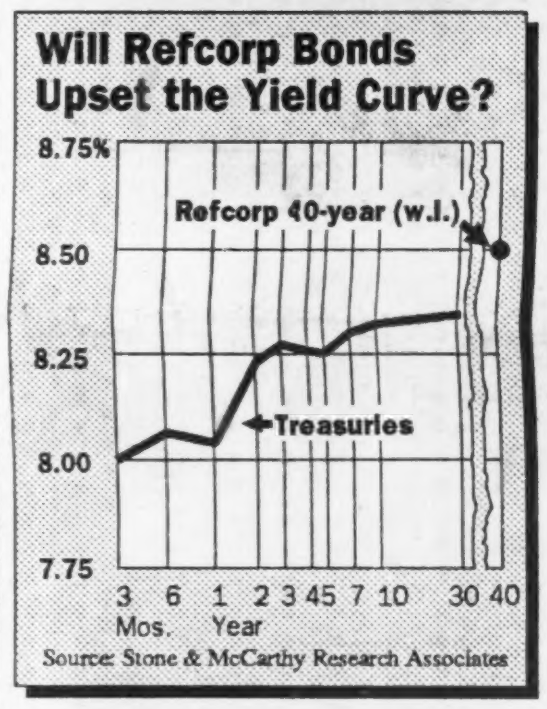
INTERNATIONAL

BANK OF MONTREAL is gearing up to expand in the United States. The strategy includes acquisitions and raising profitability at its Harris Bankcorp unit. *Page 13*

TECHNOLOGY

THE NEW YORK Automated Clearing House has become the first such operation in the Federal Reserve network to be fully electronic. *Page 3*

FINANCE



Source: Stone & McCarthy Research Associates

A RELATIVE of the traditional 30-year Treasury bond, the Resolution Funding Corp.'s 40-year is already having an impact on the pricing of some long-term government bonds. *Page 16*

MORTGAGES

FLEET/NORSTAR and other mortgage banks are making more wholesale purchases to feed their enormous servicing portfolios. *Page 7*

PEOPLE

EDWARD M. CARSON, the next chief executive of First Interstate Bancorp, faces an uphill battle to restore credibility in the institution. *Page 2*

OTHER NEWS

FIRST BANK SYSTEM'S fourth-quarter loss has caused analysts to lose confidence in the company and has harmed the acting CEO's chances of rising to chairman. *Page 2*

INDEX

Company Index 2
Funny Money 4
Financial Services Stocks 15
Classified Advertising 12

A Retreat from Discount Brokerage
Major banks that have sold or consolidated subsidiaries

Bank	Unit	Buyer	Date	Offices sold/closed	Offices remaining
BankAmerica	Charles Schwab & Co.	Charles Schwab & Co.	3/87	95	0
Fleet/ Norstar	Norstar Brokerage Corp.	(Consolidation)	9/88	12	12
Chase Manhattan	Rose & Co.	Charles Schwab & Co.	3/89	9	0
Marine Midland	Ovest Marine	Quick & Reilly Inc.	3/89	1	0*
Security Pacific	Security Pacific Brokers	Fidelity Investments	1/90	11	7

*Has 5,000 accounts in private banking group

Source: American Banker

Security Pacific to Sell Most Of Discount Broker Offices

By YVETTE D. KANTROW

NEW YORK — Security Pacific Corp., which went to the Supreme Court to win interstate branching rights for bank-owned discount brokers, is selling much of its brokerage network to one of the largest companies in the field.

The Los Angeles-based banking company said this week it has agreed to sell its brokerage accounts outside California and Arizona to Fidelity Investments, Boston, for an undisclosed sum. Security Pacific is the latest of several major banks to retreat from a business that was once viewed as an essential component of retail financial services.

A Security Pacific spokesman said the company intended to focus its discount brokerage effort on its primary banking markets in the West.

The proposed sale, of an unspecified number of accounts at 11 offices in six states, is indicative of the industry's mixed results in supplying brokerage services to retail customers. Bank brokerage units enjoyed a heyday in the early 1980s and fell from grace after the stock market crashed in October 1987.

"It can be a nice business for banks, but it's a tough business," said Greg Feltus, senior vice president of Stephens Inc., a Little Rock, Ark., company that

See **SECURITY** *page* 10

To Get Cash Could Raise Thrift Rates

By STEVE KLINKERMAN

DALLAS — In a move that could push up interest rates on deposits nationwide, the Resolution Trust Corp. may demand early repayment of the $11.3 billion it lent to the 169 thrifts under its control to help fund the agency's rescue operations.

The contingency plan comes at a time when the RTC is starved for cash and pleading with Congress for up to $100 billion of extra borrowing authority. If it does not get the money, the agency could face considerable pressure to step up recovery of the $11.3 billion.

By asking for quick repayment of its loans, the RTC would be forcing the 169 thrifts to seek additional deposits, often at above-market rates. As a result, healthy banks and thrifts would be forced to match those rates to remain competitive.

Rates Would Be Pressed

"This would force a substantial increase in interest rates that undoubtedly would spread nationwide," said Thomas Long, a lawyer in the Washington office of Jones, Day, Reavis & Pogue.

See **RTC** *page* 6

Bacot Imposes Conditions on Northeast Deal

By GORDON MATTHEWS

NEW YORK — Bank of New York chairman J. Carter Bacot said Thursday that Northeast Bancorp Inc. would have to agree to some tough conditions if its proposed acquisition by Bank of New York is to proceed.

The $3.5 billion-asset Shelton, Conn., banking company reported sharply lower earnings Wednesday, and Mr. Bacot said it needs to set aside a "considerably higher reserve" than it announced.

Speaking with reporters at a luncheon following a meeting with analysts, Mr. Bacot said he was more wary of Northeast because of his own bank's review of its lending portfolio. The two companies have a deal for Northeast to be acquired if Connecticut law is changed.

Mr. Bacot also told analysts and reporters on Thursday that his bank would likely have to cut 700 people at Northeast to overcome the dilutive effects of the

See **BACOT** *page* 16

Annunzio Urges 'Death Penalty' For Banks Convicted in Drug Cases

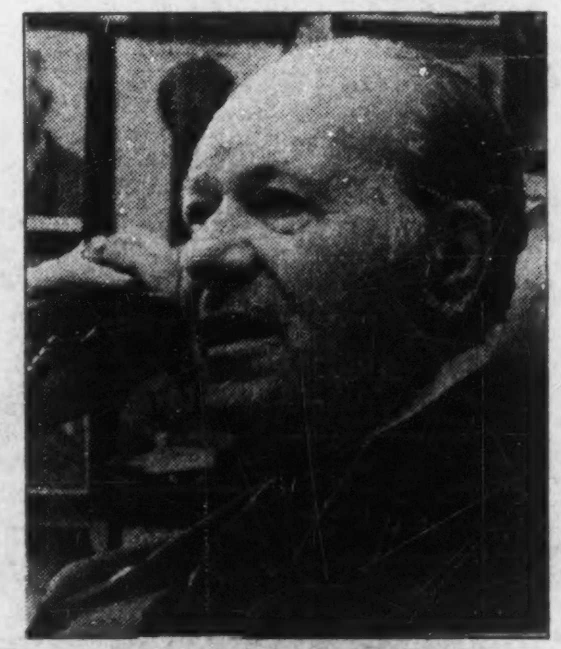
By BILL ATKINSON

WASHINGTON — Angered by the "inadequate" punishment meted out in a plea bargain this week, Rep. Frank Annunzio, D-Ill., is calling for the "death penalty" for banks convicted of money laundering: the loss of charters.

Under a bill to be introduced next week, the regulators of banks, thrifts, and credit unions would be required to revoke the charter of a convicted institution. The penalty would not apply if employees are convicted alone.

According to an aide to Mr. Annunzio, if a charter is revoked, the institution would effectively be closed. The depositors would be paid off, stockholders could lose their investment, and the institution would be dissolved. The timing for that process has not been determined yet, the aide said.

Regulators currently have the power to revoke charters for some offenses, but they are not required to do so, according to Robert B. Serino, deputy chief counsel for the Comptroller of the Currency. Charter revocations are very rare.



Rep. Frank Annunzio
Democrat of Illinois

The announcement comes just days after two international affiliates of Luxembourg-based Bank of Credit and Commerce International Ltd. pleaded guilty to money-laundering charges and surrendered $14.8 million in alleged drug profits.

It was the "completely inadequate" BCCI fine that prompted the influential Mr. Annunzio to prepare legislation. "Banks that

See **DEATH** *page* 6

PEOPLE *in the news...*

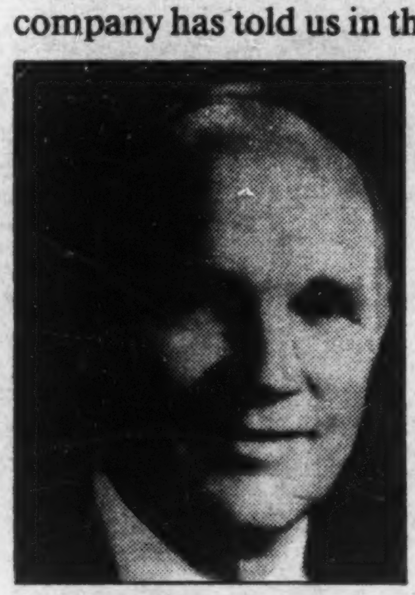
New Chief at 1st Interstate Won't Have a Honeymoon

By SAM ZUCKERMAN

Edward M. Carson, the man who in June will replace Joseph J. Pinola as chairman and chief executive officer of First Interstate Bancorp, will get no honeymoon.

Mr. Carson will find that he inherits a legacy of shattered credibility on the part of investors and analysts who say the company has repeatedly delivered bad earnings news without warning.

"There is tremendous skepticism that the company has stood up and recognized its problems," commented Lawrence W. Cohn of Drexel Burnham Lambert Inc. "It's a reflection of the fact that this company has told us in the past that it has fixed its problems, only to have those problems rear up again."


Edward Carson

There is no doubt that First Interstate's troubles are inseparably linked with Mr. Pinola, a volcanic personality who dominated the company during his 12 years in the top slot and who announced his resignation Tuesday. But Mr. Carson is not likely to benefit from his departure.

"Joe is the lightning rod," Mr. Cohn said. "[But Mr. Carson] is closely identified with Joe and the problems of the past. He's not some outsider." Indeed, Mr. Carson has spent his entire 39-year banking career with First Interstate.

Since January 1985, he has been president and a director of the Los Angeles-based banking company, with responsibility for directing the management of the company's multistate banking system.

Mr. Carson is a long-time retail banking specialist who served as chief operating officer from 1973 to 1977 and chief executive from 1977 to 1985 of what was then First Interstate's highly successful Arizona unit.

He is described as a reliable but conservative choice to guide First Interstate through its immediate financial difficulties. "He ran a very successful bank in Arizona. He knows what it takes to run a retail operation and keep a tight rein on costs," said Ronald I. Mandle, analyst with Sanford C. Bernstein & Co.

A Gentlemanly Banker

Colleagues say Mr. Carson is cut in the mold of a meticulous, gentlemanly bank executive. "Ed is a soft-spoken professional banker who knows the principles of sound banking," says Bruce Willison, chief executive officer of First Interstate Bank of Oregon.

But at 60 years of age, Mr. Carson will probably serve as chief executive officer only a few years himself before retiring. Mentioned prominently as potential successors are William E. B. Siart, 43, just named president of the holding company, and William S. Randall, 49, appointed to head the loss-plagued Arizona subsidiary.

Barring a takeover attempt, the transition from the dynamic Pinola era to what will probably be the more subdued Carson years will be marked by an emphasis on cost-control, consolidation, and repair, analysts say.

BankAmerica Core Income Climbs 2% in 4th Quarter

NCNB, Bank of NY Post Gains

BankAmerica Corp.'s 2% rise in fourth-quarter profit stood out among other banks reporting results Thursday – the California giant was the only one to reflect an increase in core earnings.

Improved results for the 1989 quarter at Bank of New York Co. and NCNB in Charlotte, N.C., included operations of new subsidiaries: Bank of New York earnings rose 94.6% with the addition of Irving Bank Corp. and NCNB's more than doubled, reflecting strong returns from its Texas subsidiary.

The deteriorating New England real estate market, as expected, sharply reduced earnings for the quarter and the year at Bank of Boston Corp.

Chemical Banking Corp.'s earnings plunged 67% in the fourth quarter, largely as a reflection of nonrecurring gains in the 1988 quarter. Chemical reported a loss for the year.

Chicago-based Continental Bank Corp. turned in the one deficit report for the quarter. It elected to sell its options clearing subsidiary — which had never fully recovered from losses tied to the 1987 crash of the financial markets — and write off some other assets. Earnings fell 53% for the year.

BANKAMERICA CORP.

Capping a spectacular turnaround from near financial ruin four years ago, BankAmerica Corp. earned $270 million in the fourth quarter, pushing full year net income past the billion dollar mark for the first time, to a total of $1.1 billion. The figure was 52% higher than 1988 earnings of $726 million.

The earnings gain was fueled by vibrant core banking operations in California and other Western states. Total loans grew to $75.9 billion, up 9.9% from

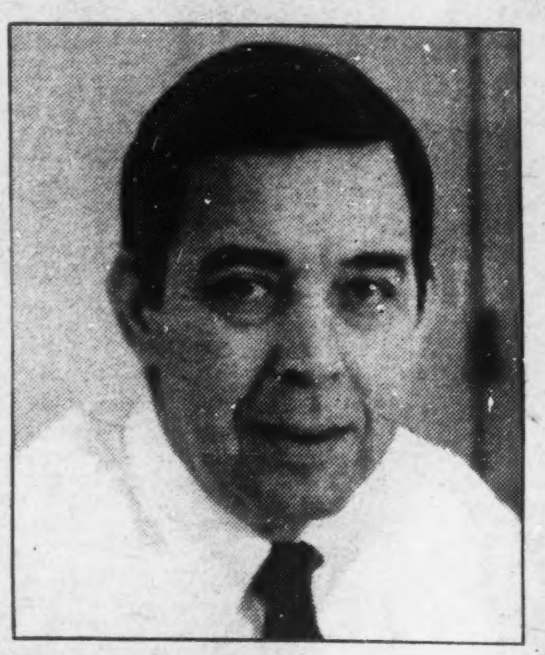
See **BANKAMERICA** *page* **14**

BANKAMERICA CORP.
San Francisco
Dollar amounts in millions (except per share)

FOURTH QUARTER	**4Q '89**	**4Q '88**
Net income	$2.70	2.65
Per share	1.21	1.36
Net interest income (tax. equiv.)	1,015	1,272
Margin	4.48%	4.27%
ROA	1.07%	1.10%
ROE	21.98%	30.60%
Noninterest income	479	480
Noninterest expense	957	1,092
Loss provision	320	310
Net chargeoffs	175	30
FULL YEAR	**1989**	**1988**
Net income	$1,103	$726
Per share	5.19	3.79
Net interest income (tax. equiv.)	4,039	3,703
Margin	n/a	4.32%
ROA	1.14%	0.76%
ROE	25.7	23.04%
Noninterest income	1,830	1,751
Noninterest expense	3,735	3,850
BALANCE SHEET	**12/31/89**	**12/31/88**
Assets	$98,764	$94,647
Deposits	81,186	77,150
Loans	75,861	69,022
Shareholder equity	5,534	4,149
Loss reserve	3,373	3,602
Reserve/loans ratio	4.45%	5.22%
Nonperf. loans	3.928	4,233
Nonperf. loans/loans	5.20%	6.10
Primary capital ratio	9.43%	9.09%

CHEMICAL BANKING CORP.
New York
Dollar amounts in millions (except per share)

FOURTH QUARTER	**4Q '89**	**4Q '88**
Net income	$95.9	288.50
Per share	1.04	4.66
Net interest income (tax. equiv.)	513.4	750.6
Margin	2.93%	4.93%
ROA	0.48%	1.63%
ROE	10.99%	33.04%
Noninterest income	362.5	340.2
Noninterest expense	696.6	656.7
Loss provision	66.2	81.1
Net chargeoffs	210.5	81.8
FULL YEAR	**1989**	**1988**
Net income	$(482.2)	$753.6
Per share	(8.29)	12.02
Net interest income (tax. equiv.)	2,200.3	2,500.2
Margin	3.27%	3.72%
ROA	NA	0.99%
ROE	NA	23.48%
Noninterest income	1,404.0	1,424.3
Noninterest expense	2,739.5	2,459.6
BALANCE SHEET	**12/31/89**	**12/31/88**
Assets	$71,513	$67,349
Deposits	50,151.0	47,966.0
Loans	44,512.0	41,590.0
Shareholder equity	3,705.0	3,967.0
Loss reserve	2,636.0	2,040.0
Reserve/loans ratio	5.92%	4.91%
Nonperf. loans	2,862.0	3,106.0
Nonperf. loans/loans	6.43%	7.47%
Primary capital ratio	8.99%	9.68%


Darrell Knudson

Loss Lowers Confidence In First Bank

By LISABETH WEINER

CHICAGO — First Bank System's disclosure this week of worsening credit problems has further damaged its credibility with Wall Street and has undermined the chances of the company's acting chief executive to remain at the helm of the company.

Darrell Knudson, a 31-year veteran of First Bank who has been acting chief executive since September, will likely have to relinquish the top spot to an outsider. He is, however, expected to remain vice chairman.

"We don't know the extent of their problems," said bank analyst Thomas Brown of PaineWebber Inc. "There's been a loss of confidence."

First Bank System attributed the $107 million fourth-quarter loss posted Wednesday to a sizable increase in its loan-loss provision due to higher net chargeoffs and additions to reserves. It said this action was based on a "rigorous review of our loan portfolio in the fourth quarter, taking into account the deterioration of conditions in a number of economic sectors."

No Surprises Expected

Although a number of banks reported increases in problem loans during the third quarter,

See **FIRST** *page* **6**

... by region

NEW ENGLAND

Waltham Savings Bank, Waltham, Mass., a subsidiary of the Waltham Corp., has appointed **Gene A. Miller** senior vice president.

MIDWEST

Star Banc **Corp.,** Cincinnati, has elected **Jean Patrice Harrington** to its board. Ms. Harrington is executive director of the Cincinnati Youth Collaborative and was president of the College of Mount St. Joseph from 1977 to 1987.

Banc One **Corp.,** Columbus, Ohio, has elected **Paul F. Walsh** a senior vice president withresponsibility for a number of nonbank affiliates.

MIDDLE ATLANTIC

Quest Cash Management Services, New York, a division of Oppenheimer Caital, said **Kimberly Eierman** has joined the division as vice president and regional marketing director.

Her duties will include developing and implementing marketing strategies for Quest's money fund products.

Bankers Trust Co., New York, a subsidiary of Bankers Trust New York Corp., has named **Ann Warburton Ballek** vice president and director of communications for private banking-marketing group.

Ms. Ballek is responsible for advertising, public relations, development of collateral materials, and special events.

SOUTHEAST

Perpetual Savings **Bank,** Vienna, Va., has named **Charles W. Lockyer Jr.** executive vice president. He is in charge of the corporate banking division.

— Franklin Smith

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
Allied Irish Banks....13
Allied Stores....4
American Bankers Association....3
American Express....3
Asset-Backed Capital Group....7
AT&T....3,14
Banco Bilbao Vizcaya....13
BancOhio....10
Banc One....2
BankAmerica....1,2
Bankers Trust New York....2,13
Bank of Boston....2,4,14,16
Bank of Montreal....13
Bank of New England....14,16
Bank of New York....1,2,14,16
Bank of Nova Scotia....14
Banque Nationale de Paris....13
Barclays Bank....13
Bass....14
BayBanks....16
BCCI....1,3
BHF Bank....14
Boatmen's Bank....3
Brown Brothers Harriman....1

C
Campeau....4
CenTrust Savings....4
Charles Schwab....1
Chase Manhattan....1,7
Chemical Banking Corp....2
Citicorp....1,7,10,13
Citizens and Southern....14
Colonial Mortgage Co....7
Consolidated Rail....14
Continental Bank....2
Credit Lyonnais....14
Credit Suisse....14
Crossland Savings....14

D - E
Deutsche Bank....13
Dresdner Bank....13
Drexel Burnham Lambert....1,2,16
Exxon....14

F
Federal Home Loan Mortgage Corp....7
Federal National Mortage Association....7
Fidelity Investments....1
First Bank System....2
First Boston....7,14
First Chicago....14
First Interstate....2
First Republic....16
First Union....1
Fleet/Norstar Financial Group....7,16

G - K
Gillette....14
Government National Mortgage Association....7
Holiday....14
Interstate/Johnson Lane....2
J.P. Morgan....13,14
Jones, Day, Reavis & Pogue....1
Keefe, Bruyette & Woods....10
KeyCorp....1
Kidder Peabody....1

L - M
Lloyds Bank....13
Manufacturers Hanover....4
Marine Midland....7
MCI Communications....3
Mellon....3
Midland Bank....13
Morgan Grenfell Group....13
Morgan Stanley....14
Mortgage Bankers Association of America....7

N
NACHA....3
National Australia Bank....13
National Westminster Bank....13
NC League of Savings Institutions....4
NCNB....2
New York Clearing House Assn....3
Northeast Bancorp....1
Northern Trust....4
Norwest....10

O - P
Omega Consultants....10
Oppenheimer Capital....2
PaineWebber....1,2
Perpetual Savings....2
Primerica....7

R
Resolution Funding Corp....16
Resolution Trust Corp....1,7
Royal Bank of Scotland....13
Royal Trustco....13

S
Sanford C. Bernstein....2
Sears....7
Securities Industry Association....1
Security Pacific....1,4,14
Sheshunoff Information Services....13
Shawmut National....4,14,16
Star Banc....2
State Street Boston....16
Steel Hector & Davis....4
Stephens....1
Stone & McCarthy Research Associates....16
Sumitomo Bank....14

U
Union Bancorp....1
Union Planters....1

W - Z
Waltham Corp....2
WEFA Group....7
Wells Fargo....4
Wood Gundy....13
Yorkshire Bank....13

NOTE

ONLY THE FOLLOWING PAGES OF THIS

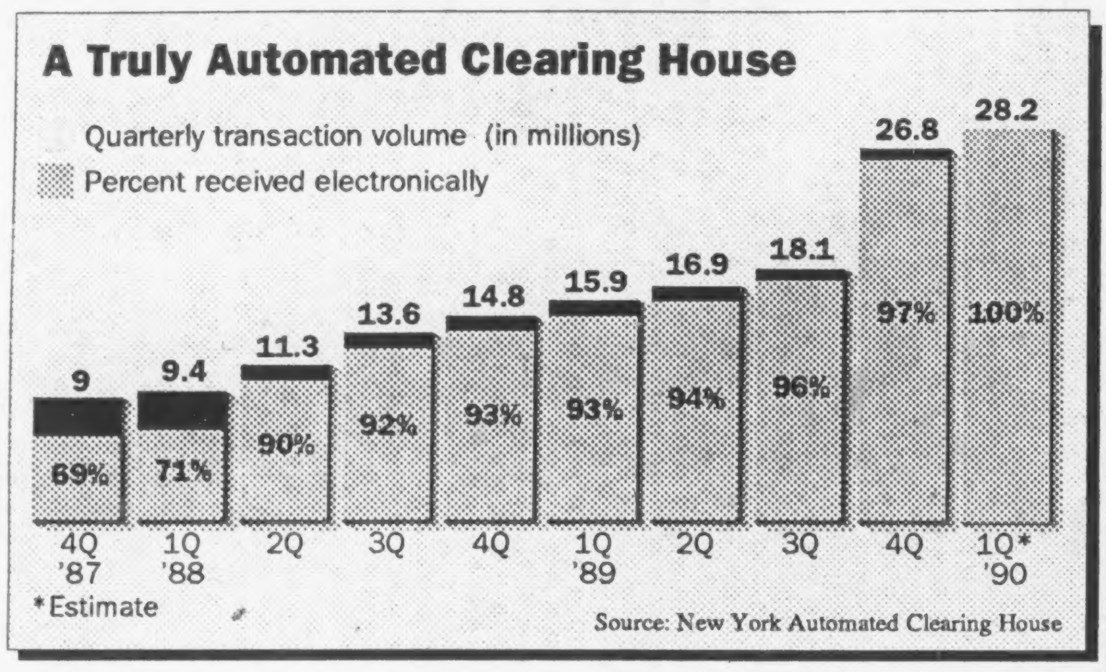
PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2-4, 7, 10

NY Clearing House Goes All-Electronic

Move Will Cut Processing Fees

By RICHARD LAYNE



Source: New York Automated Clearing House

NEW YORK — Capping a two-year effort, the New York Automated Clearing House has become a completely electronic operation and the first of the regional clearing houses to fully automate its transaction processing.

The New York clearing house, the third-largest processor of paperless transactions in the national ACH network, said this week that it has achieved full automation of financial transactions, cutting processing costs for its banking customers to the bone. The New York group has thus opened the door to an all-electronic clearing house network, which the Federal Reserve System said could attract more business through a relaxed deposit schedule.

Technology 'Essential'

"Effective use of computer and communications technology is essential to accommodating growth and maintaining efficiency in modern banking," said John F. Lee, president of the New York Clearing House Association, parent of the automated clearing house.

"One hundred percent electronic status is the ultimate goal for an automated clearing house," he said.

While the New York clearing house announced full electronic service this week, it actually finished the conversion of its depository institutions at the end of 1989. As of Jan. 2, the clearing house no longer processes automated clearing house transactions delivered via paper or magnetic tape.

The all-electronic operation has cut the cost of a transaction down to "pennies," said William M. Walsh, senior vice president at the New York Clearing House.

Mr. Lee said, "I don't see how we could get much lower."

Improved Security

Full electronic service has benefits beyond lowered operating costs for the the 793 banks and credit unions that use the clearing house. "Electronic funds transfer is the most secure, timely, and reliable delivery mechanism," said Mr. Walsh.

The big banks in the New York clearing house converted to electronic processing early in the two-year plan. Mr. Lee said that the past year was devoted to convincing smaller institutions to receive payments via a personal computer and phone lines, instead of magnetic tape or paper.

"The technology is simple, but they had to be persuaded," said Mr. Lee.

1991 Targeted

In June 1989, the board of directors of the National Automated Clearing House Association urged the Federal Reserve Board to establish June 1991 as a target date for the conversion of the entire ACH network to an all-electronic operation.

"The long-term gains in efficiency more than outweigh the short-term expenses, both for participants and automated clearing houses," said Mr. Walsh.

No target date has been set so far by the Federal Reserve, although it concurs with the all-electronic goal. "The Federal Reserve has indicated that it plans to aggressively pursue the concept of an all-electronic automated clearing house," said Richard Oliver, product manager for electronic payment services at the Federal Reserve.

Later Deadlines Ahead?

The Fed believes that a network of all-electronic clearing houses may allow it to offer later deposit deadlines to accommodate more transactions through the nationwide clearing house network, which handles more than one billion government and private-sector items a year.

The current deposit schedule requires that a bank enter an ACH credit into the system as many as two days before payment is due. That early deposit schedule, which allows time for paper and magnetic-tape entries to be delivered by truck, discourages some corporations from using the automated clearing houses.

Mr. Oliver said that the Federal Reserve will officially release for use nationwide three software products to facilitate the move by financial institutions to full electronic funds transfer. ☐

In Wake of AT&T Mess, Banks Reexamine Strategy

By KAREN GULLO

NEW YORK — Bankers are rethinking strategies for protecting their communications networks against failures as a result of the major disruption of AT&T long-distance service on Monday.

Communications is the lifeblood of many bank services and operations, such as credit card processing and customer service.

While most banks were not affected by the problems because they were closed for the Martin Luther King holiday, many are examining safety features to determine whether they can continue to operate during a severe outage.

Confidence Shaken

The recent outage, caused by a software glitch in AT&T switching equipment, blocked thousands of long-distance calls from being completed for nine hours. Confidence in the reliability of AT&T's network among bankers has been severely shaken as a result.

"It was quite eye-opening," said Patricia Farwig, vice president of information processing at Mellon Bank, Pittsburgh. "We're going back through all of our locations and confirming that backup exists.

"We want to make sure that our hardware is upgraded for equal access to both of our long-distance companies," she said. Mellon uses services from both American Telephone and Telegraph Co. and MCI Communications Corp. The bank was unaffected by the outage because of its two-carrier approach and because of the holiday.

Some Unprepared

Many other banks were also able to continue business as usual because they use more than one long-distance company. But not all businesses were prepared.

First Data Resources, Omaha, a bank-card processing company owned by American Express Co., uses three long-distance companies. But two services – point-of-sale transactions and voice authorizations for credit cards – use only the AT&T network and were severely impaired by Monday's disruption.

Ed Koch, director of telecommunications operations, said the company now believes it must have a backup network.

"But the problem is how to implement that," he said. "It's not a trivial matter. We want to publish a single authorization number for our merchants. If we use another service, we'll have to publish more than one number."

Some bankers are rethinking plans to switch from private dedicated networks to a service known as virtual networking, where customers' communications share a portion of the public long-distance network. Virtual networking, offered by all long-distance companies, can be much less expensive than private networks because the customer does not have to bear the costs of maintaining dedicated telephone lines. Another big selling point for virtual networks has been the reliability of the public phone network.

This week's disruption "destroys that argument," said Ms. Farwig. "You really need a mixture of services."

Henry Watkins, assistant vice president for telecommunications at Boatmen's Bank, St. Louis, said the bank has been reviewing virtual networking as an alternative to its current private network. He said Boatmen's would not use a virtual network as its only form of communications. "If I was looking at it as a total replacement, what happened this week would make me a little uneasy," he said. ☐

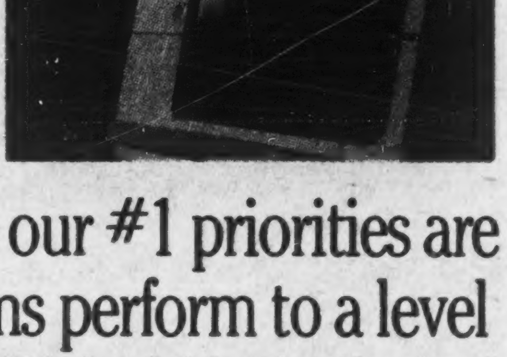
INTRODUCING BEACON.SM RISK ASSESSMENT SO ACCURATE IT WILL CHANGE THE WAY YOU DO BUSINESS.

For more information, call your local CBI representative or 404-885-8209.

BEACON SM

EQUIFAX The Information Source
CREDIT INFORMATION SERVICES

©1989, The Credit Bureau, Incorporated of Georgia.
Beacon is a service mark of The Credit Bureau, Incorporated of Georgia.



"Quality is a Diebold tradition. Because our #1 priorities are quality and reliability, Diebold ATMs and systems perform to a level unmatched in the industry. Everyone at Diebold is dedicated to assuring you of 99% or better consumer availability of our machines. And I personally stand behind that commitment."

Robert P. Barone
President
DIEBOLD®

COMMENT/By A. Thomas Loy

Hard Dollars Go Further In Paying for Bank Services

Soft-dollar (implicit) pricing arrangements are seldom a justifiable substitute for hard-dollar (explicit) payments. In soft-dollar arrangements, idle balances left on deposit with a financial institution serve to compensate for correspondent-related services like check processing, data processing, safekeeping, loan participations, and wire transfers.

These services are periodically assigned an earnings credit, usually based on the prevailing federal funds rate, which determines the amount of balances necessary to compensate for the services. In contrast, traditional hard-dollar payments are made monthly by check or wire transfer.

Soft-dollar payments have a long and controversial history in commercial banking. Correspondent banks traditionally made bank stock loans (that is, loans to individuals to purchase controlling interest in a bank) at an interest rate substantially lower than prevailing market rates.

The low interest rate was offset by noninterest-bearing compensating balances maintained at the lending bank by the purchased bank. This practice surreptitiously caused a portion of the loan's interest to be paid indirectly by the bank's minority stockholders (who obviously had no desire to assist in the financing of the buyer's stock), and was prohibited under the Financial Institutions Regulatory Act of 1978. Such arrangements, however, are still practiced clandestinely.

In today's deregulated and oversaturated financial services industry, to choose soft-dollar payments is to render part of the bank's due-from banks into a de facto earning asset - and not a very good one at that.

Independent of the issue of reserve requirement maintenance, a soft-dollar, or compensating, balance brings virtually none of the benefits - such as liquidity for loan demand or deposit attrition - of the money market instruments of which it is a facsimile. Soft-dollar balances produce an inadequate yield and do not justify capitalization.

A bank opting for soft-dollar payment is exempted from being assessed a reserve requirement in its own computation, because a deduction is allowed for due-from banks' balances. However, if the downstream bank is subject to a 3% reserve requirement, rather than the upstream due-from bank's typical 12% reserve requirement, then the downstream bank incurs a de facto 9% reserve requirement penalty assessed by the upstream bank.

> **'Soft-dollar payments have a long and controversial history in commercial banking.'**

Hard-dollar payment bypasses this intrinsic account analysis penalty, thus more than offsetting the benefits, if any, of soft-dollar payment. It even offsets a hard-dollar surcharge, if one exists, of up to 9.89%.

The benefit of eliminating this account analysis penalty is independent of the underlying earnings analysis rate, and therefore is valid regardless of the prevailing federal funds rate (assuming that to be the basis for the earnings rate).

Time Value Is Factor

Besides the reserve requirement benefit, the time value of money also adds to the preferability of hard-dollar payments. The hard-dollar payment is not made until after the end of the month, and the soft-dollar payment is typically made via a fairly constant average daily balance in the account.

Therefore, the hard-dollar method benefits from the compounded earnings on the amount of the soft-dollar balance, as well as the additional, though nominal, compounded earnings on the hard-dollar payment itself for whatever length of time after the end of the month until the payment is due.

Earnings Rate Is Marginal

It should be noted that when compounding is considered, the earnings rate emerges as a fairly insignificant variable.

Assuming an earnings analysis rate of 5% and a reserve requirement penalty of 9%, the compounded hard-dollar benefit is equal to 9.91% of the amount of the hard-dollar charge. Assuming an earnings analysis rate of 20% and the same reserve requirement penalty of 9%, the compounded hard-dollar benefit is equal to 10.36% of the amount of the hard-dollar charge.

For example, with a $1,000 hard-dollar charge (assuming no surcharge for hard-dollar payment) and a compounded 20% fed funds analysis rate, the saving realized from opting for hard rather than soft dollars is $103.60.

This compares with a similar saving of $99.10 for a compounded 5% fed funds analysis rate, and with an uncompounded saving, independent of the earnings analysis rate, of $98.90. ☐

Mr. Loy is a banking consultant based in Oklahoma City.

FUNNY MONEY/By Tom Leander

Define 'Observe'

Many banking companies apparently find it hard to decide how to honor Dr. Martin Luther King's birthday.

After originally announcing it would open, Wells Fargo & Co. reversed itself three days beforehand and joined its two rivals in closing for the holiday.

Of California's big four banking companies, only Security Pacific Corp. chose to do business. All but a handful of its 557 retail branches opened on Jan. 15. A press release announcing the policy was headlined: "Security Pacific Observes Dr. Martin Luther King Jr.'s Birthday."

— **Sam Zuckerman**

* * *

Unsecured? No Way

As the news about Campeau Corp.'s filing for bankruptcy protection reverberated on Tuesday, four banking companies hastily sent out releases dissociating themselves from the mess.

That same day, Northern Trust Corp., Chicago, issued a terse statement on the PR Newswire: The company "is not a lender to Allied Stores Corp. nor to any Campeau entity." Shawmut National Corp., Hartford, Conn., issued a similar statement, followed the next day by Manufacturers Hanover Corp. and Bank of Boston Corp.

Federal Bankruptcy Court in Cincinnati had released a list, picked up Tuesday by newspapers and news wires, of Campeau's "unsecured creditors." The list included the four bank holding companies.

Northern Trust, Shawmut, Manufacturers, and Bank of Boston are not holders of Campeau bonds but are trustees for Campeau bondholders.

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Letters may be edited for space.

* * *

Big Stink

What do California hamburger franchises and banks with drive-up teller windows have in common? In the Los Angeles area, they're causing a smog problem, according to a California group that regulates air quality.

In Los Angeles, one of the nation's busiest traffic cities, idling cars waiting on lines to be serviced at drive-up windows are adding to the smog problem, according to the South Coast Air Quality Board, a watchdog body.

The group is considering a proposal to shut down the drive-up windows, said board member Lawrence Berg.

Another First

The North Carolina League of Savings Institutions may make grandiose claims to tout its conferences.

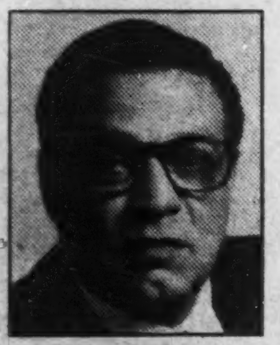
But it doesn't mess around with the facts.

Thad Woodard, the group's director, has send out a flier announcing the "first major secondary mortgage market conference held in the continental United States this year."

Before that conference kicks off on March 3, Mr. Woodard said, another secondary mortgage conference will have been held - in Hawaii.

* * *

The Duel Continues


David L. Paul

A legal battle between the president of CenTrust Savings Bank and Florida Comptroller Gerald Lewis took a new turn last week, when CenTrust filed suit against the Miami law firm that represents the Comptroller's office.

The suit alleges that Steel Hector & Davis is violating Florida bar rules because one of the firm's partners was formerly a general counsel at CenTrust and represented the bank on matters substantially related to the subject of the proceedings recently brought against CenTrust and David L. Paul, its president.

The comptroller has been seeking to oust Mr. Paul for allegedly spending $45 million in federally insured deposit for extravagant purchases, such as 15-carat gold nails used on a $7 million yacht owned by a company he controlled. Mr. Paul could not be reached for comment.

* * *

Scandal

Several bank-related incidents figure the 1990 *Scandal Annual*, a book released this week by St. Martin's Press. A survey of last year's most dubious behavior, the book includes the looniest bank robberies and chronicles several bank embarrassments.

And under the category, "Boy, Is That Dumb!" it recounts the following yarn:

A teller at the former Old National Bank of Washington in Spokane refused to serve a man who showed up at the teller window dressed in dirty construction clothes. The spurned man turned out to have $2 million on deposit at the bank and, in a fit of anger, transferred it to another institution the next day. ☐

For Bankers Who Mean Business
Commercial Real Estate
Every Tuesday in
AMERICAN BANKER

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistan editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthe, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2222

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Home MORTGAGES

A weekly feature

Mortgage Bank Companies Boost Wholesale Purchases

Marine, Fleet Embrace Strategy

By PHIL ROOSEVELT

NEW YORK — Mortgage banking companies, seeking to augment the loan originations of their retail branches, are increasingly buying production from other lenders.

Some of the industry's giants, such as Fleet/Norstar Financial Group, are using wholesale originations to feed their enormous servicing portfolios. But a number of smaller outfits also are embracing the strategy, saying it is potentially less costly than retail originations.

Wholesale production "is definitely a trend - and a big one," said Warren Lasko, executive vice president of the Mortgage Bankers Association of America.

Purchases Up 79%

Underscoring this, a group of 58 mortgage banking companies active in wholesaling boosted their purchases by 79% last year, according to a survey by Asset-Backed Capital Group, Cleveland. The companies plan to boost their wholesale production by another 22% this year.

Marine Midland Mortgage Corp., a unit of Marine Midland Bank, led the pack in 1989, buying $6 billion of loans, the survey found. Fleet Mortgage Corp., one of two Fleet/Norstar mortgage units, was No. 2 with $4 billion. Citicorp Mortgage Inc., St. Louis, was next with $3.1 billion.

Asset-Backed Capital defines wholesale originations to include virtually all types of loan purchases from correspondents and others. But the company excludes purchases of servicing rights separated from loans.

Growing Portfolios

The Fleet/Norstar units, when combined, purchased $6.6 billion of loans. That accounted for about 73% of the company's estimated $9 billion total of home loan originations. The total rose sharply from about $5 billion in 1988, helping boost Fleet/Norstar's servicing portfolio to $41 billion from $31 billion in 1988.

"When you have a big servicing portfolio, it takes quite a flow of new volumes to keep that portfolio growing," said Andrew D. Woodward Jr., president of Fleet/Norstar mortgage banking division. "The costs could be prohibitive to try to do this singly in a retail way."

Difficulties with Cost Control

Many analysts point to the mortgage market's volatility during the mid-1980s as the catalyst for the surge in wholesaling. As total volume rose to a record $454 billion in 1986 - and then dropped to $374 billion in 1988 - many lenders had difficulty keeping costs under control in large branch networks.

"The constant opening and closing of branches distracted our senior managers and drove up our costs," said Ronnie J. Wynn, president of the relatively small Colonial Mortgage Co., Montgomery, Ala., and president of the Mortgage Bankers Association of America.

As a result, he said, Colonial increased its wholesale originations to 65% of its total last year from 25% in 1988. That mix, he maintained, should prove less costly over business cycles in the long term, though industry data on wholesale costs is sparse.

Meanwhile, Margaretten & Co., a major retail originator, may start a wholesale operation early this year. The Perth Amboy, N.J.-based unit of Primerica Corp. said it would aim the effort at the large California market, where it has no branches.

"We believe the profits are not as good in wholesale as in retail, but wholesale is still profitable," said Felix Beck, chairman of Margaretten.

The rise in wholesale production has been helped by a steady increase in loan sellers. Some are are lenders who routinely unload a portion of their production to boost profits, while others operate essentially as brokers, said Thomas La Malfa, research head at Asset-Backed Capital.

Fear of Losing Control

The increase in wholesaling "highlights the growing prominence of mortgage brokers, who are low-cost producers and need outlets," Mr. La Malfa said.

Still, not all mortgage banking companies are jumping into wholesale production. Many are holding back because of a fundamental fear of losing control over their loan production, said Mr. Lasko.

To some executives, he said, wholesale production means "handing over your destiny to someone you don't control."

The greatest risk, of course, is purchasing bad loans. As a result, Mr. Wynn and others stress that any entering the field must be prepared to redouble their quality control efforts. □

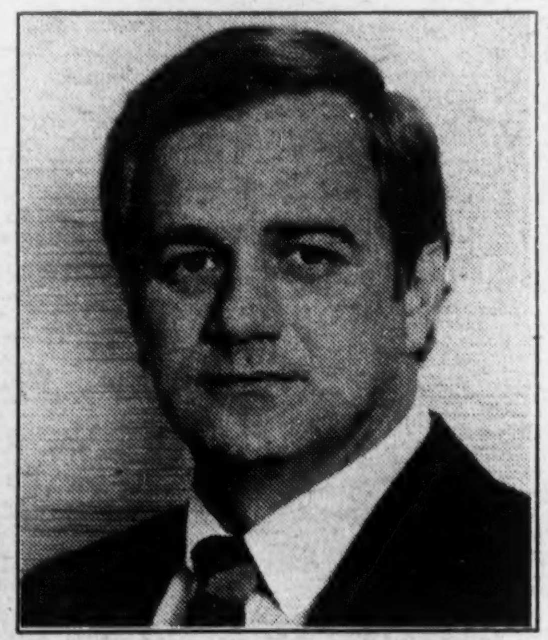
Top Wholesale Originators

Purchase volume in billions of dollars

	1988	1989	1990*
Marine Midland Mortgage Corp.	2.8	6.0	6.6
Fleet Mortgage Corp.	1.7	4.0	3.8
Citicorp Mortgage Inc.	1.0	3.1	NA
Prudential Home Mortgage Co.	2.1	2.6	4.2
BancBoston Mortgage Corp.	1.1	2.6	3.0

* Projection by originator

Source: Asset-Backed Capital Group



Andrew D. Woodward Jr.

SECURITIES

Advantage Seen in Fannie Maes, Freddie Macs over Ginnie Maes

NEW YORK — Investors may have become less worried about a heavy selloff of mortgage-backed securities by troubled thrifts, but there are still lingering concerns.

Analysts at First Boston Corp. say that such concerns - coupled with jitters about real estate - have made certain Fannie Mae and Freddie Mac securities into bargains, compared with their Ginnie Mae cousins.

In a report this week, First Boston dismisses the concerns as more perception than reality. The report advises investors holding the Ginnie Maes, or securities of the Government National Mortgage Association, to sell those and buy Fannie Maes, or securities of the Federal National Mortgage Association, and Freddie Mac, or the Federal Home Loan Mortgage Corp.

First Boston bases its case mainly on securities with coupons slightly below current coupons. For example, the yield spread of Ginnie 8s over Treasuries - adjusted for prepayment risk - tightened to about 77 basis points early this week from 90 points in mid-December, First Boston says. But this "option adjusted" spread for Freddie Macs diminished much less rapidly, to 94 basis points from 100.

Andrew Carron, First Boston's director of mortgage research, said in an interview that investors may be concerned about the federal government liquidating whole mortgages held by insolvent thrifts. Loans held by thrifts are more likely to be sold as Fannie Maes and Freddie Macs than as Ginnie Maes, he notes. And investors may think the thrifts already have sold mortgages with higher coupons.

How Much Liquidation?

The Resolution Trust Corp. indicates that thrifts currently under its wing hold about $40 billion of whole loans. But, Mr. Carron noted, it is unclear how much of that will be liquidated and how much will meet the criteria for securitization through Fannie Mae and Freddie Mac.

Credit concerns may also be influencing the relative spreads among the three types of securities, First Boston says. Recent press accounts about deteriorating real estate markets have focused on pending government studies on the capital adequacy of Fannie Mae and Freddie Mac.

"Some investors perceive that if Congress is looking into this, there must be a problem," Mr. Carron said. "What is not well understood is that Congress is concerned about risk to the government, not risk to the investor."

Fannie and Freddie securities, he noted, carry the implicit backing of the government.

— **Phil Roosevelt**

TALKING *markets*

Who Won, Lost Market Share? It's Debatable

NEW YORK — Big, nationwide mortgage originators that want to gauge their 1989 volume against "the market" may have a tough time: Analysts differ widely on the market's own volume last year.

Depending on who is talking, home mortgage originations by all lenders fell as much as 10% from 1988 or rose by as much as 7%.

As a result of such divergence, "It's well nigh impossible to tell what your market share is with any precision," says Fred B. Koons, president of Chase Home Mortgage Corp. of Tampa, Fla. His own bet is that the market was flat to slightly down.

HUD's 9-Month Estimate

Many mortgage specialists rely on the Department of Housing and Urban Development, which provides monthly estimates of the total market, based on volume levels at a sample of lenders. So far, HUD's 1989 estimate covers the nine months through September: down 13% from the year earlier period, to $253.6 billion.

Based on that count, the full-year total should be $335 billion, down from $374 billion for 1988, says John Savacool, housing economist at the WEFA Group of Bala Cynywd, Pa.

The Federal Home Loan Mortgage Corp. has a similar estimate: $340 billion. But the Federal National Mortage Association, though also using the HUD data, has come up with a higher number: $363 billion.

1986 Was The Peak Year

Of course, all of these estimates suggest that nationwide volume fell, at least by some amount, for the third year in a row. Originations peaked in 1986 at $454 billion, according to HUD.

But the Mortgage Bankers Association of America maintains that originations actually rose in 1989. Economists at the trade group estimate $390 billion of originations in 1989, up from their count of $365 billion for 1988.

"We're not trying to predict what the HUD number will be," said Richard Peach, the association's deputy chief economist. "Why would we want to do that? The HUD number is just one estimate, based on a sample."

Mortgage Firms Report Surge

Rather, Mr. Peach said, his group's totals are based on its own analyses of housing starts, home sales, home prices, and indications of refinance volume.

While observers have long raised questions about the HUD survey, attention recently has focused on the survey's findings about market share held by mortgage companies.

HUD has shown the share hovering around 20%, even as several large mortgage companies have reported surging originations. Sears Mortgage Corp., Riverwoods, Ill., for example, says its originations jumped to $3.1 billion last year from $1.8 billion in 1988 - a gain of 72%.

Not surprisingly, projections for total activity in 1990 also vary.

— **Phil Roosevelt**

Key Interest Rates

	Week ended 1/12/90	Week earlier 1/5/90	Year earlier 1/13/89
30-year fixed-rate mortgage	9.90	9.92	10.92
1-year adjustable-rate mortgage	8.39	8.40	8.65

Source: HSH Associates, Butler, N.J.

Secondary Market

	Price 1/17	Week's change	Yield	Week's change	Treasury spread	Week's change
Ginnie Mae 9%	97-25	−0-29	9.50	+0.16	+131	−2
Fannie Mae 9½%*	99-21	+1-16	9.63	+0.20	+143	+2
Freddie Mac 9½%	99-03	−0-21	9.64	+0.14	+144	−4

Yield: bond equivalent yield based on mortgage prepayment rates projected by Merrill Lynch. **Treasury spread:** the mortgage security yield minus yield on the current 10-year Treasury bond in basis points. (*)— Current coupon changed since last week.

Source: Merrill Lynch Mortgage Capital, New York

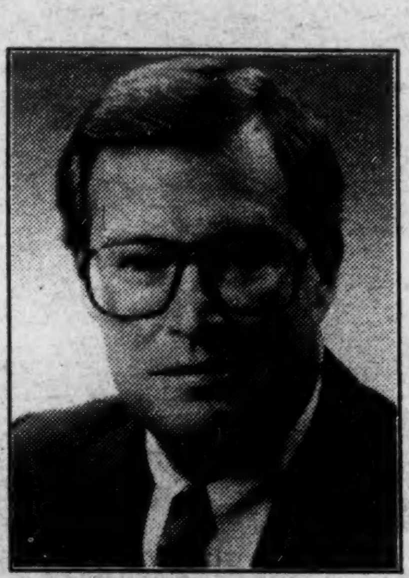
SMALL BUSINESS

BancOhio Uses Big Bankers To Cultivate Small Clients

By LAURYN FRANZONI
Special to the American Banker

Many bankers are taking care of small business in their retail departments. But "in reality, small-business lending is just as difficult as lending to larger corporations, if not more so," says William P. Blakeway, senior vice president of BancOhio National Bank's Metro Ohio division in Columbus.

Rather than compartmentalizing its small-business specialty, BancOhio has taken an interdisciplinary approach, breaking down some of the cultural walls dividing retail and commercial bankers and creating a cadre of experienced small-business bankers covering a multistate territory.


W.P. Blakeway

BancOhio officials say the strategy is profitable and attracting attention from competitors. Outsiders are praising the bank for tailoring its strategy to various markets, differentiating itself from more rigidly structured competitors.

"Banks in Ohio are tackling small business on a local level, reacting to the market on a city-by-city basis," says Susan Wolf of Omega Consultants, a San Francisco company that helps bankers set sales strategies. "What BancOhio does is highly unusual because it overcomes the rivalry between retail and commercial structures, which often sinks the efforts."

BancOhio's operating plan is based on three key elements: a multistate team of some 250 retail and corporate lenders, a sophisticated computer data base, and an intangible called "Red Carpet Service." The structure, implemented two years ago, has resulted in an estimated 35% to 40% market share for the bank's business and professional lending group, known as B&P.

The group consists of nine officers based in the Columbus headquarters. They are experienced corporate lenders who coordinate much of the bank's marketing and service for small-business clients.

In addition, 60 offices in Franklin County have been divided into nine districts, each served by a district account officer. These officers support branch managers and staff by acting as the areas' senior retail lenders and as liaisons with the central B&P staff.

Web Covers Many Relationships

Throughout the BancOhio region of Ohio, Indiana, Pennsylvania, and West Virginia, a web links more than 130 branches and their people in developing small-business relationships. With all that territory to cover, Mr. Blakeway says, the district officers play an important role in speeding response to loan applications and insuring that the bank gets complete financial information from customers.

When a customer gets in touch with a branch officer, information flows upstream to the B&P group. Simultaneously, B&P officers are calling on prospects and serving existing accounts. The whole effort is tracked by a computerized account management system the bank designed to fit the small-business development plan.

Each January, all businesses in the market area are listed in the data base and assigned to bank officers based on existing customer contacts. Noncustomers are assigned to officers with an indication of how many calls will be made on that prospect that year.

Training Sessions Held

Along with their communications and coordinating functions, the district officers play an educational role for bank employees and customers. Mr. Blakeway says his liaison people hold training sessions such as mock credit committee meetings so that newer officers can practice making presentations and develop more confidence.

"The liaisons take a real interest in what's happening at the retail level and work to make sure the retail people are making inroads in their small-business markets," Mr. Blakeway says.

Back at headquarters, the B&P officers develop specialties, including ties with the Small Business Administration and state agencies. The bank has excelled in loans in conjunction with the Ohio Department of Transportation for short-line railroads.

Officers Given Credit

Mr. Blakeway, credits his individual officers – not the structure – for the plan's success. In 1989, business was up 20% over the level in 1988, its first year; B&P lending had virtually no chargeoffs and delinquencies of less than 0.5%.

"Most banks have very similar products," Mr. Blakeway says. "One thing we do is have better service and better people. We're relationship-oriented. We try to go beyond what the customers expect us to do by trying to anticipate their needs."

For example, the bankers are not above proposing solutions when customers' initial business plans do not pan out.

Mr. Blakeway warns against relegating small-business banking to second-class citizenship. He recalls that, when the Wendy's fast-food chain opened its first store, it banked with a neighboring BancOhio. Today, as an international chain, it's still with BancOhio.

Lauryn Franzoni is a freelance writer based in Springfield, Mo.

Braddock's Path: Campus to 'Consumer'

By JED HOROWITZ

NEW YORK — Twenty-seven years ago, Richard S. Braddock roamed the campus of Dartmouth College with his pals Louis V. Gerstner and Paul Binder, talking of history, politics, sports, and girls.

Friends say the word "consumer" never passed their lips.

Today, Mr. Braddock and Mr. Gerstner are giants of consumer marketing, the former as the new president of Citicorp and Citibank, the latter as chairman of RJR Nabisco Inc. Mr. Binder, founder and ringmaster of the Big Apple Circus, also knows a thing or two about pleasing the American consumer.

Mr. Braddock's elevation at Citicorp this week reflects the primacy of consumer banking both at the largest U.S. banking company and industrywide.

Rock, and Aura of Success

Back at Dartmouth, where Mr. Braddock entertained friends with early-'60s rock hits, there was no doubt he would be a success.

"Rick has always been very serious and intense but with a good sense of humor and a balanced sense of self," said John Farnsworth, a classmate and former banker who is an executive recruiter in San Francisco.

"The guy has a mind like a steel trap," said one subordinate, who asked not to be named. "He can move from one business to another and latch onto the key strategic issue quickly. He knows how to cut through a lot of bull in an aggressive but fair way."

A New Breed

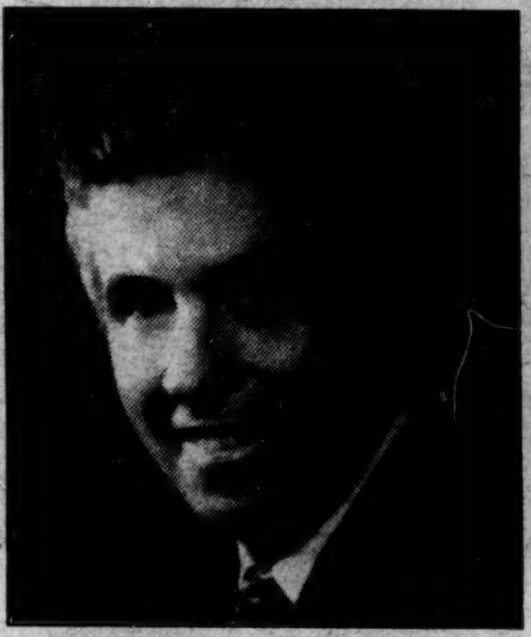
Mr. Braddock, 48, is the new breed of banking leader who has never made a loan but manages large-volume, technology-intensive consumer banks. Through a combination of luck and drive – insiders say he lobbied hard to be named president – he helped put the consumer business in the forefront at Citicorp.

Two years ago, Citicorp chairman John S. Reed, himself a retail banking veteran, said he expected 65% to 75% of the company's earnings in the 1990s from the consumer sector.

In the fourth quarter of 1989, the consumer segment – which includes a U.S. branch network, an international group, private banking, and credit and charge cards – outperformed all other Citicorp businesses for the first time in recent memory.

Marketed Orange Drink

Mr. Braddock learned his craft at General Foods Corp., where he was a product manager for Tang, the powdered orange drink. He joined Citibank in 1973 as a vice president in its New York branch system.


Richard S. Braddock
Citicorp

Richard Kovacevich, president of Norwest Corp. and a former retail executive at Citicorp, said Mr. Braddock's style is thorough and methodical. "It's typical of someone with packaged goods experience," the Minneapolis-based banker said. "You do proper testing and research and make your findings about customer needs. Then you develop the product."

"John Reed deserves the credit for building the consumer business, but the execution of that strategy lies at the doorstep of Braddock," said James J. McDermott Jr., an analyst at Keefe, Bruyette & Woods Inc. "He's top-notch." ☐

Security Pacific to Exit Brokerage Business in 6 States

Continued from *page* **1**

supplies clearing and execution services to bank-owned brokerages and other broker-dealers. "You have to be lean, and you have to be conscious of cost."

Among banks, Security Pacific was a pioneer in the field when it founded Security Pacific Brokers in 1982. It was followed by Bank of America's purchase of Charles Schwab & Co., the nation's largest discounter, in 1983.

The trend gained momentum in 1984 when Security Pacific and Union Planters National Bank, Memphis, successfully defended their growing discount brokerage networks in a Supreme Court case brought by the Securities Industry Association. But it soon became clear that brokerage was not as attractive as many bankers first thought – a notion reinforced by Bank of America's 1987 decision to sell its unit back to Schwab's management.

Other banks that have sold or cut back their discount brokerage businesses include Chase Manhattan Bank, New York, and Fleet/Norstar Financial Group, Providence, R.I. Last summer, Marine Midland Banks Inc. sold 18,000 customer accounts to Quick & Reilly Inc., a New York brokerage house.

"It has just proven that [banks] really don't belong in the business," said Tom Quick of Quick & Reilly.

Still, some bank-owned brokerage businesses are reporting a return to profitability. Industry watchers point to such successes as Key Brokerage Co., owned by KeyCorp of Albany, N.Y.; Market Investment Services, owned by Union Bancorp., Los Angeles; and First Union Brokerage Services Inc., owned by First Union Corp.; Charlotte, N.C.

Fidelity Investments, which bills itself as the largest privately held mutual fund and discount brokerage company, will officially acquire the Security Pacific accounts Jan. 26. The Security Pacific branches are in the following 11 cities: Dallas; Houston; Florham Park and Garden City, N.J.; Memphis, Tenn.; New Haven, Conn.; New Orleans; and Jacksonville, Orlando, Ormand Beach, and Plantation, Fla. ☐

AMERICAN BANKER /Bank Rate Monitor's™ Consumer Money Index

Auto, personal and credit card rates

Market	CREDIT CARD 1/16/90	CREDIT CARD Change from: 1/9/90	PERSONAL 1/16/90	PERSONAL Change from: 1/9/90	AUTO 1/16/90	AUTO Change from: 1/9/90
New York	18.79	0.00	19.18	+0.17	13.79	+0.09
Los Angeles	19.33	0.00	20.00	0.00	12.12	-0.07
Chicago	18.85	0.00	17.10	0.00	11.96	-0.06
San Francisco	19.76	0.00	20.00	0.00	12.37	0.00
Philadelphia	18.00	0.00	13.85	-0.04	11.58	-0.01
Detroit	18.00	0.00	15.46	0.00	11.94	+0.01
Boston	17.36	0.00	17.44	+0.13	12.71	0.00
Houston	19.17	-0.13	15.75	0.00	11.61	-0.05
Dallas	18.19	-0.14	16.91	0.00	11.50	-0.14
Washington	18.71	0.00	16.14	0.00	11.33	-0.02
BRM Index	18.62	-0.02	17.18	+0.02	12.09	-0.03

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $9,000, 48-month, new-car loan with a 20 percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

SOURCE: © Bank Rate Monitor, North Palm Beach, 33408
All inquiries: (407) 627-7330

LOWEST PERSONAL LOAN RATES	
Philadelphia National Bank	11.35%
First Pennsylvania, Philadelphia	11.40
Fidelity Bank, Philadelphia	12.40
HIGHEST PERSONAL LOAN RATES	
Manufacturers Hanover Trust, NY	24.00%
Bank of America, San Francisco	21.25
First Interstate Bk, Los Angeles	21.00
LOWEST AUTO LOAN RATES	
First City, Texas, Dallas	10.75%
First Pennsylvania, Philadelphia	10.90
Provident Natl Bk, Philadelphia	10.99
HIGHEST AUTO LOAN RATES	
Manufacturers Hanover Trust, NY	15.50%
Chemical Bank, NY	14.90
Chase Manhattan Bank, NY	14.90
LOWEST CREDIT CARD RATES	
Provident Inst. for Svgs, Boston	14.90%
St. Paul Fed Bank, Chicago	15.90
Murray Federal Svgs, Dallas	15.90
HIGHEST CREDIT CARD RATES	
World S&L, Oakland, Calif.	20.90%
Homestead Savings, San Francisco	20.90
Wells Fargo Bank, San Francisco	20.00

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 12, 13, 14, 16

800

C0175-1

MORTGAGE-BACKED SECURITIES
Tables begin on page 12

AMERICAN B

VOL. CLV NO. 14 *Monday, January 22, 1990* *55th year*

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ‾ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Revoked Pacts A Blow to S&Ls, But Not Fatal

By STEVE KLINKERMAN

DALLAS — The recent decision by thrift regulators to revoke agreements that softened capital rules for sick thrifts that were acquired in the past 10 years is a major setback to many of these institutions. But it is unlikely to prove the death knell that some observers had expected.

"The decision by itself shouldn't drive anybody over the brink and into the clutches of the Resolution Trust Corp.," said John Robinson, deputy director of supervision for the Office of Thrift Supervision.

To varying extents, the OTS decision affects 411 institutions that were acquired with federal assistance since 1980, said Mr. Robinson.

ANALYSIS
Follow-up on the news

He said the specific impact on each institution would not be known until each of their assistance contracts is examined, a process that will likely take several months.

Many of the affected institutions already were candidates for federal takeover because of other capital changes mandated by Congress, such as the limiting of goodwill as a component of core capital.

In New York, for example, Empire of America Savings Bank had $714 million of goodwill disallowed as capital. It finished the third quarter of 1989 with a $53.5 million capital deficit, and is seeking open thrift assistance.

Shareholders Underwater

The OTS decision further hurts Empire's finances because it can no longer count government-owned stock as capital. "Shareholders already are underwater, so it doesn't matter," said Empire spokesman Lynn Casteel.

But the recent OTS contract abrogations have a big impact on thrifts rescued in 1988, especially those in Texas.

In Dallas, American Federal Bank at Sept. 30 fell $30 million short of the core capital required to support its $3 billion of assets. Its chairman, William Gibson, resigned abruptly late Wednesday.

Canceling Growth Plans

At best, American Federal will have five years to make up the shortfall, instead of the ten years it would have had if the OTS had not changed the rules. It has canceled plans for growth and acquisitions – an action taken by many thrifts affected by the OTS decision – and is rushing to

See **REVOKED** *page* **15**

INSIDE NEWS

FINANCE

NCNB CORP. HAS BECOME the first banking company to publicly characterize a credit to a Campeau Corp. subsidiary as a nonperforming asset. The bank classified its loan to Federated Department Stores as nonperforming in the fourth quarter. *Page 16*

INTERNATIONAL

SECURITY PACIFIC is the only U.S. banking company making markets in British securities now that Citicorp has decided to sell its Scrimgeour Vickers stock trading unit. *Page 10*

CONSUMER

THE CONSUMER BANKERS Association is mailing its members a decal that is designed to signal the institution's concern for the customer. *Page 6*

TECHNOLOGY

CHARLES S. SANFORD JR., chairman of Bankers Trust New York Corp., said one of the biggest threats to global banking is the possibility of computer failure in the clearing system. *Page 3*

OTHER NEWS

AN ACTIVIST GROUP is expected to file a challenge to Citizens and Southern Corp.'s community reinvestment record that could delay the merger of C&S and Sovran Financial Corp. *Page 2*

THE BUSH ADMINISTRATION is having a hard time selling OTS Chief M. Danny Wall's job to qualified candidates. *Page 2*

INDEX

People in the News 2
Company Index 2
Sound-Off 4
Washington Monday 8
Weekly Index of Stories 18
Financial Services Stocks 23
Classified Advertising 20

2d Thrift Bill Takes Shape, But Congress Is Reluctant

By ROBERT M. GARSSON

WASHINGTON — When the law restructuring the thrift industry was signed five months ago, no one expected Congress to tackle the issue again in any substantial way anytime soon. And until a few weeks ago, that was still widely believed.

But now, measure by measure, the ingredients for a new thrift bill are beginning to fall into place.

This is the last of a four-part series examining the impact of the thrift-bailout law.

Some of the key questions being raised as Congress prepares to reconvene Tuesday:

- Should the Office of Thrift Supervision, created under the bailout law, be disbanded and its supervisory role be turned over to other regulators?
- Should the five-member board overseeing the Resolution Trust Corp. be scuttled because it is slowing the sale of seized thrifts?
- Should the RTC be required

See **BURNED** *page* **17**

Bank of New England Sees $1.2 Billion Loss

Talk of Closure by Regulators Sweeps Wall Street

By JOHN FORDE

NEW YORK — Revealing even deeper loan woes than previously indicated, Bank of New England Corp. on Friday estimated it would post a $1.2 billion loss for the fourth quarter, one of the largest ever in banking history.

And in what many observers saw as a last-ditch effort to stave off failure, the Boston-based banking company announced it would sell $6 billion in assets and enter into a consent order with federal regulators that will outline a plan to get itself back on track.

Time to Build Equity Capital

The company said its fourth-quarter loss would be caused by a special $1.5 billion provision against credit losses. For the year, Bank of New England expects to lose $1.05 billion. The bank also disclosed various parts of a strategy meant to rebuild its equity capital, which analysts estimate has sunk to about $500 million, or less than 2% of its assets.

The news hammered the price of Bank of New England's stock down by $1.625, to $2.875, Friday as rumors swept the market of a possible closing of the company by federal regulators over the weekend. A Bank of New England spokeswoman denied the reports, however, saying that "as you can see by the strategy we've laid out, we plan to be around for a while."

Top Quarterly Losses
At bank holding companies
(Dollars in millions)

Citicorp	2Q '87	$2,585
J.P. Morgan	3Q '89	$1,815
First RepublicBank	1Q '88	$1,502
Bankers Trust	3Q '89	$1,420
Chase Manhattan	2Q '87	$1,378
Manufacturers Hanover	2Q '87	$1,373
Bank of New England	4Q '89	$1,200*
Continental Illinois	2Q '84	$1,158
BankAmerica Corp.	2Q '87	$1,136
Chase Manhattan	3Q '89	$1,109

*Estimate
Source: Keefe, Bruyette & Woods Inc.

See **BANK** *page* **9**

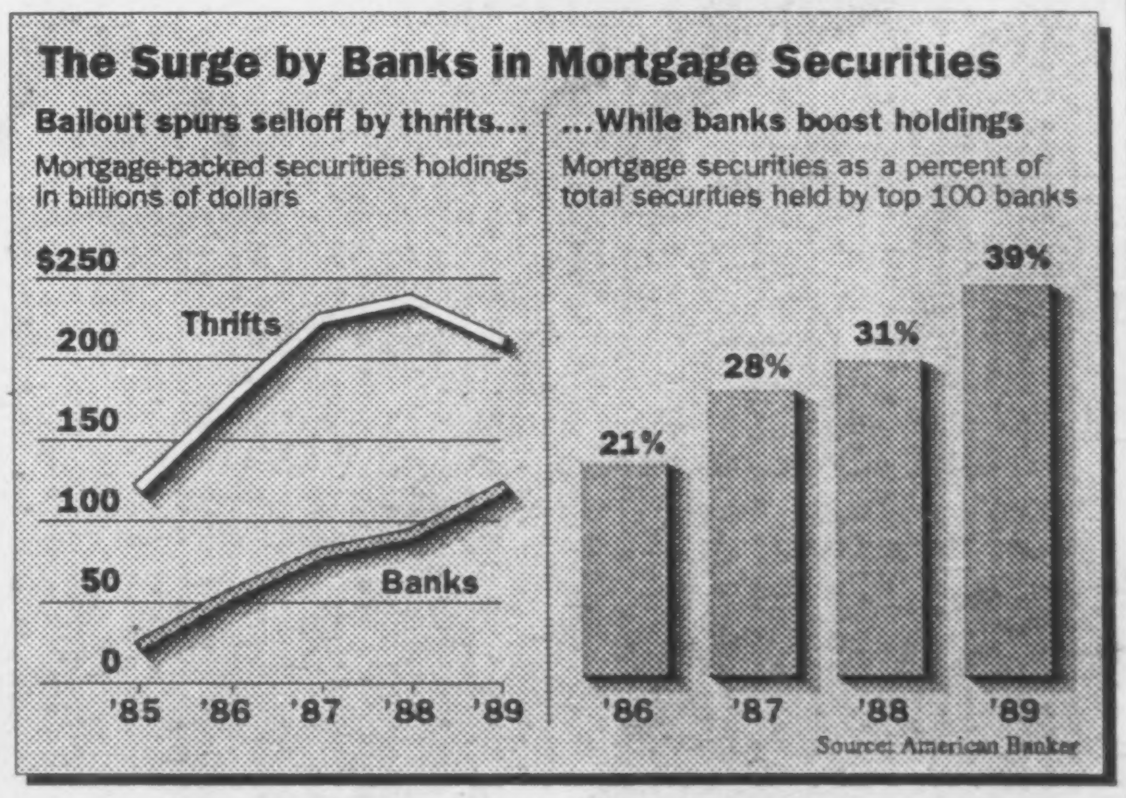
Banks Load Books with Mortgage-Backeds

By PHIL ROOSEVELT

NEW YORK — In a dramatic example of commercial banks' increased involvement in home-mortgage finance, the 100 banks with the largest mortgage-securities portfolios increased their holdings by 52% in the year ending Sept. 30, an *American Banker* survey has found.

The buying spree means that 39% of all securities held by the banks are now mortgage-backed bonds, up from 31% at yearend 1988.

Moreover, experts say, banks are likely to remain bullish on mortgage-backeds, largely because of incentives in risk-based capital rules.



Source: American Banker

S&Ls Were Sellers

Thrifts, meanwhile, were net sellers, reflecting asset reduction spawned by that industry's bailout law. The top 100 thrifts in mortgage-backeds reduced their holdings by about 6% in the 12 months ended Sept. 30.

Tables of the top 100 banks and the top 100 thrifts in mortgage-backed securities holdings begin on page 12. The tables deal only with basic mortgage-backed-securities, which pass through to investors both the interest and principal payments from pools of mortgages. Derivative instruments, such as collateralized mortgage obligations, are not included.

While the top 100 banks boosted their holdings by 52%, to $73.5 billion, the banking industry as a whole increased its investments by 39%, the study of recent regulatory filings found.

The sharp jump in banks' holdings of mortgage-backeds comes as the industry is making heavy inroads into other parts of the home loan arena. Last summer, for example, commercial banks supplanted savings and loan associations as the nation's largest originators of mortgages.

Mortgages Make Sense

"Everything we know says banks ought to be doing this," says Lawrence J. White, an economics professor at New York University's business school and a former member of the Federal Home Loan Bank Board. Specifically, he cites the risk-based capital regulations, which require banks to hold less capital against mortgages and

See **CAPITAL** *page* **13**

PEOPLE *in the news...*

Gibson Quits as Chairman Of American Federal Bank

William Gibson resigned abruptly last week as chairman and chief executive of the embattled **American Federal** Bank, Dallas, one of 16 thrifts created under the "Southwest plan" in 1988.

The sudden departure marks another unusual twist in the career of Mr. Gibson, an executive so ambitious that he once turned down a position on the Federal Reserve Board because he was not offered the chairmanship.

American Federal offered no explanation for why Mr. Gibson left, and the executive could not be reached for comment. However, industry sources cite deteriorating relations with regulators and the thrift's owner, **Lone Star Technologies** Inc.

A Flair for Publicity

He came to the helm of American Federal, formed from the remains of 12 failed Texas institutions, in August 1988. Almost immediately after taking control, Mr. Gibson began promoting American Federal as an example of how a reconstituted thrift should be operated. He hired a public relations company to promote his name and gave interviews.

But Mr. Gibson faded from view last fall, after the thrift-reform law threw his thrift on the ropes. Counting on the Federal Home Loan Bank of Dallas for up to 50% of American Federal's funding, Mr. Gibson had to devise plans to repay a portion of the funds, making the thrift vulnerable to increases in interest rates it must pay to attract additional deposits.

And capital guidelines spelled out in the law derailed Mr. Gibson's plans for growth and acquisitions. At Sept. 30, American Federal was $30 million short of the core capital it required to carry its assets.

Mr. Gibson formerly was the chief economist for RepublicBank Corp., Dallas, predecessor of the failed First RepublicBank Corp. After leaving Republic in 1986, he took charge of asset and liability management at Continental Illinois Corp.

— **Steve Klinkerman**

Citicorp Replaces Quotron Chief

Citicorp has reorganized its faltering Quotron subsidiary, naming Leland H. Amaya to replace J. David Hann as chairman and chief executive officer. The bank company also appointed Paul F. Glaser, head of its technology operations, as president and chief operating officer.

In the fourth quarter, Citicorp wrote off $35 million relating to severance pay and equipment writeoffs at Quotron, which it purchased for $680 million in June 1986.

Mr. Hann, a former executive with **U.S. Spring Communications** Co., took the reins of Quotron at the end of 1987, replacing the company's founder.

Mr. Amaya, a member of Quotron's board since 1984, is a veteran of the securities industry. He served as vice chairman and head of operations at Paine Webber Jackson & Curtis and is a former chairman of Securities Industry Automation Corp.

A Technology Background

He began his career as a systems and computer specialist for the Pan Am Corp. and Lockheed Missiles & Space Co.

Mr. Glaser has been chairman of Citicorp's corporate technology committee since 1982. According to a news release, Mr. Glaser was instrumental in designing and implementing Citibank's automated teller machine network. He joined the bank company in 1973 after 15 years at TRW Inc.

Quotron, at one time the standard Wall Street source for stock market quotations, has faced increasing competition from other vendors in recent years. Citicorp says it will continue to develop new products for the unit.

— **Jed Horowitz**

... by region

MIDDLE ATLANTIC

The Federal Home Loan Bank of New York elected **George L. Elgelke Jr., Rodney W. Kruse,** and **Leonard S. Simon** to its board of directors for a term of two years.

Mr. Elgelke is president of Astoria Federal Savings and Loan Association, Jackson Heights, N.Y.; Mr. Kruse is president of Marine View Savings Bank, Middletown, N.J., and Mr. Simon is chairman and chief executive officer of the Rochester Community Savings Bank, New York.

William J. Callahan was named senior vice president of the New York Home Loan Bank. He will be responsible for marketing the bank's services.

Mr. Callahan previously was senior vice president of Yamaichi International (America) Inc., New York.

SOUTHEAST

First National Bank in Palm Beach, a division of Southeast Bank, Miami, appointed **John H. Coleman Jr.** vice president of investment services of Palm Beach Capital Services, the bank's investment subsidiary. ☐

Planned Challenge on CRA May Slow C&S-Sovran Deal

By KENNETH CLINE

ATLANTA — In a move that could delay Citizens and Southern Corp.'s $2.2 billion merger with Sovran Financial Corp., a group of community activists was expected today to file a challenge to Citizens' community reinvestment record.

Dennis Goldstein, housing specialist attorney with the Atlanta Legal Aid Society, said he plans to file a CRA challenge today against Citizens on behalf of a client, Carrie Copeland, president of an Atlanta-area tenant's association.

Mr. Goldstein said he would argue that Citizens had a poor record in terms of consumer, business, and mortgage lending to low-income people in Atlanta.

Under the Community Reinvestment Act of 1977, activist groups have the right to challenge bank mergers and acquisitions if they can present documented complaints that the banks involved are not doing enough to meet the credit needs of low-income and minority customers.

Dialogue Will Continue

"We told [Citizens] we planned to file, they acknowledged that, and both sides agreed that we would continue the dialogue on CRA issues," Mr. Goldstein said.

Atlanta Legal Aid is one of three groups that has been engaged in negotiations with Citizens during the past month, according to Mr. Goldstein. He identified the others as the Georgia Housing Coalition and the Southern Christian Leadership Conference.

Representatives of those groups could not be contacted Friday, but both had previously made known their interest in CRA-related issues.

Citizens spokesman Scott Scredon said the Atlanta-based bank still anticipates completing its merger with Norfolk, Va.-based Sovran as planned by April 30.

Ample Time for Review

"The Fed's 60-day review process allows ample time for issues such as this," he said, referring to the period the Fed allocates for reviewing CRA challenges.

"We feel we have a well-documented file that will make it easy for the Fed to see that we have fulfilled our responsibilities," Mr. Scredon added.

Under Federal Reserve rules, today is the deadline for such groups to file a CRA challenge against the Citizens-Sovran merger. Mr. Goldstein suggested his client would not be the only one to file. "Based on earlier conversations, I believe that there are going to be a number of community groups in Atlanta filing separate challenges," Mr. Goldstein said.

The Fed began taking a harder stance on CRA complaints last year. In February, it denied an application by Continental Bank Corp., Chicago, to purchase Grand Canyon State Bank in Scottsdale, Arizona.

Most recently, it delayed for several months the acquisition of Florida National Banks of Florida Inc., Jacksonville, by First Union Corp., Charlotte. That acquisition also faced CRA challenges from community groups.

The Fed finally approved the deal at the end of December. By then, First Union had announced some expensive low-income lending commitments to bolster its CRA record: $9 million to neighborhoods in Charlotte, and $28 million to communities it serves in Florida. ☐

Unclear Future Of OTS Stalls Director Hunt

By BARBARA A. REHM

WASHINGTON — The Bush administration has identified some suitable replacements for M. Danny Wall, the caretaker Office of Thrift Supervision director, but is having a hard time persuading anyone to take the job.

"The desire is there, but delivering on it is tough," said an administration source. "Talk of merging the agencies makes it harder to find someone."

A new spate of rumors has the OTS being merged into the Comptroller of the Currency's office. That has created uncertainty about whether there really is an OTS job to take. (See story on page 17.)

Wall Is Ready

For his part, Mr. Wall appears ready to go. He announced late last year that he was resigning but would stay on until a successor was named.

Karl Hoyle, OTS spokesman, said of Mr. Wall last week: "He's made the transition mentally.

See **BANKING** *page* **15**

Correction

A Jan. 19 article (page 14) incorrectly described the capital position of Crossland Savings Bank, Brooklyn, N.Y. It reported stockholders' equity of $647 million at yearend. Because the figure includes about $380 million of cumulative preferred stock, which is not eligible to be treated as capital under guidelines of the Office of Thrift Supervision, the thrift falls short of current capital minimums. Crossland has filed a plan with the OTS to comply with the capital rules. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Allied Irish Bank 6
American Chamber of Commerce 10
American Continental 1
American Federal 2
Ameritrust 1
Arthur Andersen 10
Association of Thrift Holding Companies 1
Astoria Federal 2
AT&T 3
Avis Rent-A-Car Systems 3

B
Banca Commerciale Italiana 10
BankAmerica 1,10,22
Bankers Trust New York 3
Bank of Boston 1,24
Bank of Ireland 6
Bank of New England 24
Bank of New York 24
Bank of Tokyo 3
Barnett Banks 15
BayBanks 1
Bayerische Vereinsbank 10
Broad 22

C
Cambridge Savings 8
Campeau 22
Canadian Imperial Bank 22
Chase Manhattan 10
Chemical Banking 1,22
Citicorp 2,3,10,22
Citizens and Southern 2
Columbia Savings 5
Commercial and Credit Bank 10
Community Capital 6
Continental Bank 2
Corestates Financial 24
Creditanstalt Bankverein 10
Credit Lyonnais 10
Crossland Savings 2

D - F
D&N Savings Bank 8
Dow Chemical 10
Drexel Burnham Lambert 1
Empire of America Savings 1
Ernst & Young 10
Federal Home Loan Mortgage Corp. 1
Federal National Mortgage Assn. 1
First Boston 22
First Fidelity 22,24
First Union 2
Fitch Investors Service 24
Fleet National Bank 24
Fleet/Norstar Financial 1

G
G.E. Capital Corp. 1
Goldman Sachs 1
Gosbank 10
Government Nat'l Mortgage Assn. 1
Grand Canyon State Bank 2

I - L
IBJ Schroder 6
Imperial Savings of San Diego 5
Integrated Resources 22
Kansallis-Osakke-Pankki 10
Lone Star Technologies 1,2

M
MacAndrews & Forbes Holdings 1
Manufacturers Hanover 22
Marine View Savings 2
MasterCard International 6
Mellon Bank 22
Mercury Savings 5
Merrill Lynch 1,22
Midlantic 24
Moody's Investors Service 24
Morgan Guaranty 6

N - S
NCNB 1,22
New York Clearing House Assn. 3
Northeast Bancorp 24
Price Waterhouse 10
Prudential Bache 1
Resolution Trust Corp. 1,8
Robinson-Humphrey 15
Rochester Community Savings 2
Royal Trust 5
Ryan Beck 24
Salomon 3
Sandler, O'Neill & Partners 1
Santa Barbara Savings 5
Schwinn Bicycle 10
SD-Scicon 3
Security Pacific 10,22
Shawmut National 1
Shearson Lehman Hutton 10,22
Signet Bank 1
Silverado Banking 5
Smith Barney 24
Southwest Savings 1
Sovran Financial 2
Standard & Poor's 24

T - Z
Talisman Communications 3
UAL 22
UJB Financial 24
United Savings Association of Texas 1
U.S. League of Savings Institutions 1,8
U.S. Spring Communications 2
Valley Federal 5
Valley National 2
Vnesheconombank 10
Warrington Financial Systems 3
Washington Bancorp. 2
Yamaichi 2

Look for *Crime Blotter* every Tuesday on page 4 in the *American Banker.*

COMMENT / *By Paul S. Nadler*

Encouraging Local Support For a Mutual Savings Bank

"I agree with you," said the astute president of a mutual savings bank. "There are a lot of pitfalls in switching from mutual status to stockholder ownership – but how else can we get the community to share in our success and thus give the bank more of its business?"

Theoretically, everyone benefits when a mutual sells stock – its depositors, employees, and the community. But the real winners when a thrift goes public are often the investment bankers and lawyers who facilitate the process.

All too often, the shares have traded "under water" – at prices well below the offering price. That angers the depositors who withdrew interest-earning savings to buy the stock, discourages employees who bought stock, and makes the bank look bad in the community's eyes.

Worse still, by going public the bank is put "in play." Others may want to buy it and replace the management, especially if the stock is cheap, once the mutual gives up its protection from a buyout.

This sobering scenario causes many executives of mutual organizations to spurn the blandishments of investment bankers who advise them to go public. They resist, even though the investment banker never fails to mention, "and of course you, yourself, will reap some personal benefits, too."

But the major drawback of remaining a mutual is the one cited by my banker friend: A stock company has local owners who want the bank to thrive because they share the profits. Mutual institutions lack this.

The president of an Arkansas bank once wrote to me, trying to buy back the stock in his bank that my father had bought for my daughter in the 1960s. His letter argued that having the stock held by a New Yorker did the bank no good, so he wanted it back to sell to a local citizen.

I refused to sell. This bank was acute enough to want to keep its stock locally owned – and willing to make the effort to bring back stock held outside the community. That was the type of bank I wanted my daughter to have an investment in.

My banker friend and I mused about what can be done to remain mutual but give incentives to interest the community in helping the bank to prosper.

We came up with the Schmidlap plan, named after the mythical bank I use in my talks. (I do this so that no real banker can say I am talking about his operation – even if I am.)

1. A Schmidlap plan account pays a base interest rate on deposits, along with a premium return based on the bank's earnings and the number of points the depositor has earned for activities that helped the bank achieve its profits.

2. Points will be earned (as in an airline frequent-flier club) for the following:

- Keeping the number of transactions in the Schmidlap account to a specified minimum, to save the bank the cost of excessive activity.
- Bringing in new business, either a new loan or a depositor whose account is substantial and stays on the books a specified amount of time.
- Making a suggestion that helps the bank.

My friend's mutual institution adopted a helpful idea that would have earned points under our plan. A bulletin board in his mortgage department displays a welcome message and lists the names of the people who will be coming in to close or originate mortgages that day!

- At the end of each quarter the bank will report its earnings and then announce how much each point on the Schmidlap program is worth in added interest above the stated minimum.

Incentive for Depositors

Is this legal? I would think so, although I am sure any bank that wants to use the Schmidlap plan (it is not copyrighted) should check with counsel. After all, Chase Manhattan Bank has promoted a savings account with interest tied to the Standard and Poor's 500 stock index. So why shouldn't an account be tied to the bank's own earnings?

The key is to make the community feel a direct relationship between the bank's success and its own rewards.

This concept works for a stockholder-owned bank. If a mutual can attain the same goal and still retain its mutual format, it will have gone a long way toward having its cake and eating it too – in these days when giving up mutuality has so many pitfalls. ☐

Mr. Nadler is a contributing editor and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

Last week's Chapter 11 filing by Campeau Corp.'s retail stores sent a warning to lenders about the growing threat posed by highly leveraged credits that populate many commercial lending portfolios. Suzanne Christy of the American Banker's feature staff asked:

Q ***Do you expect to see more bankruptcies? Will the situation get worse before it gets better?***

■ Christopher Mahoney
Vice president, financial institutions
Moody's Investors Service

The Campeau failure is a sure signal that bankers should reexamine their portfolios. There will be even more bankruptcies, especially on deals based on asset sales and cash flow.

People are overleveraged. Cash flow coverage is tight to begin with. LBOs will get tougher and tougher to work out – out of court. If debt can't be serviced, it will have to be dealt with in court.

And there will be more problems than we are seeing now. There has been a deterioration in the quality of leveraged deals. Leveraged transactions done early in the decade were better than those that followed. Most of the troubled ones are the more recent deals.

On the other hand, I don't think LBOs will be a crisis for many, though they might be an embarrassment and headache. This is not a situation anywhere close to the Texas real estate or LDC problems that killed off a few players.

Bankers should beware of any deal based on asset sales and not cash flow.

■ Carolyn Day O'Leary
Vice president,
Senior credit administrator
First American Bankshares

Bankruptcies are on the rise. We can look for more problems with highly leveraged transactions for many of the same reasons the Campeau deals went bad: Buyers were paying too much for businesses. With such thin capital bases, there is absolutely no room for any interruptions in the economy or a company's progress without there being a severe impact on the borrower's ability to pay when debt is due.

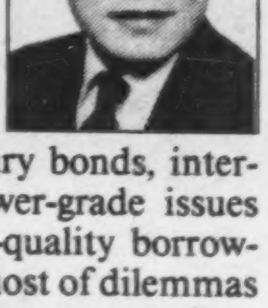
We have been assessing our portfolio, and we already have policies discouraging highly leveraged loans. That's not to say we don't have some on our books, but they are decided on a case-by-case basis. And with the recent joint definition issued by federal regulators, we are fine-tuning our policy again, specifying what kind of underwriting criteria we expect.

We are no longer concerned about what would happen if interest rates rise. Now we are more concerned about the short-term outlook for real estate. There will not be terribly grave problems, but we expect a definite softening in the marketplace.

The time for conservatism is here.

■ Sung Won Sohn
Senior vice president, chief economist
Norwest Corp.

It is pretty clear there will be more bankruptcies, especially if the economy slows down or we go into a recession.



Credit quality should be the No. 1 concern of bankers.

While interest rates are going down on high-quality issues like Treasury bonds, interest rates on lower-grade issues are rising. Low-quality borrowers are facing a host of dilemmas – if they can get money at all.

We are already seeing some credit rationing – the first time since the mid-1970s. Commercial real estate is one area, the junk bond market is another. Problems will even extend into the home mortgage area as savings and loans struggle with the new capital rules. Even some venerable institutions like Manny Hanny and Chemical have had their subordinated debt rated as junk because of credit-quality problems.

■ Herman Sandler
Founding principal
Sandler O'Neill & Partners

The bankruptcy of Campeau's subsidiaries is a classic example of what happens when expectations and reality are so far afield. Ego and fees were driving that deal instead of logical business sense. Wall Street took some of the best corporations around and put them in debt for no reason other than they wanted the fees. Even now, as more and more deals are bound to turn sour, the Street benefits – this time from the recapitalization fees.

Banks are at a very dangerous point right now. Most types of loans, including consumer loans, are shaky. The problem real estate loans in the Northeast will soon be reflected in the commercial area. We'll see the worst defaults in Massachusetts, where there are numerous uncompleted projects.

Capital is now king, and it is becoming even more so as the Fed and regulators take an active role.

Banks should raise premiums, and build as big a financial cushion as they can. If anything, they should err on the conservative side, and add another 10% to 15% to reserves.

In the future, thinly capitalized deals will be difficult to get done. ☐

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2222

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 100 Banks in Mortgage-Backed Security Holdings

Based on government-insured and privately issued securities held on Sept. 30, 1989 (dollar amounts in thousands)

Rank 9/89		Mortgage-Backed Securities (MBS) 9/30/89	9/30/88	% Chg.	Government MBS as % of All MBS 9/30/89	9/30/88	Total Assets 9/30/89	Total Securities 9/30/89	MBS/Assets 9/30/89	9/30/88	MBS/Securities 9/30/89	9/30/88	Total Securities /Assets 9/30/89	9/30/88
1	**Bank of America NT&SA, San Francisco**	4,738,000	5,027,000	-5.75	99.07	98.69	84,755,001	7,027,000	5.59	6.09	67.43	70.07	8.29	8.70
2	**Chemical Bank, New York**	3,876,000	3,442,000	12.61	100.00	100.00	49,353,000	8,160,000	7.85	6.34	47.50	53.47	16.53	11.85
3	**Pittsburgh National Bank**	3,873,269	2,172,924	78.25	100.00	100.00	15,966,751	4,737,462	24.26	14.05	81.76	56.22	29.67	24.99
4	**National Bank of Detroit**	2,794,950	838,052	233.51	100.00	100.00	16,409,840	4,513,534	17.03	5.34	61.92	24.11	27.51	22.14
5	**Wells Fargo Bank NA, San Francisco**	2,175,060	1,840,798	18.16	99.75	100.00	45,408,316	2,645,233	4.79	4.37	82.23	65.01	5.83	6.72
6	**Signet Bank/Virginia, Richmond**	2,171,696	1,645,521	31.98	100.00	94.00	8,696,020	2,576,414	24.97	21.76	84.29	79.75	29.63	27.29
7	**NCNB Texas National Bank, Dallas**	2,130,812	434,578	390.32	100.00	99.99	29,470,478	5,687,148	7.23	1.70	37.47	13.80	19.30	12.29
8	**Morgan Guaranty Trust Co., New York**	1,732,103	1,209,021	43.26	100.00	100.00	65,164,183	15,127,549	2.66	1.69	11.45	8.76	23.21	19.34
9	**First Union National Bank, Charlotte, N.C.**	1,690,355	909,397	85.88	100.00	97.87	17,976,721	4,519,020	9.40	6.42	37.41	32.52	25.14	19.73
10	**Mellon Bank NA, Pittsburgh**	1,571,086	972,463	61.56	100.00	100.00	22,562,520	2,956,512	6.96	4.38	53.14	39.97	13.10	10.95
11	**Norwest Bank Minnesota NA, Minneapolis**	1,564,455	687,665	127.5	100.00	100.00	8,753,032	2,143,394	17.87	7.72	72.99	37.36	24.49	20.66
12	**NCNB National Bank of North Carolina, Charlotte**	1,560,988	341,750	356.76	100.00	100.00	18,085,103	3,505,012	8.63	2.16	44.54	12.20	19.38	17.72
13	**Connecticut National Bank, Hartford**	1,434,456	805,319	78.12	100.00	100.00	12,795,274	2,354,822	11.21	7.29	60.92	40.68	18.40	17.93
14	**Sovran Bank NA, Richmond**	1,331,915	279,964	375.75	100.00	100.00	13,271,732	2,442,130	10.04	2.37	54.54	17.24	18.40	13.77
15	**NCNB National Bank of Florida, Tampa**	1,167,916	2,499	46635.33	100.00	100.00	10,507,115	2,337,189	11.12	0.03	49.97	0.12	22.24	22.83
16	**Florida National Bank, Jacksonville**	1,026,342	1,596,881	-35.73	100.00	100.00	7,666,333	1,432,506	13.39	21.25	71.65	76.50	18.69	27.77
17	**First Fidelity Bank NA, Newark, N.J.**	977,366	619,664	57.73	100.00	100.00	11,812,855	2,816,336	8.27	5.56	34.70	26.64	23.84	20.88
18	**Manufacturers Hanover Trust Co., New York**	965,000	863,000	11.82	100.00	100.00	55,016,000	6,645,000	1.75	1.40	14.52	13.60	12.08	10.26
19	**Hibernia National Bank, New Orleans**	892,843	676,267	32.03	100.00	100.00	6,175,436	1,210,262	14.46	12.61	73.77	61.18	19.60	20.61
20	**Manufacturers National Bank, Detroit**	883,311	639,535	38.12	100.00	100.00	8,281,374	1,213,979	10.67	7.81	72.76	61.30	14.66	12.74
21	**Fidelity Bank NA, Philadelphia**	859,309	155,646	452.09	73.13	100.00	9,193,024	1,718,354	9.35	1.50	50.01	9.56	18.69	15.70
22	**Comerica Bank - Detroit**	851,468	502,938	69.30	100.00	100.00	9,328,060	1,951,116	9.13	6.01	43.64	30.08	20.92	19.96
23	**Michigan National Bank, Farmington Hills**	830,419	280,101	196.47	100.00	100.00	9,521,614	1,896,659	8.72	3.15	43.78	22.73	19.92	13.86
24	**Texas Commerce Bank NA, Houston**	821,250	31,748	2486.78	100.00	100.00	10,347,854	2,022,648	7.94	0.27	40.60	2.04	19.55	13.35
25	**First Union National Bank Florida, Jacksonville**	817,018	943,970	-13.45	100.00	100.00	8,819,998	1,541,595	9.26	10.70	53.00	52.14	17.48	20.52
26	**Shawmut Bank NA, Boston**	814,036	1,248,922	-34.82	100.00	80.97	9,303,190	1,396,612	8.75	13.06	58.29	71.25	15.01	18.34
27	**Premier Bank NA, Baton Rouge, La.**	792,486	404,017	96.15	100.00	99.90	4,183,400	1,160,595	18.94	23.10	68.28	71.90	27.74	32.13
28	**First Interstate Bank NA, Houston**	783,481	932,633	-15.99	100.00	100.00	6,207,928	1,110,224	12.62	11.02	70.57	61.95	17.88	17.79
29	**Marine Midland Bank NA, Buffalo, N.Y.**	714,040	151,111	372.53	100.00	100.00	21,605,256	1,099,575	3.30	0.70	64.94	17.04	5.09	4.10
30	**Frost National Bank, San Antonio, Tex.**	705,586	278,406	153.44	100.00	99.86	2,592,572	1,054,685	27.22	11.29	66.90	46.68	40.68	24.19
31	**Bank of Baltimore**	702,298	439,050	59.96	100.00	100.00	3,329,917	913,876	21.09	14.55	76.85	55.56	27.44	26.19
32	**Citizens & Southern National Bank, Atlanta**	683,568	425,279	60.73	100.00	100.00	12,362,782	2,230,127	5.53	3.85	30.65	22.93	18.04	16.80
33	**Equitable Bank NA, Baltimore**	645,177	747,345	-13.67	100.00	100.00	4,889,834	1,340,639	13.19	15.63	48.12	44.08	27.42	35.45
34	**First Pennsylvania Bank NA, Philadelphia**	612,394	450,120	36.05	100.00	100.00	6,547,216	924,676	9.35	7.33	66.23	52.64	14.12	13.93
35	**Exchange National Bank, Chicago**	579,999	285,799	102.94	70.75	100.00	2,878,310	906,647	20.15	11.49	63.97	40.87	31.50	28.11
36	**Citizens Fidelity Bank & Trust Co., Louisville**	570,561	500,534	13.99	100.00	97.76	5,473,018	1,341,668	10.42	10.41	42.53	54.95	24.51	18.94
37	**Central Fidelity Bank, Richmond**	551,857	419,333	31.60	100.00	100.00	5,065,240	830,453	10.89	9.14	66.45	58.41	16.40	15.65
38	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	540,925	297,401	81.88	100.00	100.00	6,010,643	1,390,103	9.00	5.69	38.91	23.84	23.13	23.86
39	**Chase Manhattan Bank NA, New York**	533,388	174,224	206.15	29.72	....	82,711,031	7,102,921	0.64	0.23	7.51	3.08	8.59	7.31
40	**Huntington National Bank, Columbus, Ohio**	527,509	180,809	191.75	100.00	100.00	8,495,292	2,077,691	6.21	2.38	25.39	13.45	24.46	17.69
41	**Southeast Bank NA, Miami**	527,103	489,493	7.68	100.00	100.00	14,316,593	1,968,271	3.68	3.75	26.78	21.95	13.75	17.11
42	**Dominion Bank NA, Roanoke, Va.**	526,281	563,196	-6.55	100.00	100.00	4,308,122	664,104	12.22	13.54	79.25	76.46	15.42	17.71
43	**First Union National Bank, Atlanta**	519,178	483,100	7.47	100.00	100.00	4,355,015	742,557	11.92	11.91	69.92	64.54	17.05	18.46
44	**First National Bank of Maryland, Baltimore**	513,801	655,194	-21.58	100.00	75.27	6,266,386	1,047,448	8.20	11.32	49.05	55.30	16.72	20.48
45	**First City Texas - Houston NA**	512,546	N.A.	...	100.00	...	6,978,055	938,648	7.35	...	54.60	...	13.45	17.73
46	**Bank One Texas NA, Dallas**	511,998	686,820	-25.45	100.00	89.79	12,637,774	1,722,881	4.05	3.89	29.72	31.63	13.63	12.29
47	**AmSouth Bank Birmingham NA, Ala.**	490,854	337,099	45.61	100.00	100.00	7,215,812	1,737,188	6.80	4.65	28.26	18.90	24.07	24.63
48	**Wachovia Bank & Trust Co., Winston-Salem, N.C.**	488,017	430,498	13.36	100.00	100.00	14,974,260	2,162,720	3.26	3.37	22.56	20.66	14.44	16.32
49	**First Tennessee Bank NA, Memphis**	480,013	334,920	43.32	100.00	100.00	6,042,863	1,157,162	7.94	5.87	41.48	33.45	19.15	17.55
50	**Central Bank of the South, Birmingham, Ala.**	457,917	265,377	72.55	100.00	100.00	4,272,730	1,104,482	10.72	6.84	41.46	33.35	25.85	20.50
51	**Marine Bank, Warren, Pa.**	451,194	471,637	-4.33	100.00	100.00	1,749,860	863,912	25.78	29.51	52.23	59.10	49.37	49.93
52	**United Jersey Bank, Hackensack, N.J.**	451,122	291,539	54.74	43.14	10.49	4,913,183	869,964	9.18	6.66	51.86	39.85	17.71	16.71
53	**First Bank NA, Minneapolis**	450,380	499,155	-9.77	100.00	100.00	13,304,655	1,819,303	3.39	2.84	24.76	13.60	13.67	20.88
54	**Sovran Bank Maryland, Bethesda**	447,170	148,561	201.00	100.00	100.00	4,168,826	1,059,221	10.73	3.9	42.22	21.05	25.41	18.52
55	**Maryland National Bank, Baltimore**	437,291	508,400	-13.99	100.00	100.00	9,709,354	1,021,935	4.50	5.32	42.79	41.49	10.53	12.83
56	**United State National Bank, Portland, Ore.**	435,909	25,347	1619.77	100.00	100.00	9,779,160	1,281,946	4.46	0.29	34.00	2.40	13.11	11.99
57	**Norwest Bank South Dakota NA, Sioux Falls**	430,305	251,777	70.91	100.00	100.00	2,005,394	577,131	21.46	14.47	74.56	48.45	28.78	29.87
58	**Bank South NA, Atlanta**	414,490	188,497	119.89	100.00	100.00	4,042,455	814,727	10.25	5.13	50.87	31.16	20.15	16.46
59	**South Carolina National Bank, Charleston**	399,041	270,197	47.69	100.00	100.00	5,899,953	813,715	6.76	5.24	49.04	40.73	13.79	12.87
60	**Signet Bank/Maryland, Baltimore**	395,910	606,742	-34.75	100.00	96.70	3,761,432	461,565	10.53	16.58	85.78	90.27	12.27	18.37
61	**International Bank of Commerce, Laredo, Tex.**	374,508	242,406	54.50	100.00	100.00	881,950	426,892	42.46	29.86	87.73	67.73	48.40	44.09
62	**Citibank NA, New York**	374,000	191,000	95.81	100.00	100.00	158,535,000	10,005,000	0.24	0.12	3.74	1.87	6.31	6.65
63	**Morgan Bank Delaware, Wilmington**	367,321	93,538	292.70	100.00	100.00	4,521,185	605,655	8.12	2.98	60.65	16.78	13.40	17.73
64	**Fleet National Bank, Providence, R.I.**	365,812	376,456	-2.83	100.00	100.00	8,386,217	948,413	4.36	5.22	38.57	43.64	11.31	11.95
65	**Bank One Dayton NA, Ohio**	362,334	24,022	1408.34	84.44	67.01	2,439,276	528,503	14.85	1.18	68.56	7.49	21.67	15.78
66	**Equibank, Pittsburgh**	358,557	417,561	-14.13	99.90	99.90	3,073,580	487,854	11.67	15.22	73.50	74.48	15.87	20.43
67	**First Union National Bank, Greenville, S.C.**	355,627	385,769	-7.81	100.00	100.00	1,431,284	370,846	24.85	26.98	95.9	96.17	25.91	28.05
68	**Bankers Trust Co., New York**	352,039	75,608	365.61	100.00	100.00	50,313,808	3,787,477	0.70	0.13	9.29	2.48	7.53	5.38
69	**First Fidelity Bank NA, Totowa, N.J.**	351,344	261,465	34.38	100.00	100.00	2,401,136	788,869	14.63	11.34	44.54	43.88	32.85	25.85
70	**Bank of New England NA, Boston**	338,936	97,500	247.63	100.00	99.49	14,681,480	1,476,336	2.31	0.66	22.96	5.10	10.06	13.02
71	**Ameritrust Co. NA, Cleveland**	337,277	52,012	548.46	100.00	100.00	8,587,857	869,605	3.93	0.67	38.79	6.30	10.13	10.57
72	**Southtrust Bank of Alabama NA, Birmingham**	328,400	153,197	114.36	100.00	100.00	3,347,721	801,157	9.81	5.11	40.99	21.37	23.93	23.93
73	**First Interstate Bank Nevada NA, Reno**	326,924	265,389	23.19	100.00	100.00	3,631,678	1,063,786	9.00	7.71	30.73	24.68	29.29	31.24
74	**First Interstate Bank Oregon NA, Portland**	325,438	294,595	10.47	100.00	100.00	6,278,730	1,372,036	5.18	5.24	23.72	21.83	21.85	24.02
75	**State Street Bank & Trust Co., Boston**	322,874	79,006	308.67	60.88	3.10	8,305,334	2,347,356	3.89	1.07	13.75	3.49	28.26	30.78
76	**Barnett Bank of Pinellas County, St. Petersburg, Fla.**	313,496	296,294	5.81	100.00	100.00	2,334,782	431,505	13.43	14.04	72.65	70.54	18.48	19.90
77	**Key Bank of Western New York NA, Jamestown**	308,555	57,599	435.70	96.86	100.00	1,182,809	417,887	26.09	5.41	73.84	16.70	35.33	32.38
78	**Chemical Bank New Jersey NA, Morristown**	307,943	152,315	102.18	100.00	100.00	4,522,654	605,484	6.81	3.62	50.86	35.24	13.39	10.28
79	**American Security Bank NA, Washington, D.C.**	297,352	172,487	72.39	100.00	100.00	5,532,191	971,761	5.37	3.19	30.60	21.40	17.57	14.90
80	**Chase Lincoln First Bank NA, Rochester, N. Y.**	296,617	182,418	62.60	98.73	100.00	6,323,271	406,998	4.69	3.03	72.88	47.82	6.44	6.34
81	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	295,000	277,442	6.33	100.00	100.00	4,014,826	571,955	7.35	7.68	51.58	49.11	14.25	15.64
82	**Bank of HHawaii, Honolulu**	286,135	14,842	1827.87	100.00	100.00	7,277,776	1,199,706	3.93	0.25	23.85	1.54	16.48	16.31
83	**Merchants Bank NA, Allentown, Pa.**	284,690	109,140	160.85	100.00	100.00	1,888,000	593,595	15.08	6.07	47.96	22.62	31.44	26.81
84	**First National Bank, Atlanta**	280,762	225,255	24.64	100.00	100.00	8,173,546	1,276,909	3.44	2.96	21.99	18.85	15.62	15.73
85	**Republic National Bank, New York**	277,048	378,381	-26.78	100.00	100.00	21,363,385	2,962,069	1.30	1.82	9.35	10.74	13.87	16.91
86	**Bank One NA, Indianapolis**	274,855	137,322	100.15	85.10	100.00	4,307,097	1,037,336	6.38	3.68	26.50	22.77	24.08	16.17
87	**Norwest Bank Des Moines NA, Iowa**	266,847	74,354	258.89	100.00	100.00	1,525,313	289,003	17.49	5.29	92.33	56.17	18.95	9.42
88	**Continental Bank NA, Chicago**	266,461	210,294	26.71	100.00	100.00	31,621,452	2,239,773	0.84	0.66	11.90	9.42	7.08	6.97
89	**Connecticut Bank & Trust Co. NA, Hartford**	245,873	43,709	462.52	100.00	100.00	9,906,185	1,185,418	2.48	0.46	20.74	2.54	11.97	18.21
90	**NCNB National Bank South Carolina, Columbia**	240,948	N.A.	...	100.00	...	4,277,528	893,501	5.63	...	26.97	...	20.89	12.30
91	**San Diego Trust & Savings Bank, Calif.**	239,798	151,644	58.13	100.00	100.00	1,399,265	427,432	17.14	11.25	56.10	33.90	30.55	33.18
92	**Southern National Bank, Lumberton, N.C.**	236,618	38,688	511.61	100.00	100.00	2,507,536	719,526	9.44	1.80	32.89	9.18	28.69	19.57
93	**Irving Trust Co., New York (a)**	236,499	251,020	-5.78	99.67	99.57	23,563,243	1,245,192	1.00	1.12	18.99	15.90	5.28	7.06
94	**Norwest Bank North Dakota NA, Fargo**	231,079	110,582	108.97	100.00	100.00	969,574	314,746	23.83	12.45	73.42	37.75	32.46	32.98
95	**Imperial Bank, Los Angeles**	229,728	144,433	59.06	100.00	100.00	2,790,465	455,158	8.23	6.57	50.47	26.80	16.31	24.51
96	**Key Bank Central New York NA, Syracuse**	221,118	211,200	4.70	100.00	100.00	2,413,038	547,891	9.16	8.82	40.36	37.32	22.71	23.65
97	**Valley National Bank, Phoenix, Ariz.**	215,680	215,732	-0.02	100.00	100.00	9,260,792	1,171,910	2.33	2.24	18.40	14.42	12.65	15.56
98	**First American Bank, McLean, Va.**	207,917	180,898	14.94	100.00	100.00	3,811,842	910,365	5.45	5.31	22.84	27.69	23.88	19.18
99	**Meridian Bank, Reading, Pa.**	199,623	248,594	-19.70	100.00	66.43	8,512,891	1,479,719	2.34	3.31	13.49	16.12	17.38	20.50
100	**Central Trust Co. NA, Cincinnati**	195,803	72,711	169.29	100.00	100.00	3,717,101	643,555	5.27	2.22	30.43	17.45	17.31	12.71

Data source: ADP Data Services Division, New York, from its data base of federally insured commercial banks. ADP restates the 1988 data for 1989 mergers. **Mortgage-Backed Securities** are the book value of all of bank's holdings of U.S. government and private certificates of participation in pools of residential mortgages. Mortgage securities held in a bank's trading accounts are excluded. **Government Mortgage-Backed Securities** are the book value of all holdings of certificates of participation in pools of residential mortgages that are U.S. government-issued or -guaranteed. Included are certificates of participation in pools of residential mortgages issued or guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corp. (FHLMC). **Private Mortgage-Backed Securities** are the book value of all holdings of certificates of participation in pools of residential mortgages that are issued by others (e.g. other depository institutions or insurance companies) that are not guaranteed by the U.S. government. **Government MBS as % of All MBS** is the ratio of government mortgage-backed securities to total mortgage-backed securities (government plus private). **Total assets** are total assets of the bank, including domestic and foreign offices. **Total Securities** are the book value of securities of all types held as assets by the bank. **MBS/Assets** is the ratio of total mortgage-backed securities to total assets. **MBS/Securities** is the ratio of total mortgage-backed securities to total securities. **Securities/Assets** is the ratio of total securities to total assets. All ratios are expressed as a percent. **(a)**—Merged into Bank of New York in Oct. 1989.

Compiled by American Banker, Copyright 1990

Capital Rules Prompt Commercial Banks to Boost Mortgage Securities

Continued from *page* **1**

mortgage-backed securities than against many other investments.

Securities of the Government National Mortgage Association carry the biggest advantage. They have the same risk weighting as Treasury securities – essentially zero – but provide higher yields.

"Banks have bought a tremendous amount of Ginnie Maes," says Michael Mortara, a partner at Goldman, Sachs & Co.

Lower Demand for Other Loans

Risk-based capital rules are only part of the story, however. Declining demand for business and consumer loans, and increased skittishness about commercial real estate lending, left many banks searching for sensible assets last year, bankers and analysts say. And mortgage-backed securities became available at attractive prices, reflecting fears of heavy selling by distressed thrifts.

Chemical Bank, the No. 2 bank in mortgage-backed securities after Bank of America, began a major Ginnie Mae buying effort in the summer and fall, when market jitters about sales by thrifts was at a peak, according to officials at the bank.

"We thought the anxiety was somewhat misplaced," said Patti Colburn, a Chemical vice president.

Market Remained Orderly

Although thrifts were net sellers – the industry as a whole reduced its holdings of mortgage-backeds by nearly 10% in the 12 months through September – the selling was far more orderly than feared. Banks, insurance companies, and other investors proved to be strong buyers, supporting prices.

Yield spreads of benchmark Ginnie Maes over Treasuries, a central measure of market performance, widened from 120 basis points at the start of the year to as high as 160 basis points in August, but then declined steadily. Last week, the spread was about 130, according to Merrill Lynch Mortgage Capital.

NCNB Jumps In

Three units of NCNB Corp., Charlotte, N.C., all plunged into the market-backed securities market last year. Starting with small portfolios, the three increased their holdings to the point where each ranked in the top 15 by Sept. 30.

But special circumstances were responsible for this. Because of tax credits NCNB obtained in taking over the troubled First Republic Bank of Texas, the corporation no longer needed its holdings of tax-exempt municipal bonds, a spokeswoman said. As a result, the three banks sold munis and bought mortgage-backeds, drawn to the higher yields relative to Treasuries.

Signet Bank, Richmond, has been boosting its holdings of mortgage-backed securities for the past couple of years. "Our loan growth, especially in the real estate area, has slowed down, so we have more room on the balance sheet," says chief financial officer Wallace B. Millner 3d.

Balancing the Balance Sheet

In addition, he says, Signet uses the securities to cope with an "asset sensitive" balance sheet. That condition, common among regional banks, involves a tendency of assets to reprice before liabilities, hurting income when market rates fall.

Fixed-rate mortgage-backed securities help protect the bank from falling market rates, he says. While Treasuries might do the same, Mr. Millner likes the yield advantage of mortgage-backeds and says he is willing to accept the special risks of the securities: that borrowers will pay off their mortgages early and disrupt cash flows to investors.

Banks Boost Production

While Signet and many other banks buy their mortgage-backeds from dealers, banks are expected to create more and more of the securities from their own originations. Scores of banks across the country have been boosting their originations, often as part of broad pushes into consumer banking. In September, banks accounted for 40% of all mortgage originations, up from 24% a year earlier, according to the most recent government statistics.

Ameritrust Co., Cleveland, sharply increased its holdings of mortgage-backeds last year by converting mortgages on its balance sheet into securities. Both the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. have programs allowing lenders to swap their loans for securities backed by the loans.

Such securitization leaves a bank with a more liquid asset and one that can be used as collateral for borrowings, notes Ron Koza, an Ameritrust portfolio manager. "Risk-based capital was another consideration," he says

Under those rules, to be fully phased in by 1992, such assets as corporate bonds and syndicated loans have risk weightings of 100%, but home mortgages are at 50%.

Even more favorable are the securities of Fannie Mae and Freddie Mac, both of which have 20% weightings. Ginnie Maes, which carry full government guarantees, are in a zero-risk class with Treasuries.

Thrifts Shrink Portfolios

Meanwhile, as banks have been posting gains in mortgage-backed securities holdings, thrifts have been steadily posting declines.

"Thrifts generally spent the latter part of 1989 in a shrinking mode" to meet the core and tangible capital requirements of the bailout law, says Fred Price, a principal in the investment banking firm of Sandler, O'Neill & Partners. "When you need to reduce assets, you first go the most liquid assets, which usually are mortgage-backed securities." ☐

JBS & ASSOCIATES, INC. IS PLEASED TO ANNOUNCE OUR 1989 MULTI-FAMILY REAL ESTATE AUCTION RESULTS.

8,430 UNITS SOLD FOR $70,980,000

	UNITS	MINIMUM BID	SALE PRICE	% OF MIN. BID
TEXAS				
Dallas	273	$ 1,000,000	$ 2,850,000	285%
Dallas	170	$ 500,000	$ 1,125,000	225%
Dallas	123	$ 200,000	$ 200,000	100%
Houston	1,792	$ 6,000,000	$ 8,900,000	148%
COLORADO				
Denver	181	$ 1,000,000	$ 1,470,000	147%
Ft. Collins	252	$ 1,500,000	$ 1,500,000	100%
Aurora	450	$ 2,500,000	$ 3,200,000	128%
LOUISIANA				
Baton Rouge	418	$ 2,500,000	$ 4,400,000	176%
New Orleans	142	$ 1,000,000	$ 1,230,000	123%
Houma	108	$ 250,000	$ 540,000	216%
Metairie	88	$ 350,000	$ 770,000	220%
Monroe	212	$ 800,000	$ 1,625,000	203%
Gretna	204	$ 1,000,000	$ 1,725,000	173%
INDIANA				
Indianapolis	184	$ 1,800,000	$ 2,700,000	150%
Indianapolis	184	$ 1,200,000	$ 1,575,000	131%

	UNITS	MINIMUM BID	SALE PRICE	% OF MIN. BID
GEORGIA				
Atlanta	164	$ 1,000,000	$ 1,450,000	145%
Atlanta	385	$ 3,500,000	$ 6,550,000	187%
Atlanta	330	$ 2,000,000	$ 3,400,000	170%
Atlanta	440	$ 3,500,000	$ 5,900,000	169%
Macon	144	$ 800,000	$ 1,150,000	144%
FLORIDA				
Orlando	124	$ 750,000	$ 1,020,000	136%
ILLINOIS				
Calumet City	934	$ 6,000,000	$ 7,750,000	129%
VIRGINIA				
Richmond	360	$ 1,000,000	$ 2,300,000	230%
OKLAHOMA				
Norman	260	$ 1,250,000	$ 1,250,000	100%
MISSISSIPPI				
Ocean Springs	122	$ 900,000	$ 1,400,000	156%
Gulfport	246	$ 2,200,000	$ 3,150,000	143%
Biloxi	140	$ 1,200,000	$ 1,850,000	154%
TOTALS	**8,430**	**$45,700,000**	**$70,980,000**	**155%**

For additional information, contact Joel D. Zegart, President, at 1.800.525.0777

JBS

JBS & ASSOCIATES, INC.
Real Estate Consultants & Auctioneers
200 North LaSalle/Suite 2820/Chicago, IL/60601/312.701.0777

Top 100 Thrifts in Mortgage-Backed Security Holdings

Based on mortgage-backed pass-through securities held in portfolios on Sept. 30, 1989 (dollar amounts in thousands)

Rank		Total Mortgage-Backed Securities (MBS)			Total Assets		MBS/Assets (%)		Interest Earned On Mortgage-Backed Securities			Operating Income	Int. on MBS /Oper. Inc.
9/89		9/30/89	9/30/88	% Chg.	9/30/89	9/30/88	9/30/89	9/30/88	9/30/89	9/30/88	% Chg.	9/30/89	9/30/89
1	Home Savings of America FA, Irwindale, Calif.	6,362,853	5,810,205	9.51	38,215,212	32,517,857	16.65	17.87	595,114	344,023	72.99	3,475,458	17.12
2	New West Federal S&L Assn., Stockton, Calif.	6,222,028	N.A.	...	15,958,921	N.A.	38.99	...	864,815	N.A.	...	2,101,141	41.16
3	First Federal of Michigan, Detroit	5,048,860	4,347,938	16.12	11,484,761	11,616,088	43.96	37.43	438,719	378,482	15.92	1,071,857	40.93
4	Meritor Savings Bank, Philadelphia	4,797,493	N.A.	...	11,849,452	N.A.	40.49	...	N.A.	N.A.	...	N.A.	N.A.
5	Standard Federal Bank, Troy, Mich.	4,346,989	4,616,422	-5.84	9,650,690	9,812,225	45.04	47.05	437,113	405,966	7.67	933,697	46.82
6	Franklin Savings Assn., Ottawa, Kan.	3,835,469	3,391,150	13.10	9,500,691	8,623,587	40.37	39.32	322,850	337,061	-4.22	823,104	39.22
7	Great Western Bank, FSB, Beverly Hills, Calif.	3,336,886	2,710,514	23.11	34,589,835	29,216,380	9.65	9.28	292,893	227,971	28.48	3,355,163	8.73
8	Goldome Saving Bank, Buffalo, N.Y.	3,332,837	N.A.	...	12,498,324	N.A.	26.67	...	N.A.	N.A.	...	N.A	N.A.
9	Guardian Savings & Loan Assn., Houston	3,192,407	3,165,027	0.87	3,784,053	3,960,337	84.36	79.92	285,294	259,796	9.81	354,807	80.41
10	Commercial Federal S&L Assn., Omaha, Neb.	3,024,463	3,123,629	-3.17	6,070,149	6,377,858	49.83	48.98	310,031	261,660	18.49	590,830	52.47
11	Columbia Saving & Loan Assn., Beverly Hills, Calif.	2,736,620	3,459,155	-20.89	11,619,293	11,432,891	23.55	30.26	299,695	324,847	-7.74	1,249,184	23.99
12	Santa Barbara Savings & Loan Assn., Calif.	2,669,878	2,341,470	14.03	4,743,543	5,025,414	56.28	46.59	253,645	234,375	8.22	458,642	55.30
13	Crossland Savings, FSB, Brooklyn, New York	2,611,750	3,449,440	-24.28	11,853,967	12,510,499	22.03	27.57	243,477	355,525	-31.52	945,373	25.75
14	Glendale Federal Savings & Loan Assn., Calif.	2,383,438	3,199,101	-25.50	23,505,152	23,758,220	10.14	13.47	304,355	286,129	6.37	2,362,791	12.88
15	First Nationwide Bank, FSB, San Francisco	2,194,105	1,265,331	73.40	24,174,898	23,550,855	9.08	5.37	209,638	94,691	121.39	2,374,463	8.83
16	World Savings & Loan Assn., FS&LA, Oakland, Calif.	2,103,906	2,268,932	-7.27	19,281,771	15,167,024	10.91	14.96	210,817	228,239	-7.63	1,777,521	11.86
17	American Savings & Loan Assn., Miami	2,083,811	2,256,128	-7.64	5,014,067	4,927,333	41.56	45.79	222,611	81,603	172.80	478,083	46.56
18	Seamen's Bank for Savings, FSB, New York	1,965,306	2,796,939	-29.73	4,018,538	5,022,794	48.91	55.68	234,853	209,547	12.08	396,463	59.24
19	Anchor Savings Bank, FSB, Northport, N.Y.	1,845,643	632,107	191.98	8,769,786	8,337,375	21.05	7.58	127,799	73,316	74.31	769,120	16.62
20	Talman Home Federal Savings & Loan Assn., Chicago	1,842,156	1,967,323	-6.36	6,039,955	6,089,366	30.50	32.31	180,979	178,554	1.36	548,764	32.98
21	Transohio Savings Bank, Cleveland	1,812,336	2,372,956	-23.63	6,017,331	6,475,577	30.12	36.64	180,408	187,562	-3.81	593,791	30.38
22	Florida Federal Savings Bank, St. Petersburg	1,758,113	1,334,732	31.72	4,869,491	5,086,128	36.10	26.24	128,766	124,150	3.72	436,126	29.52
23	Roosevelt Bank, FSB, Chesterfield, Mo.	1,679,978	1,308,849	28.36	2,693,597	2,423,028	62.37	54.02	144,034	110,577	30.26	251,904	57.18
24	Crossland Savings, FSB, Salt Lake City, Utah (a)	1,675,381	1,069,793	56.61	3,470,568	2,594,256	48.27	41.24	126,626	68,885	83.82	295,578	42.84
25	California Federal Bank, FSB, Los Angeles	1,639,363	920,782	78.04	23,194,753	24,715,137	7.07	3.73	110,046	96,986	13.47	2,493,859	4.41
26	Northeast Savings, FA, Hartford, Conn.	1,622,751	2,834,443	-42.75	6,287,800	8,210,735	25.81	34.52	244,238	206,336	18.37	735,617	33.20
27	Great American First Savings Bank, San Diego, Calif.	1,558,513	1,577,682	-1.22	13,391,389	12,667,489	11.64	12.45	132,517	165,105	-19.74	1,208,571	10.96
28	Dime Savings Bank of New York, FSB, Garden City	1,511,668	1,201,763	25.79	12,364,587	11,451,143	12.23	10.49	130,321	97,433	33.75	1,134,573	11.49
29	Washington Mutual Savings Bank, Seattle	1,483,927	N.A.	...	5,926,043	N.A.	25.04	...	N.A.	N.A.	...	N.A.	N.A.
30	MeraBank, FSB, Phoenix	1,399,312	1,513,132	-7.52	6,736,135	7,161,251	20.77	21.13	128,910	120,202	7.24	562,349	22.92
31	Household Bank, FSB, Newport Beach, Calif.	1,387,245	856,701	61.93	7,019,265	4,465,021	19.76	19.19	107,960	86,021	25.50	538,205	20.06
32	Atlantic Financial Federal, Bala-Cynwyd, Pa.	1,368,023	1,330,339	2.83	5,857,560	6,323,361	23.35	21.04	114,568	110,094	4.06	560,973	20.42
33	Empire of America, FSB, Buffalo, N.Y.	1,339,676	1,439,322	-6.92	10,164,745	11,646,781	13.18	12.36	154,161	127,920	20.51	1,044,333	14.76
34	Georgia Federal Bank, FSB, Atlanta	1,323,874	1,522,151	-13.03	4,166,556	4,238,808	31.77	35.91	110,495	108,686	1.66	362,696	30.46
35	CenTrust Bank, SSB, Miami	1,312,483	2,928,367	-55.18	8,961,146	9,680,923	14.65	30.25	262,621	245,243	7.09	930,107	28.24
36	Primerit Bank, FSB, Las Vegas	1,288,389	1,237,236	4.13	2,809,902	2,769,557	45.85	44.67	119,824	99,766	20.11	283,122	42.32
37	TCF Bank Savings, FSB, Minneapolis	1,263,858	1,804,533	-29.96	4,694,214	5,335,096	26.92	33.82	138,835	191,799	-27.61	499,164	27.81
38	Benjamin Franklin Federal S & L Assn., Portland	1,215,521	1,480,452	-17.90	5,023,776	5,418,782	24.20	27.32	150,189	167,909	-10.55	497,002	30.22
39	Imperial Savings Assn., San Diego, Calif.	1,197,612	1,206,714	-0.75	11,006,230	12,405,444	10.88	9.73	113,370	145,597	-22.13	1,220,995	9.29
40	City Federal Savings Bank, Elizabeth, N.J.	1,171,843	1,784,163	-34.32	9,813,776	10,786,830	11.94	16.54	145,755	172,867	-15.68	1,014,630	14.37
41	Bright Banc, SA, Dallas	1,155,556	1,388,713	-16.79	3,811,072	4,530,584	30.32	30.65	108,742	123,657	-12.06	332,841	32.67
42	Coast Savings & Loan Assn., Los Angeles	1,123,855	1,328,959	-15.43	11,319,841	12,273,922	9.93	10.83	123,196	114,119	7.95	1,201,206	10.26
43	Farm & Home Savings Assn., Nevada, Mo.	949,300	1,377,998	-31.11	3,154,917	3,705,599	30.09	37.19	122,973	107,516	14.38	307,247	40.02
44	Financial Federal S & L Assn., Miami Lakes, Fla.	949,081	769,617	23.32	1,653,808	1,548,671	57.39	49.70	76,276	53,567	42.39	147,787	51.61
45	First Federal Savings & Loan Assn., Rochester, N.Y.	934,252	881,742	5.96	5,662,373	5,395,684	16.50	16.34	81,458	66,941	21.69	523,026	15.57
46	Metropolitan Federal Bank, FSB, Fargo, N.D.	915,525	961,299	-4.76	2,609,473	2,443,146	35.08	39.35	89,278	83,919	6.39	251,028	35.56
47	Williamsburgh Savings Bank, Brooklyn, New York	893,843	N.A.	...	3,014,894	N.A.	29.65	...	N.A.	N.A.	...	N.A.	N.A.
48	Gibraltar Savings, Beverly Hills, Calif.	892,982	5,475,260	-83.69	8,223,249	13,113,246	10.86	41.75	371,748	510,019	-27.11	1,015,580	36.60
49	Columbia Federal Savings & Loan Assn., Denver	882,269	N.A.	...	4,637,360	N.A.	19.03	...	72,071	N.A.	...	357,605	20.15
50	Home Federal Savings & Loan Assn., San Diego, Calif.	868,355	790,070	9.91	17,359,622	16,157,591	5.00	4.89	76,325	74,470	2.49	1,749,078	4.36
51	Society for Savings, Hartford, Conn.	859,875	N.A.	...	4,328,687	N.A.	19.86	...	N.A.	N.A.	...	N.A.	N.A.
52	Community Federal Savings & Loan Assn., St. Louis	853,713	970,011	-11.99	3,431,708	3,641,436	24.88	26.64	91,742	87,156	5.26	326,439	28.10
53	Altus Bank, FSB, Mobile, Ala.	835,086	748,980	11.50	2,362,128	2,748,418	35.35	27.25	73,420	68,139	7.75	250,390	29.32
54	Citizens Federal Bank, FSB, Miami	807,186	316,316	155.18	4,387,509	3,477,064	18.40	9.10	62,041	31,710	95.65	387,382	16.02
55	Bank Western, FSB, Denver	804,529	1,014,891	-20.73	3,307,052	3,689,283	24.33	27.51	81,654	90,218	-9.49	317,961	25.68
56	Pima Savings & Loan Assn., Tucson, Ariz.	800,727	689,829	16.08	3,178,225	3,258,324	25.19	21.17	52,037	29,353	77.28	272,944	19.07
57	HonFed Bank, FSB, Honolulu	794,816	916,771	-13.30	3,081,796	2,557,236	25.79	35.85	82,568	69,952	18.04	276,418	29.87
58	Pacific First Federal Savings Bank, Seattle	792,692	1,102,566	-28.10	5,921,404	5,490,332	13.39	20.08	84,506	110,264	-23.36	577,851	14.62
59	Chevy Chase Savings Bank, FSB, Md.	783,189	523,721	49.54	4,762,065	4,140,460	16.45	12.65	50,589	45,898	10.22	614,183	8.24
60	Carteret Savings Bank, FA, Newark, N.J.	780,802	1,079,366	-27.66	6,791,547	6,163,671	11.50	17.51	119,051	111,815	6.47	664,585	17.91
61	Secor Bank, FSB, Birmingham, Ala.	777,345	437,723	77.59	2,354,046	2,583,515	33.02	16.94	70,618	33,679	109.68	245,499	28.77
62	First Minnesota Savings Bank, FSB, Minneapolis	753,684	651,029	15.77	3,232,277	3,330,402	23.32	19.55	57,250	55,647	2.88	315,736	18.13
63	Home Owners Savings Bank, FSB, Boston	751,798	993,391	-24.32	3,705,268	3,930,051	20.29	25.28	79,640	76,126	4.62	423,601	18.80
64	American Savings Bank, FSB, White Plains, N.Y.	745,623	623,047	19.67	4,256,337	4,187,156	17.52	14.88	61,518	42,968	43.17	361,431	17.02
65	Western Federal S & L Assn., Marina Del Rey, Calif.	739,155	622,373	18.76	4,496,601	4,299,466	16.44	14.48	68,861	26,472	160.13	454,202	15.16
66	Dollar Dry Dock Bank, White Plains, N.Y.	729,885	N.A.	...	5,105,837	N.A.	14.30	...	N.A.	N.A.	...	N.A.	N.A.
67	Fulton Federal Savings Bank, Atlanta	724,854	955,588	-24.15	2,451,038	2,561,673	29.57	37.30	76,654	75,176	1.97	241,379	31.76
68	Perpetual Savings Bank, FSB, McLean, Va.	710,540	874,366	-18.74	6,113,297	5,871,015	11.62	14.89	86,517	69,495	24.49	589,833	14.67
69	Greater New York Savings Bank, Brooklyn	710,327	N.A.	...	3,209,916	N.A.	22.13	...	N.A.	N.A.	...	N.A.	N.A.
70	Homestead Savings, FS&LA, San Francisco	709,027	1,841,370	-61.49	3,311,487	5,697,169	21.41	32.32	157,005	184,986	-15.13	502,574	31.24
71	Great Lakes Bancorp., FSB, Ann Arbor, Mich.	693,123	730,550	-5.12	3,448,308	3,356,445	20.10	21.77	72,239	59,014	22.41	353,094	20.46
72	Fortune Savings Bank, Clearwater, Fla.	680,932	809,810	-15.91	3,209,029	3,140,950	21.22	25.78	50,497	76,018	-33.57	315,726	15.99
73	Far West Savings & Loan Assn., Newport Beach, Calif.	680,237	358,251	89.88	4,806,397	4,558,589	14.15	7.86	37,994	25,773	47.42	431,474	8.81
74	Long Island Savings Bank of Centereach, N.Y. (b)	679,221	574,755	18.18	2,778,045	2,924,567	24.45	19.65	52,000	51,708	0.56	254,827	20.41
75	St. Paul Federal Bank for Savings, Chicago	657,421	408,524	60.93	3,380,510	3,255,877	19.45	12.55	41,473	29,127	42.39	303,639	13.66
76	River Bank America, New York	625,311	N.A.	...	2,955,800	N.A.	21.16	...	N.A.	N.A.	...	N.A.	N.A.
77	American Savings Bank, FSB, Honolulu	603,123	490,430	22.98	1,675,451	1,301,843	36.00	37.67	59,807	18,577	221.94	141,388	42.30
78	Southern California S & L Assn., FS&LA, Beverly Hills	587,166	626,529	-6.28	2,238,959	2,035,115	26.22	30.79	68,113	48,217	41.26	200,871	33.91
79	Far West Federal Bank, Portland, Ore.	573,273	447,189	28.19	3,591,805	2,847,343	15.96	15.71	52,636	29,831	76.45	314,738	16.72
80	Washington Federal Savings & Loan Assn., Seattle	573,056	518,909	10.43	2,437,604	2,251,606	23.51	23.05	51,522	44,117	16.78	249,381	20.66
81	Columbia First Federal S & L Assn., Arlington, Va.	566,265	597,947	-5.30	2,163,221	2,175,967	26.18	27.48	51,260	54,746	-6.37	208,290	24.61
82	Poughkeepsie Savings Bank, FSB, N.Y.	552,744	519,362	6.43	1,665,147	1,694,944	33.19	30.64	47,346	14,153	234.53	163,929	28.88
83	D&N Savings Bank, FSB, Hancock, Mich.	551,672	695,784	-20.71	2,103,651	2,211,142	26.22	31.47	54,937	53,955	1.82	201,749	27.23
84	Leader Federal Bank for Savings, Memphis, Tenn.	535,115	570,814	-6.25	2,277,374	2,615,956	23.50	21.82	48,556	61,121	-20.56	247,726	19.60
85	Amerifirst Bank, FSB, Miami	528,679	599,891	-11.87	4,293,592	4,539,852	12.31	13.21	50,871	53,713	-5.29	386,173	13.17
86	Decatur Federal Savings & Loan Assn., Ga.	515,700	328,342	57.06	2,437,006	2,238,851	21.16	14.67	37,849	19,088	98.29	249,712	15.16
87	Western Savings & Loan Assn., FA, Phoenix	505,835	N.A.	...	5,228,264	N.A.	9.68	...	23,929	N.A.	...	201,132	11.90
88	East New York Savings Bank, Brooklyn	504,684	N.A.	...	2,128,298	N.A.	23.71	...	N.A.	N.A.	...	N.A.	N.A.
89	First Gibraltar Bank, FSB, Houston	503,359	N.A.	...	9,817,678	N.A.	5.13	...	44,697	N.A.	...	786,697	5.68
90	Hudson City Savings Bank, Paramus, N.J.	498,590	N.A.	...	3,160,344	N.A.	15.78	...	N.A.	N.A.	...	N.A.	N.A.
91	Mercury Savings & Loan Assn., Huntington Beach, Calif.	492,130	328,717	49.71	2,251,616	2,618,936	21.86	12.55	33,293	21,256	56.63	233,745	14.24
92	United Savings of Texas, FSB, Houston	489,638	N.A.	...	3,583,083	N.A.	13.67	...	27,276	N.A.	...	314,160	8.68
93	Rochester Community Savings Bank, N.Y.	487,645	N.A.	...	4,214,322	N.A.	11.57	...	N.A.	N.A.	...	N.A.	N.A.
94	South Boston Savings Bank, Boston	482,290	N.A.	...	1,458,589	N.A.	33.07	...	N.A.	N.A.	...	N.A.	N.A.
95	Great American First Savings Bank, FSB, Tucson, Ariz.	478,161	629,870	-24.09	3,719,431	3,866,626	12.86	16.29	47,023	65,596	-28.31	335,581	14.01
96	ABQ Bank, FSB, Albuquerque, N.M.	477,704	523,387	-8.73	2,205,600	2,217,225	21.66	23.61	41,906	63,145	-33.64	200,759	20.87
97	BankAtlantic, FSB, Fort Lauderdale, Fla.	476,008	573,880	-17.05	1,996,998	2,179,678	23.84	26.33	48,652	54,307	-10.41	201,580	24.14
98	First Federal Savings & Loan Assn., Pittsburgh	466,967	355,276	31.44	3,161,141	2,939,968	14.77	12.08	40,280	18,027	123.44	273,432	14.73
99	Peoples Heritage Savings, FS&LA, Salina, Kan.	464,951	N.A.	...	1,589,005	N.A.	29.26	...	5,460	N.A.	...	(7,135)	-76.52
100	Union Federal Savings Bank, Los Angeles	456,886	107,658	324.39	2,343,222	2,146,165	19.50	5.02	19,178	8,830	117.19	239,556	8.01

Data Sources: All data are from **ADP Data Services Division, New York**. Data for SAIF-insured institutions and BIF-insured savings banks are from ADP's Office of Thrift Supervision and Federal Deposit Insurance Corp. data bases, respectively. **Total Mortgage Securities** are mortgage-backed pass-through securities held in the thrift's portfolio on Sept. 30. **Mortgage-backed pass-through securities** are the sum of: all mortgage-backed pass-through securities insured or guaranteed by an agency or instrument of the United States (e.g., FHLMC, FNMA, or GNMA), including those eligible for liquidity plus conventional mortgage-backed pass-through securities that are not insured or guaranteed by an agency or instrument of the United States. They include Mortgage Guaranty Insurance Corp. (MGIC) short-term participation certificates which are collateral loans secured by liens on real estate. **Interest earned on mortgage securities** is all interest earned on mortgage pool securities for the year-ended Sept. 30, 1989, (sum of the four quarters ended Sept. 30, 1989). Included is the amortization of discounts and premiums earned during the period. **Total operating income** is the sum of gross interest income from loans and investments; plus net income from leasing, REO operations, service corporations and subsidiaries, and office building operations; plus all other operating income, for year-ended June 30, 1988. **Mtge. Int./Oper. Inc.** is the ratio of interest earned on mortgage securities to total operating income, expressed as a percentage. **(a)**— A subsidiary of Crossland Savings, FSB, Brooklyn, New York, For regulatory purposes, the parent and subsidiary report separately. **(b)**— A division of Long Island Savings Bank FSB, Syosset, N.Y. **( )**— Indicates net operating loss. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

TOP MORTGAGE-BACKED SECURITIES HOLDINGS

Summary Statistics

Top 100 Banks in Mortgage-Backed Securities – Sept. 30, 1989

Largest Ratios: Mortgage-Backed Securities/Assets

		Ratio (%)
1.	Int'l Bank of Commerce, Laredo, Tex.	42.46
2.	Frost National Bank, San Antonio, Tex.	27.22
3.	Key Bank of W. New York NA, Jamestown	26.09
4.	Marine Bank, Warren, Penn.	25.78
5.	Signet Bank/Virginia, Richmond	24.97
6.	First Union Nat'l Bank, Greenville, S.C.	24.85
7.	Pittsburgh National Bank	24.26
8.	Norwest Bank North Dakota NA, Fargo	23.83
9.	Norwest Bank S. Dakota NA, Sioux Falls	21.46
10.	Bank of Baltimore	21.09

Largest Ratios: M-B Securities/Total Securities

		Ratio (%)
1.	First Union Nat'l Bank, Greenville, S.C.	95.90
2.	Norwest Bank Des Moines NA, Iowa	92.33
3.	Int'l Bank of Commerce, Larado, Tex.	87.73
4.	Signet Bank/Maryland, Baltimore	85.78
5.	Signet Bank/Virginia, Richmond	84.29
6.	Wells Fargo Bank NA, San Fransisco	82.23
7.	Pittsburgh National Bank	81.76
8.	Dominion Bank NA, Roanoke, Va.	79.25
9.	Bank of Baltimore	76.85
10.	Norwest Bank S. Dakota NA, Sioux Falls	74.56

Largest Gainers in M-B Securities (9/88-9/89)

		(%)
1.	NCNB National Bank of Florida, Tampa	46,635
2.	Texas Commerce Bank NA, Houston	2,486
3.	Bank of Hawaii, Honolulu	1,827
4.	United States Nat'l Bank, Portland, Ore.	1,619
5.	Bank One Dayton NA, Ohio	1,408
6.	Ameritrust Co. NA, Cleveland	548
7.	Southern Nat'l Bk of N.C., Lumberton	512
8.	Connecticut Bank & Trust Co. NA, Hartford	463
9.	Fidelity Bank NA, Philadelphia	452
10.	Key Bank of Western N.Y. NA, Jamestown	436

Top 100 Thrifts in Mortgage-Backed Securities – Sept. 30, 1989

Largest Ratios: Mortgage-Backed Securities to Assets

		Ratio (%)
1.	Guardian Savings & Loan Assn., Houston	84.36
2.	Roosevelt Bank, FSB, Chesterfield, Mo.	62.37
3.	Financial FS & LA, Miami Lakes, Fla.	57.39
4.	Santa Barbara S&LA, Calif.	56.28
5.	Commercial FS & LA, Omaha, Neb.	49.83
6.	Seamen's Bk for Svgs, FSB, New York	48.91
7.	Crossland Svgs, FSB, Salt Lake City, Utah	48.27
8.	Primerit Bank, FSB, Las Vegas, Nev.	45.85
9.	Standard Federal Bank, Troy, Mich.	45.04
10.	First Federal of Michigan, Detroit	43.96

Largest Gainers in M-B Securities (9/88-9/89)

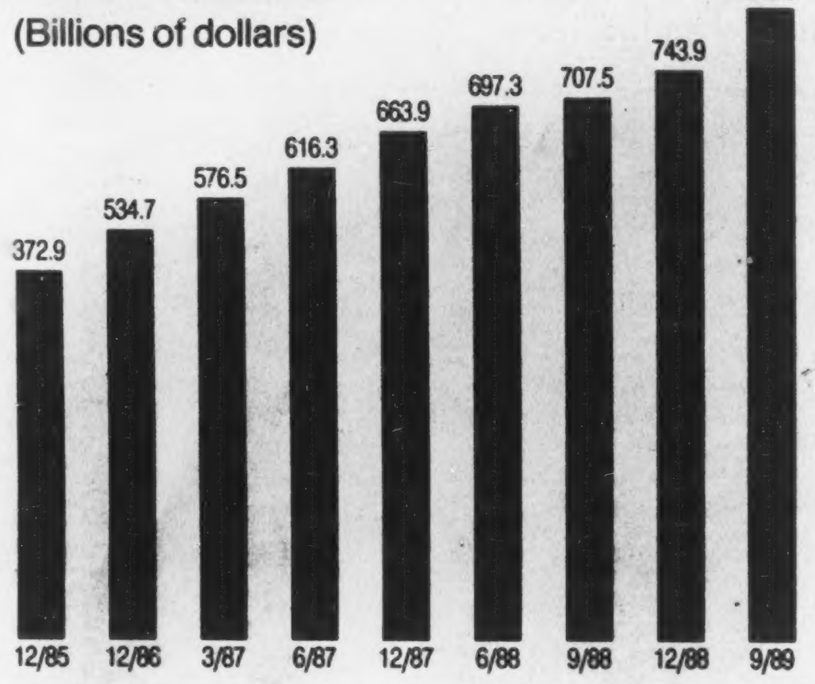
		(%)
1.	Union Federal Savings Bank,Los Angeles	324.39
2.	Anchor Svgs Bank, FSB, North Port, N.Y.	191.98
3.	Citizens Federal Bank, FSB, Maimi	155.18
4.	Far West S & LA, Newport Beach Calif.	89.88
5.	California Federal Bank, FSB, Los Angeles	78.04
6.	Secor Bank, FSB, Birmingham, Ala.	77.59
7.	First Nationwide Bk, FSB, San Francisco	73.40
8.	Household Bank, FSB, Newport Beach, CA	61.93
9.	St. Paul Federal Bank for Svgs, Chicago	60.93
10.	Decatur FS & LA, Georgia	57.06

Largest Declines in M-B Securities (9/88-9/89)

		(%)
1.	Gibraltar Savings, Beverly Hills, Calif.	-83.69
2.	Homestead Svgs, FS & LA, San Francisco	-61.49
3.	CenTrust Bank, SSB, Miami	-55.18
4.	Northeast Savings, FA, Hartford, Conn.	-42.75
5.	City Federal Savings Bank, Elizabeth, N.J.	-34.32
6.	Farm & Home Savings Assn., Nevada, Mo.	-31.11
7.	TCF Bank Savings, FSB, Minneapolis	-29.96
8.	Seamen's Bank for Savings, FSB, N.Y.	-29.73
9.	Pacific First Federal Svgs Bank, Seattle	-28.10
10.	Carteret Savings Bank, FA, Newark, N.J.	-27.66

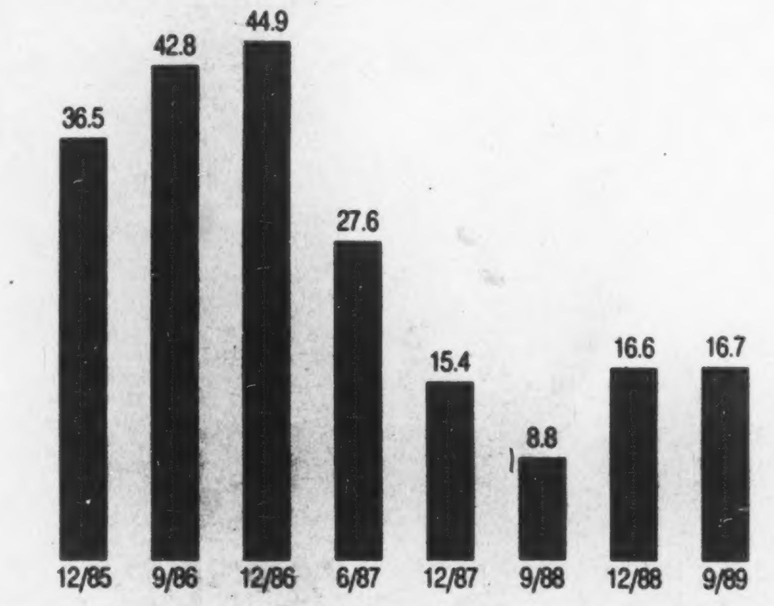
Government M-B Securities Outstanding

(Billions of dollars)

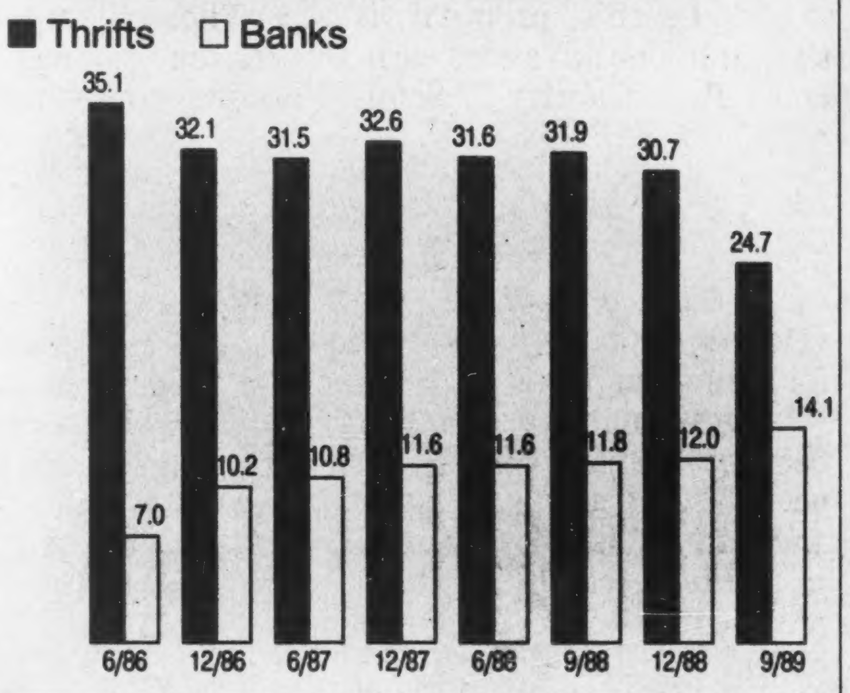


Government M-B Securities: Annual Growth Rates

(Percentage)



Percentage of Total Mortgage-Backed Securities



Bank and Thrift Holdings of Mortgage-Backed Securities

December 31, 1985 to September 30,1989 (Billions of dollars)

		Thrift Mortgage-Backed Securities					Bank Mortgage-Backed Securities				
Date	Mortgage-Backed Securities Outstanding[1]	Total Held[2]	As % of Total Outstanding	As % of Thrift Assets	Held by Top 100 Thrifts	Top 100's % Share of Thrift Total	Total Held[3]	As % of Total Outstanding	As % of Bank Assets	Held by Top 100 Banks	Top 100's % Share of Bank Total
9/30/89	$859.0	$212.0	24.7%	13.8%	$134.4	63.4%	120.8	14.1%	3.8%	$73.5	60.8%
12/31/88	774.1	237.7	30.7	15.0			92.5	12.0	3.0		
9/30/88	735.3	234.2	31.9	15.0	N.A.	N.A.	86.9	11.8	2.8	48.3	55.6
6/30/88	728.0	230.2	31.6	15.2	154.8	67.2	84.3	11.6	2.8	48.1	57.1
12/31/87	692.0	225.5	32.6	15.4			80.6	11.6	2.7		
6/30/87	637.7	200.6	31.5	14.3	134.9	67.2	68.6	10.8	2.4	$39.3	57.3
12/31/86	546.5	175.3	32.1	13.0			55.5	10.2	1.9		
6/30/86	434.2[2]	152.6	35.1	11.8	N.A.	N.A.	30.3	7.0	1.1	$18.0	59.4
12/31/85	372.9[2]	122.7	32.9[4]	10.0			24.5	6.6	0.9		

Mortgage-Backed Securities include mortgage-backed pass through securities issued or guaranteed by an agency or instrument of the U.S. plus privately-issued mortgage-backed pass through securities. **(1)**— Sources of these data: **Inside Mortgage Capital Markets, a Washington, D.C.**-based publication for the secondary mortgage market. In addition, **Inside Mortgage Capital Markets** provided data on privately-issued mortgage-backed securities for the periods 6/87 and 12/86. Data on privately-issued mortgage-backed securities were not available prior to 12/86. For the three periods 12/85 through 12/86, data for government mortgage-backed securities were provided by **Mortgage Bankers Association of America, Washington, D.C.** **(2)**— Totals include government mortgage-backed securities only. **(3)**— Sources of these data: the **Office of Thrift Supervision, Washington, D.C.** for SAIF-insured thrifts, and the **Federal Deposit Insurance Corp., Washington, D.C.** for BIF-insured thrifts. **(4)**— **American Banker** estimated the mortgage-backed securities held by FDIC-insured thrifts on 12/85. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov.1, Pgs: 2, 4, 7,

800

C0175-1

AMERICAN BA

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 15 | *Tuesday, January 23, 1990* | *155th year*

Banks Question Marching Orders In Drug Battle

By ROBERT M. GARSSON

WASHINGTON — As former chief of the Justice Department's narcotics division, Charles W. Blau knows how important bank transaction records can be in making a drug case. But Mr. Blau has come to believe that the government, in its zeal to wage war on drugs, is asking too much of the banking industry.

"Banks are participating more as law enforcement agents of the government and less as protectors of customers' rights to privacy," said Mr. Blau, a lawyer with Dallas-based Davis, Meadows, Owens, Collier & Zachry. "I think it's a great problem."

ANALYSIS
Follow-up on the news

Many in the banking industry agree. Drafted as foot soldiers in the government's war on drugs, bankers are grumbling more and more about the generals' battle plan.

While the industry has come to agree that it should play a role in combatting the laundering of drug funds, it is increasingly concerned about the costs and liabilities incurred. And bankers are wondering whether the government is collecting the right information and using it effectively.

Facing a Dilemma

One major problem, bankers said, is dealing with suspicious transactions. Banks are obligated to report such transactions to the authorities. Having done so, however, they face a dilemma. If they cease doing business with the customer, they can be sued. In 1982, Key Bancshares of Maine Inc.'s bank subsidiary cut off a credit line to two men after agents from the Federal Bureau of Investigation told them – erroneously, it turned out – that one of the two was linked to organized crime. A jury awarded the two $15 million in a 1987 decision.

But the bank may have an even bigger problem if it continues the relationship and the customer turns out to be trafficking in illegal drugs. The U.S. Code, amended by the Money Laundering Control Act of 1986, makes it a crime for a financial institution to engage in transactions involving "criminally derived property."

By filing a suspicious-transaction report, the bank has gone on record as having some knowledge of the possibility of illegal activity, and "mere knowledge of the illegal source of the funds" establishes a violation of the law, said John Villa, a lawyer

See **BANKS** *page* **9**

INSIDE NEWS

FINANCE

CITIBANK'S expected bridge loan to Lin Broadcasting could result in a lead agent role on $2.4 billion of permanent financing for the company. *Page 20*

INTERNATIONAL

AS VENEZUELA TRIES to get concessions from its foreign creditors, U.S. banks are pushing for broader powers in that country. *Page 10*

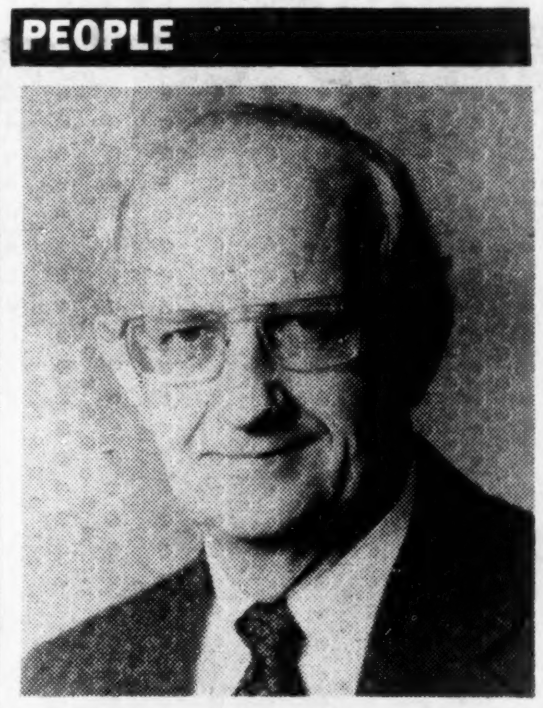
REAL ESTATE

NORTHEAST BANKS in general have not suffered as badly as Bank of New England from the downturn in the real estate market. *Page 8*

TECHNOLOGY

CITICORP'S QUOTRON unit will continue to lose money despite a restructuring, analysts predict, forcing the company out of the information business. *Page 3*

PEOPLE



JOHN D. MANGELS, chairman of Security Pacific Bancorporation Northwest, announced he will retire on May 1 after more than 40 years with the company and its predecessor, Rainier Bancorp. *Page 2*

CONSUMER

CREDIT UNIONS are bracing for a fight as banks prepare to lobby the new Congress heavily to end their tax-exempt status. *Page 6*

OTHER NEWS

FIRST INTERSTATE Bancorp posted a net loss of $344.3 million for the fourth quarter and a $124.5 million loss for the full year. *Page 2*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Classified Advertising 16
Financial Services Stocks 19

Top Bank Dealers of Commercial Paper

	Overall Rank*	Programs 1989	Programs 1988	Outstandings ($ in billions) 1989	Outstandings ($ in billions) 1988
Bankers Trust	5	150	130	$16.0	$11.0
Citibank	6	114	94	13.0	8.0
Bank of America	8	88	53	6.1	3.8
Morgan Guaranty	9	83	63	6.5	7.0
Chemical	10	35	31	3.5	2.0
First National Bank of Georgia	11	35	26	3.5	NA

Domestic programs only. Banks' own commercial paper is excluded.
*Including brokerage companies

Source: American Banker

Banks Make New Drive Into Commercial Paper

By DAVID NEUSTADT

NEW YORK — After years of losing top loan customers to the commercial paper market, many big banks are breaking into the ranks of major dealers there.

Last year, the six most active banks in the $529 billion market for short-term corporate securities boosted their number of programs 26% to 503, and the volume of paper outstanding 77% to $53 billion, according to an informal survey by the *American Banker.*

Wall Street's Tight Hold

Despite their gains, commercial banks still stand well behind investment banks. Merrill Lynch & Co., with 718 programs and $82 billion in paper outstanding, has more business than the top six commercial banks combined.

While a few investment banks still dominate the market, some major players, such as Salomon Brothers Inc., have dropped out. Profit pressures may force other investment banks to cut back their activities in commercial paper distribution, a business with a notoriously thin margin. That could create more opportunities for the commercial banks, which claim to have lower operating costs than their Wall Street competitors.

Short-Term Needs Vary

Commercial paper is sold through what is called a program, because companies use the security for short-term needs, which vary through the year. Some companies have several programs for different needs or subsidiaries.

About 40% of commercial paper is sold directly by companies. The rest, about $313 billion, is placed through dealers.

See **BANKS** *page* **7**

U.S. Issues Tough Rules For Licensing Appraisers

By BARBARA A. REHM

WASHINGTON — Moving to curb inflated housing appraisals that contributed to the savings and loan debacle, federal regulators have announced strict guidelines for the licensing of real estate appraisers.

The guidelines, required by the thrift-bailout law passed last August, force states to set up licensing agencies that cannot be controlled by the real estate or appraisal industries.

The nation's 250,000 appraisers have until mid-1991 to get state approval. Only about a dozen states currently require a real estate license or any other qualification.

Rules 'Unrealistic'

State real estate regulators, realtors, and appraisers complained that the guidelines were unrealistic.

"I think they are being too rigid," said Wallace Collins, the administrator of the Texas Real Estate Commission, a regulatory body. Keeping the real estate and appraiser industries out of the approval process is "totally unnecessary," he said.

"What we are upset about is the inability for appraisers to have a majority on the [state-licensing] boards, but we're hope-

See **STIFF** *page* **14**

Analysts See Possible Crisis At Boston Bank

By KELLEY HOLLAND

If the beleaguered Bank of New England falls short of its plan to dispose of assets, it will face a funding crisis, analysts said Monday.

Money market traders report that secondary market activity for the roughly $5 billion of institutional-size certificates of deposit outstanding has virtually ceased, and at least one bank stock analyst believes insolvency due to a liquidity crunch may be just two to four weeks away.

CD Market Has Dried Up

"The market for Bank of New England CDs has totally dried up over the last few days," said one jumbo CD trader. "I've seen some people looking for bids here," said another, but "there hasn't been a secondary market trade in a Bank of New England CD for some time."

See **CAPITAL** *page* **18**

Big California Thrifts Buck Trend, Gain Deposits in 'Flight to Quality'

By ELLEN MEMMELAAR

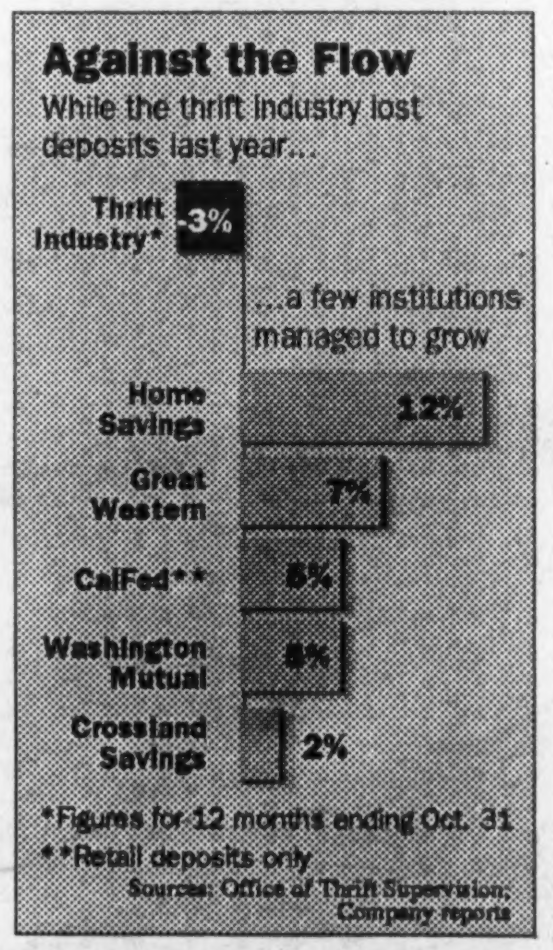
NEW YORK — While the overall thrift industry lost deposits at a record rate last year, a few healthy thrifts managed to attract substantial new funds in what executives and analysts call a flight to quality.

The two biggest deposit gainers among the largest thrifts last year were Home Savings of America and Great Western Bank, which rank No. 1 and No. 2 nationally in deposits and assets.

Billion-Dollar Gains

Home Savings, principal subsidiary of H.F. Ahmanson & Co., Los Angeles, increased total deposits by $3.6 billion, or 12%, to $33.1 billion as of Dec. 31. Great Western, based in Beverly Hills, Calif., gained $1.6 billion, or 7%, to $23.8 billion. (Along with their balance-sheet totals, Ahmanson and Great Western reported 1989 earnings Monday. See page 2.)

Deposit inflows at the two



Sources: Office of Thrift Supervision; Company reports

California thrifts contrasted sharply with industrywide performance – a net outflow through October 1989 of $60 billion. Aggregate thrift deposits at

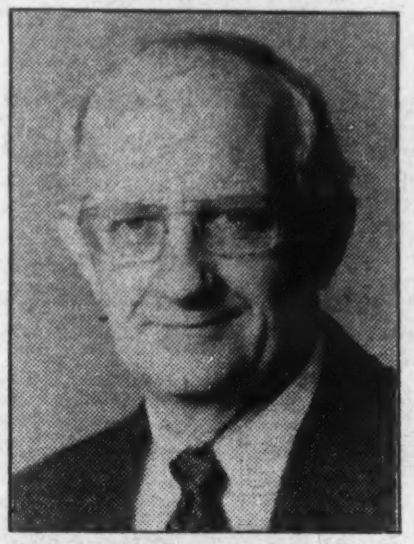
See **BIG** *page* **14**

PEOPLE *in the news*

Mangels to Give Up Reins At Security Pacific Unit

Just days after **Security Pacific** Corp. announced a realignment at the top level, its Seattle-based subsidiary did the same.

John D. Mangels, 64, said he plans to retire April 30 after more than 40 years with Security Pacific Bancorporation Northwest and its predecessor, Rainier Bancorp. Succession will be orderly, as is customary at Security Pacific: John C. Getzelman, president and chief operating officer, will become chairman and chief executive of the $10.2 billion-asset company May 1, the day after Mr. Mangels retires.


John D. Mangels

Last Tuesday, Richard J. Flamson 3d said he would step down as chief executive officer of Security Pacific, but remain chairman.

Mr. Mangels, a Pacific Northwest native who was born in nearby Victoria, British Columbia, has been CEO for 2½ years. He succeeded G. Robert Truex Jr., the man generally credited with molding Rainier into a regional powerhouse. Mr. Mangels will remain chairman of the board's executive committee.

Mr. Mangels is regarded as "a real gentleman" by bank analyst Jay Tejera of **Dain Bosworth** & Co. in Seattle. "They're not making gentlemen like that any more," Mr. Tejera said. "You have to find someone his age. He epitomizes the old Rainier's relationship banking style."

Mr. Mangels said in an interview that he expects to spend time in retirement working with outside boards, especially on creating a stronger link between businesses and local schools. He also plans to travel, do some fly fishing, and "take five strokes off my golf game."

Observers say he was something of a transitional figure between Mr. Truex and the new regime at Security Pacific. Mr. Truex spearheaded the merger with Security Pacific, which was completed in August 1987, and retired that same year. He died in 1988, having suffered from emphysema for many years.

Mr. Mangel's long years in the community have built a rapport that Security Pacific wants very much to keep, Mr. Getzelman said in an interview.

"He grew up with this bank. He really is an institution," said Mr. Getzelman, 46, who became president of Security Pacific Northwest in 1988 after a career spent mostly overseas. He was executive vice president and head of Security Pacific's international division before moving to Seattle.

"One thing you're concerned about in a merger situation is that the identity with the community is lost, or the feeling that it may be lost," he added. "You take his 40 years and appreciate that he'll maintain an active role for us. And you convey to the Northwest that Security Pacific has ingrained its efforts into the area."

— Jeffrey Marshall

... by region

NEW ENGLAND

Centerbank, Waterbury, Conn., named **Robert J. Narkis,** a bank director, chairman and acting chief executive.

Federal Reserve Bank of Boston elected **Terrence Murray** to a three-year term as a Class A director. Mr. Murray is chairman, president, and chief executive of **Fleet/Norstar Financial Group** and chairman of Fleet National Bank, Providence, R.I.

Burritt Interfinancial Bancorp, New Britain, Conn., appointed **Joseph J. Cisz** vice president.

Northeast Savings, Hartford, Conn., elected **Kathreen M. Campbell** senior vice president of facilities and administration.

MIDDLE ATLANTIC

Chase Manhattan Corp. appointed 10 senior vice presidents. They are **Peter John Anderson,** Banco Chase Manhattan (Brazil); **Richard H. Evans,** international individual banking; **Robert R. Field,** worldwide insurance; **Richard P. Kotz,** national financial services; **Richard Mounce,** Chase Manhattan Bank (Korea); **Joseph M. Scharfenberger,** automotive financial services; **Richard Schrumpf,** North America corporate finance; **Diane Shaib,** direct response; and **Robert W. Shippee,** Europe corporate finance.

MIDWEST

Mercantile Bank of Kansas City, Mo., a subsidiary of **Mercantile Bancorp,** St. Louis, elected **David A. Dierks** executive vice president. He also will serve as manager of the metropolitan division. **Dennis J. Hudson** and **Gregg H. Thomas** were elected vice presidents.

WEST

Mechanics National Bank, Paramount, Calif., appointed **John P. Ryan** senior vice president and comanager of its real estate division.

County Bank, Santa Barbara, Calif., elected four vice presidents: **A. Mario Antignani,** collection and foreclosure manager for loan services; **Douglas H. Green,** loan service manager; **Richard J. Lowson,** consumer loan administrator; and **Kimberly Smith,** data systems manager.

— Franklin Smith

1st Interstate Loss Tops $340 Million

Fourth-Quarter Results Worse than Analysts Expected

By SAM ZUCKERMAN

SAN FRANCISCO — Battered by sour real estate loans in Arizona and Texas, First Interstate Bancorp reported a fourth-quarter loss of $344.3 million, higher than analysts' expectations.

The loss added a bitter note to last week's announcement of the resignation of chairman and chief executive officer Joseph J. Pinola and his replacement by president Edward M. Carson, which will take effect June 1. It compared with fourth-quarter earnings of $144 million in 1988.

The company took a loss for the full year of $124.5 million, compared with 1988 earnings of $129.4 million.

Loss Higher Than Predicted

Negative results were expected following December provisions of $300 million for losses at the Texas subsidiary and $100 million for potential real estate losses in other locations. But the net loss for the quarter was higher than predicted.

Analysts said a key reason was a sharp rise in expenses at other real estate owned, mainly foreclosed properties. Other real estate-related costs, principally in Texas and Arizona operations, were $133.7 million for the quarter, compared with an $8.4 million gain for the year-earlier period.

On the balance sheet, other real estate owned nearly doubled to $907 million at the end of 1989 from $497 million a year earlier. "The number just went way up. They are sitting on a lot of stuff," said Dan B. Williams, analyst with Sutro & Co., San Francisco. The company seems to prefer to hold foreclosed real estate rather than sell in depressed markets, he said.

Another factor driving up the loss was a 13% drop in taxable-equivalent net interest income to $594.8 million, a performance substantially worse than First Interstate's California-based rivals.

Construction Loans Up

Real estate construction loans were up $368 million, or 9.4%, from the fourth quarter of 1988, with growth centered in California. The company said 77% of its $2.111 billion in nonperforming assets are real estate-related.

Despite the loss for the year, First Interstate said its capital position had improved marginally. Stockholders' equity amounted to $2.3 billion or 3.96% of assets, up from 3.85% the year before. ☐

FIRST INTERSTATE BANCORP
Los Angeles
Dollar amounts in millions (except per share)

FOURTH QUARTER	4Q '89	4Q '88
Net income	($344.3)	$144.0
Per share	(7.56)	3.10
Net interest income (tax. equiv.)	594.8	683.7
Margin	4.67%	5.46%
ROA	NA	1.00%
ROE	NA	30.34%
Noninterest income	242.8	246.1
Noninterest expense	712.9	605.1
Loss provision	454.1	119.9
Net chargeoffs	160.1	271.1
FULL YEAR	**1989**	**1988**
Net income	($124.5)	$129.4
Per share	(3.30)	2.63
Net interest income (tax. equiv.)	2,506.2	2,475.5
Margin	5.00%	5.00%
ROA	NA	0.23%
ROE	NA	5.69%
Noninterest income	1,158.5	971.3
Noninterest expense	2,545.5	2,538.6
BALANCE SHEET	**12/31/89**	**12/31/88**
Assets	$59,051.4	$58,193.9
Deposits	46,467.7	44,148.7
Loans	38,205.4	37,799.0
Shareholder equity	2,339.3	2,239.9
Loss reserve	1,437.5	1,195.9
Reserve/loans ratio	3.76%	3.16%
Nonperf. loans	1,204.0	1,398.0
Nonperf. loans/loans	3.15%	3.70%
Primary capital ratio	6.80%	6.40%

Ahmanson Holds to Small Drop, Becoming No. 1 Thrift in Profits

By YVETTE D. KANTROW

NEW YORK — H.F. Ahmanson & Co., parent of the nation's largest thrift, reported a 3% earnings decline for the fourth quarter, but the company earned enough in the year to surpass Great Western Financial Corp. as the biggest profit maker among U.S. savings institutions.

Great Western, the No. 2 thrift in assets, outearned all other thrifts in 1988.

Los Angeles-based Ahmanson, which owns Home Savings of America and New York's Bowery Savings Bank, earned $65.9 million, or 66 cents a share, in the fourth quarter, down from $67.8 million, or 68 cents per share, in the fourth-quarter of 1988.

The thrift company attributed the decline to an increase in its effective tax rate for the quarter to 39.6% from 30.3%.

Great Western reported a fourth-quarter loss of $77.3 million, or 59 cents a share, causing earnings for the year to fall 60%

See **AHMANSON** *page* **17**

Corrections

An article in the Jan. 18 issue ("Technology Execs Close Pay Gap at Banks," page 3) gave an incorrect source for the compensation of John Singleton, vice chairman of Security Pacific Corp. *Computerworld*, a trade publication, obtained the figure through research.

■

A Jan. 8 article ("AT&T Offers Banks Service to Cut Cost of Directory Calls," page 2) misidentified Henry Watkins. He is assistant vice president, telecommunications, at Boatmen's National Bank, St. Louis, a subsidiary of Boatmen's Bancshares Inc. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Advest 8
Alex. Brown & Sons 18
American Bankers Association 1,6
American Bar Association 1
Automatic Data Processing 3

B
Banco de Venezuela 10
Banco Industrial de Venezuela 10
Banco Provincial 10
BankAmerica 1,10
Bankers Trust New York 1,10,20
Bank of Boston 1,8,20
Bank of New England 1,8,20
Bank of New York 20
Bank of Scotland 10
Barnett Banks 1,9
BayBanks 20
Boatmen's Bancshares 2
Boston Financial Group 8
Burritt Interfinancial Bancorp 2

C
CalFed 1
Canadian Imperial Bank 20
Centerbank 2
Chase Manhattan 2,3,10,20
Chemical Banking 1,7
Citicorp 1,3,10,20
C. Itoh 8
Comerica 6
Community Bankshares 2
Continental Bank 10
Corah 10
Credit Union National Association 6
Creditanstalt-Bankverein 10
Crossland Savings 1
Cushman & Wakefield 8

D
Dain Bosworth 2
Data General 3
Dataproducts 20
Davis Meadows 1
DPC Acquisition 20
Drexel Burnham Lambert 3

F - G
Farmers and Merchants Bank of Long Beach 3
First Boston 18
First Chicago Corp. 1
First Interstate 18
First of America Bank 6
Fleet/Norstar Financial 2,20
Flushing Federal 4
General Electric Capital 10
George B. Springman 20
Georgia Gulf 20
Golden West Cities Federal Credit Union 4
Goldman Sachs 20
Great Western 1,2

H - L
H.F. Ahmanson 1,2
Hill Samuel Bank 10
Huntington National Bank 3
J.P. Morgan 20
Key Bancshares of Maine 1
Kidder Peabody 1
Laxalt Washington 1
LIN Broadcasting 20
Lincoln Capital Management 20
Long Term Credit Bank of Japan 10

M
Magnet 10
MBank 4
McCaw Cellular Communications 20
Mercantile Bancorp 2
Meritor Savings Bank 2
Merrill Lynch 3,20
Metromedia 20
Michigan National 6

N - P
National Assn. of Realtors 1
National Westminster 10
NBD Bancorp 6
New York Clearing House Assn. 1
Northeastern Bancorp. 20
Northeast Savings 1,2
Pacific Stock Exchange Data Processing 3
PaineWebber 20
Peoples 18
Planters 18

R
Resolution Trust Corp. 8
Reuters 3
Robinson-Humphrey 9,18
Roney & Co. 6

S
Salomon Brothers 1
Secura Group 6
Securities Industry Automation 3
Security Pacific 2,10,18,20
Society of Real Estate Appraisers 1
Shearson Lehman Hutton 3
Standard Chartered 10
Sutro 18

T - Z
TCF Financial Corp. 1
Telerate 3
Thomson Bankwatch 1
Toronto Dominion Bank 20
Unisys 3
University of Utah Credit Union 6
Washington Mutual Savings Bank 1
Wells Fargo Bank 4
Williams & Connolly 1
Winsted, McGuire, Sechrest & Minick 8
Worldwide Venture .... [illegible]

COMMENT/*By Sanford Rose*

Tracking Bank Deposit Costs

Interest expenses as a percent of domestic bank deposits rose nearly 100 basis points from the third quarter of 1988 to the second quarter of 1989, before easing off slightly in the third quarter, according to data just released by the IDC Financial Corp. of Hartland, Wis.

Although interest rates had peaked earlier in the year, the cost of bank deposits rose 53 basis points in the second quarter of 1989 alone, greatly aggravating net-interest-margin headaches.

This outsize rise in bank deposit costs in part reflected a shortfall in total checkable deposits. From mid-December '88 to mid-June '89, the checkable deposits at depository institutions – both zero-cost demand deposits and low-cost NOWs – fell at a compound annual rate of 8.2%.

As their hoard of no-cost or low-cost money began contracting, banks were forced to refinance existing assets with more expensive deposits and borrowings.

Additionally, during 1989 many banks had to respond to the competition from money market mutual funds by raising their deposit rates. So not only did banks have to shift from noninterest-bearing to interest-bearing funds, but they also had to pay more for that interest-bearing money.

To make matters still worse, the opportunities to place the more expensive net new deposit inflows in high yielding, rate-insensitive consumer loans diminished – at least in many, though by no means all, regions of the country. So a number of banks had to funnel their costlier new money into rate-sensitive commercial loans, whose yields were coming down and are likely to fall further over the near term.

(Some margin relief was obtained in the fourth quarter, but it would appear that margins are once again under pressure in this quarter.)

The average bank in the United States paid 7.42% per dollar of domestic deposits in the third quarter of 1989, 96 basis points more than the rate paid in the third quarter of 1988.

Over-billion-dollar banks paid 7.51% in the third quarter of last year, a full 100 basis points more than was paid in the comparable quarter of 1988.

Cheaper in the West

Bank deposit costs vary widely by geographic area. Average costs are appreciably lower in the Far West than in the Midwest or in the East. Banks in states like California, Nevada, Arizona, Washington, Oregon, and Wyoming raise money whose average cost runs anywhere from 87% to 93% of the national norm.

The lower deposit costs of some western states may result from an above-average store of those interest-free demand balances. Demand deposits come from essentially two sources: small businesses that do not find it cost effective to monitor the level of their free balances and retail depositors who don't have balances large enough to be placed in NOW accounts. So if a state has an unusually large population of small businesses – e.g., California – its banks will generally pay less than the national average for deposit money.

> 'The trend in interest costs as a percent of deposits may serve as a sort of leading indicator of banking problems.'

Additionally, the higher the degree of bank concentration – as measured, albeit imperfectly, by the share of statewide deposits held by the four largest banks – the greater is the ability to hold down the cost of interest-bearing deposits. To some degree at least, the relatively low deposit costs of banks in Nevada, Washington, Oregon, and California as well, stem from the fact that banking in these states is far more concentrated than it is in other parts of the country.

Foreshadowing Problems

The trend in interest costs as a percent of deposits may serve as a sort of leading indicator of banking problems. Thus, a few years ago, the banks in Connecticut and Massachusetts had costs that just about matched the national average. But as the real estate boom escalated, so did average deposit costs.

By the end of 1987, Connecticut banks were paying an interest premium of 5% over the national average, while the Massachusetts banks were paying a whopping 10% premium. Apparently, the chance to make high-yielding real estate loans mightily encouraged banks in both states to pay up for money.

Escalating deposit costs also foreshadowed problems in Arizona. On average, banks in this state pay less than the national norm. But the smaller banks pay appreciably more. Once low-cost funders, these smaller institutions, like the banks in Connecticut and Massachusetts, began paying large premiums in 1987.

Recovering Oil Patch

By the same token, the decline in interest cost premia often signals the resolution of problems. Beginning in 1987, the interest costs of the Texas banks and of the larger Oklahoma institutions began soaring.

By the third quarter of 1987, the Texas banks, which had been accustomed to raising money at less than the national average, were compelled to pay a 4% premium. The larger Oklahoma banks also had to raise the deposit ante. By the middle of last year, however, deposit premiums had fallen measurably in both states.

As of the third quarter of 1989, the state with highest average deposit costs was Delaware, where interest costs as a percent of deposits amounted to 8.34%. This is a state dominated by credit card banks, which earn richly and therefore can afford to pay up for deposits, most of which are not of the "core" variety.

The state with the lowest deposit expense was Wyoming. The average bank in this state paid a mere 6.63 cents per dollar of deposit funds. □

CRIME BLOTTER/*By Tom Leander*

High Court to Review Thief's Debt to Bank

The Supreme Court has decided to hear an appeal in a credit card fraud case that has spurred a legal dispute over the breadth of the Federal Victim and Witness Protection Act, established to help victims recover their losses.

The dispute is between Frasiel L. Hughey, a former post office worker who pleaded guilty to one count of credit card fraud in 1987, and federal prosecutors over how much he should repay the Texas bank that he bilked.

Mr. Hughey pleaded guilty to using only one stolen MBank U.S.A. credit card and argued that he should repay only the $10,422 that he spent using that card. But prosecutors said they had evidence that Mr. Hughey had used 21 stolen cards and had bilked MBank of $147,646. They warned the defendant that he would be ordered to repay the full amount.

During sentencing, however, a federal judge assessed a restitution amount of $90,412, striking a compromise between the two positions. Mr. Hughey was also sentenced to eight years in prison.

Mr. Hughey fought the judge's decision in the U.S. Court of Appeals for the Fifth Circuit, which upheld the lower-court decision last July.

The court held that one of the principal purposes of the Victim and Witness Protection Act "was to ensure that wrongdoers, to the degree possible, make their victims whole. If restitution were limited to the count of the conviction, given the high levels of plea bargaining within our criminal system, in the majority of cases, a victim could not be made whole."

In response to the latest appeal, the U.S. Solicitor General has sent a brief to the high court, arguing that a reversal of the Fifth Circuit ruling would violate Congress's intent to compensate crime victims adequately.

* * *

Janitors Caught Trying To Clean Cash Drawer

Police nabbed four janitors on Jan. 13 for allegedly stealing $400 in cash from a Wells Fargo Bank branch in Garden Grove, Calif.

The maintenance crew allegedly pried open a teller's cash drawer during the morning cleanup and removed the cash. Police, alerted by a silent alarm in the drawer, rushed to the branch and discovered the cash stashed in the personal belongings of one of the suspects.

The janitors, three of whom are employed by the Peerless Building Maintenance Co. of North Hollywood, are being held on suspicion of grand theft.

This is the second time in as many months that a janitorial crew in the area was suspected of stealing money from a bank while cleaning it up, police said.

In early December, police were alerted by an alarm to a burglary at the Golden West Cities Federal Credit Union in Los Angeles. Eyewitness descriptions led to the arrests of a maintenance crew a few minutes later.

* * *

NY Thrift President Back on Trial for Fraud

The loan fraud trial of the former president of the failed Flushing Federal Savings and Loan Association opened in a Brooklyn federal court last week.

Carl Cardascia, president of Flushing Federal when it collapsed in 1986, has been charged with engaging in a loan kickback scheme with a New Jersey development firm.

The prosecution charges that the former thrift executive lent $5 million to World Wide Ventures Corp. in exchange for World Wide stock, which he then transferred to his wife under her maiden name.

Joseph Ryan, Mr. Cardascia's lawyer, said in court last week that the developer issued the stock to Mr. Cardascia without his consent. The lawyer maintains that the developer wanted to demonstrate to associates his control over Mr. Cardascia.

This is the second case involving Flushing Federal to go to court. Last year, a federal judge in Brooklyn acquitted Mr. Cardascia on charges of management fraud. □

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Letters may be edited for space.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2222

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Banks Push to Become Major Dealers in Commercial Paper Market

Continued from *page* 1

Having gained court approval to deal in the commercial paper market, commercial banks see commercial paper as an important product both for serving their corporate customers and for building up distribution for all securities.

"This product was a hallmark for breaking into the investment banking and securities markets," said Alexandra Hahn, vice president and head of short term finance originations at Bankers Trust Co., the first commercial bank into the market.

"It is one of the core products for Citicorp investment bank to build on," said John Ward, vice president.

Commercial banks have made headway in convincing corporate treasurers to make them additional dealers on programs. Ironically, that is the same strategy that Merrill Lynch used when it was first building its commercial paper business.

"We are able to do business easier, and it is less hard to convince people than it used to do be," Mr. Ward said.

Targeting Current Clients

Commercial banks are using several strategies to sell themselves to companies. Most banks focus on winning business from companies that they currently serve in other ways.

"Many of the significant programs we have won are from the bank's important clients," Ms. Hahn said. "On top of that, we have focused on getting some of the bigger and more conspicuous programs, such as the large acquisition-finance-type programs."

Bankers Trust can go after the acquisition finance programs – that is, financings tied to mergers – because of its leading role in financing such transactions.

Citibank is pursuing junk, or noninvestment-grade, commercial paper programs. "It is a natural extension of our lending business to noninvestment-grade corporations," Mr. Ward said.

Some banks use the strength of their base of regional investors as a selling point. While dealer-banks sell mostly to big institutions and money funds, Bank of America also sells commercial paper to many middle-market companies for which it handles other day-to-day banking needs, according to Lisa Trygg, vice president and head of the bank's money market group.

Is Market Too Small?

Some investment bankers argue that the noninstitutional investors cannot add up to a substantial market. But Bank of America's customer demand exceeds the amount of dealer commercial paper it currently handles, and it often has to buy for customers from companies that sell their own paper, Ms. Trygg said.

Similarly, First National Bank of Chicago markets its distribution network in the Midwest. "Over 50% of our paper is sold to corporations with excess cash, and the next biggest group is smaller banks in the Midwest," said Edward Austin, vice president and manager of the bank's commercial paper desk.

Smaller investors are less sensitive about getting the best rate and more concerned about safety, Mr. Austin said. "They turn out to be 3 to 5 basis points more reasonable," he said.

Profit pressures may force more investment banks to cut back their activities in commercial paper distribution.

Commercial banks have been able to win more substantial roles in bigger commercial paper programs, bankers said. That is why the amount of outstandings went up so much more than the number of programs.

Setback at Chemical

Chemical Bank was set back slightly this year when it moved its commercial paper dealer to its securities subsidiary. That forced the bank to give up some programs, because it was also supplying credit enhancement. But the bank added better accounts, according to a Chemical official.

"The accounts we brought on are generally larger and have a better credit quality," the Chemical banker said. "For 1990, that's the priority."

Data on each company's programs and outstandings were provided by the companies and were not verified by the *American Banker*. Banks were asked to give the number of active, domestic commercial paper programs at yearend 1989 and the amount outstanding on those programs, excluding their own commercial paper. ☐

Chemical's Dolan Dies in Car Accident

NEW YORK — Thomas M. Dolan, 42, vice president and manager of Chemical Bank's commercial paper department, died Jan. 15 in an auto accident.

The banker was en route to a ski area in upstate New York with his two children, who were not injured.

Mr. Dolan joined Chemical's commercial paper department in 1987 as a vice president. He became manager in 1988. Before joining Chemical, Mr. Dolan had been a vice president of Shearson Lehman Hutton Inc.

Mr. Dolan lived in Larchmont, N.Y., with his wife, Leslie, and children. ☐

Counselors.

As investment bankers, we take pride in assisting the banks
of our region in meeting their needs through customized
solutions that are creative, professional, and draw
on our unique understanding of the industry.
Whatever your needs, First Albany should be your first telephone call.

COMPLETED:

FIRST OHIO BANCSHARES
and its principal subsidiary,
First National Bank of Toledo
1N.
has merged with
FIFTH THIRD BANCORP
The undersigned initiated the negotiations, structured
the transaction, and acted as financial advisor to
First Ohio Bancshares, Inc.
First Albany Corporation
November 1989

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities. This offer is made only by the Prospectus.
THE BANK OF CASTILE
198,720 Shares
Letchworth Independent Bancshares
Corporation
A Holding Company for the Bank of Castile
Common Stock
$1.00 Par Value
Price $15 a Share
The undersigned acted as financial advisor and
stand-by underwriter in connection with this offering.
First Albany Corporation
Copies of the Prospectus may be obtained in any State from the undersigned in compliance with the securities laws of such State.
December 18, 1989

IN PROCESS:

United Vermont Bancorporation
Rutland, VT
has agreed to merge with
Arrow Bank Corp.
Glens Falls, NY
First Albany initiated this transaction and is acting as
financial advisor to Arrow Bank Corp.

First Inter-Bancorp Inc.
Fishkill, NY
and its principal subsidiary
Mid-Hudson Savings Bank FSB
has agreed to acquire through a voluntary supervisory conversion
Inter-County Savings Bank
New Paltz, NY
First Albany is acting as managing underwriter in
connection with the public offering portion of this transaction.

Contact:
Arthur L. Loomis, II, First Vice President
In New York State: 800 462-6242 • National: 800 833-4168
Bruce G. Miller, Vice President
In New York State: 800 522-1101 • National: 800 732-7707

First Albany
FIRST ALBANY CORPORATION. Brokers and investment bankers to the Northeast.
41 State Street, Albany, NY 12207
Member New York Stock Exchange, Inc. and other principal exchanges.
SIPC

800

C0175-1

AMERICAN BA

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 16 Wednesday, January 24, 1990 155th year

Banks Willing To Pay Way Out Of Debt Mess

By JAMES R. KRAUS

ANALYSIS *Follow-up on the news*

NEW YORK — By agreeing to forgive a portion of their loans to Mexico and the Philippines, bankers have shown they are willing to swallow hefty losses in order to avoid making new loans to Third World countries.

"The debt-forgiveness genie is out of the bottle," said Lawrence Cohn, an analyst with Drexel Burnham Lambert Inc. "We're going to see additional examples of that."

In a series of recent landmark accords, U.S. and foreign banks have agreed to forgive 35 percent of their loans to Mexico and 50 percent of their loans to the Philippines.

Venezuela, Costa Rica, and Morocco are now negotiating debt reductions with their bankers, and similar talks will soon begin with Jamaica and Uruguay. Yugoslavia, and possibly Poland, also are viewed as candidates for debt reduction.

Observers predicted that banks will forgive a significant portion of their loans to these countries, provided that they do not have to make any new loans.

'Get Rid of It'

"Most U.S. banks with LDC exposure just want to get rid of it and not have the headaches anymore," said Mark Gross, a banking analyst with IBCA Inc. in New York.

Several factors are responsible for the new-found willingness of banks to accept debt reduction. The banks have been steadily increasing their reserves against LDC debt, and in most instances, accepting debt reduction now will not reduce profits.

What's more, the Bush Administration has put considerable pressure on banks to take some losses on their Third World loans. Debt forgiveness is the cornerstone of Treasury Secretary Nicholas F. Brady's initiative to assist financially troubled Third World nations.

A Nudge from Treasury

"Treasury took some of the chairmen aside and told them to play ball," said a source close to the banks. "The perception among banks was that if they didn't start accommodating they were going to get screwed."

In order to get banks to go along with the Mexican accord, the Treasury was forced to cough up what amounts to a $350 million public subsidy. Under the plan, the Treasury will agree to issue discount

See **BANK** page 11

INSIDE NEWS

PEOPLE

MERIDIAN BANCORP., which is in the process of reshuffling top management, recruited former Midlantic executive David E. Sparks as vice chairman. *Page 2*

CONSUMER

INVEST FINANCIAL is enjoying a growing demand for its brokerage services now that many financial institutions have decided to exit the field. *Page 8*

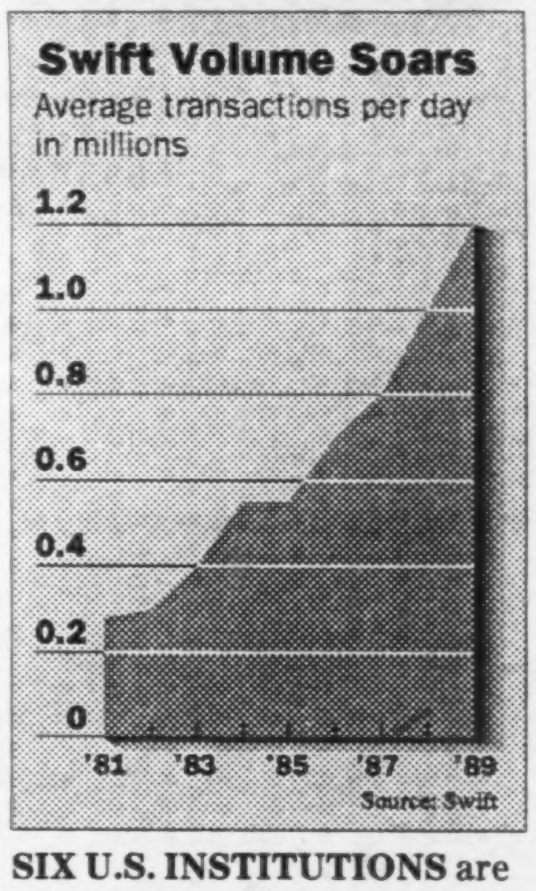
INTERNATIONAL

BRAZIL is going to seek inclusion in the Brady plan to reduce foreign debt, abandoning an earlier attempt to decentralize the process of debt relief. *Page 13*

FINANCE

LONG-TERM RATES have risen sharply in the past month, but asset/liability managers are not ready to make a major interest rate bet. *Page 16*

TECHNOLOGY



SIX U.S. INSTITUTIONS are among 52 banks worldwide that are testing Swift-2, the long-awaited upgrade to the telecommunications network. *Page 3*

OTHER NEWS

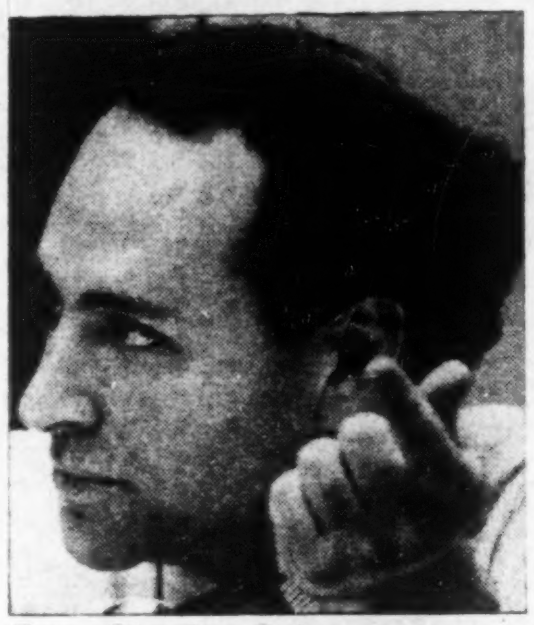
BANKERS TRUST New York Corp. posted a 45% drop in earnings for the fourth quarter. The company cited lower net interest income and higher provisions for Third World loan losses. *Page 2*

INDEX

Company Index 2
Grapevine 4
Letters to the Editor 5
Technology 9
Classified Advertising 12
Financial Services Stocks 15

Banking Panel Faults Bush On Pace of S&L Resolutions

By ROBERT M. GARSSON



Rep. Charles Schumer

WASHINGTON — Members of the House Banking Committee criticized the Bush administration on Tuesday over the slow pace of thrift sales under the government's $159 billion bailout package.

"The crisis is still getting worse," said Rep. Charles Schumer, D-N.Y. "One question I have is, why have so many brain-dead thrifts been allowed to live so long?"

Rep. Frank Annunzio, D-Ill., said: "Lately, [the RTC] has spent more time posturing for more money than in using what they have."

The Resolution Trust Corp., created last August to dispose of insolvent thrifts, has seized 342 institutions and expects to take over 200 more within three years. So far, only 40 relatively small thrifts have been sold. Lawmakers expressed concern

See **HOUSE** page 10

U.S. Repudiates Centrust's 10K, Halts Trading in Thrift's Stock

By JIM McTAGUE
and GORDON MATTHEWS

Regulators escalated their bitter battle with deeply troubled Centrust Bank on Tuesday, ordering a five-day halt in the trading of the Miami thrift's depressed stock.

The Office of Thrift Supervision charged that Centrust's 10K annual report, filed last week, failed to recognize losses that would wipe out shareholder equity.

The $9 billion-asset institution also failed to disclose the "magnitude of its dispute" with regulators, the agency said.

The OTS described the action "as a message to Wall Street" about the condition of the thrift.

Centrust said the OTS action was aimed at forcing the thrift

See **U.S.** page 10

Banks Pull Financing on Birmingham Buyout Deal

By LISABETH WEINER

Another leveraged buyout hit the skids on Tuesday when Birmingham Steel Corp. said it was advised that banks had second thoughts about financing the $525 million transaction.

At the same time, new doubts have surfaced about the likelihood of putting together a buyout of Hilton Hotels Corp. The company said in a statement that its board, at a regular meeting next week, will consider future alternatives available to the company – including doing nothing.

Was Bid Withdrawn?

Traders and arbitragers wondered whether this means that a bid for the company from JMB Realty, rumored to be $90 a share, has been withdrawn or lowered. Telephone calls to JMB and Hilton were not immediately returned.

The failed Birmingham transaction and the uncertainty over Hilton reinforces the ongoing caution and apprehension commercial bankers are feeling toward financing of leveraged transactions.

See **ANOTHER** page 14

Fed Watchers Expect Interest Rate Decline

By ROBERT TRIGAUX

WASHINGTON — Most Fed watchers dismiss as temporary this year's upturn in long-term interest rates and predict economic weakness will spur more rate cuts in the federal funds market within four to eight weeks.

Brushing aside current market fears of inflation and rising rates in Japan, economists here predicted that federal funds should fall another 25 basis points, to 8%, no later than March – and even lower by late spring.

Prime Rate Cut in Offing?

A 7.75% fed funds rate should prompt another cut in the prime rate, from 10% to 9.5%, said numerous market analysts interviewed Tuesday.

Balance sheet managers at banks, however, were less certain of the rate trend. They said they are unlikely to tamper with the maturities in their asset-liability management strategies until they see more direction. (See "Capital," page 16.)

The economists, too, recognize the opposing forces at work.

For now, said rate watcher Ray Stone of Stone & McCarthy, "the Fed is in a box." Inflation worries from recent increases in food and fuel prices, concern that Japanese investors may be growing cool to U.S. Treasury securities, and the recent public call by the Bush administration for lower interest rates all have combined to limit the Fed's ability to influence short-term rates, said economists.

What's Japan Doing?

"A big concern with Japan is whether it is selling dollar-denominated securities or whether it is willing to buy more," said one analyst. "Spreads between Japanese and U.S. securities are sharp, not because U.S. rates are down and Japan's are up. Both rates are up, but Japan's is rising faster."

Lloyds Bank economist Robert H. Chandross said the recent rate upticks are not sustainable because the economy is not strong.

Not all rate watchers forecast easing by the Fed, however. Charles Lieberman, director of

See **GREENSPAN** page 6

Economists Foresee Lower Federal Funds Rate

Current Rate: 8.25%

	1 Month	6 Months	1 Year
Darwin Beck First Boston Corp.	8.0%	7.5-7.75%	7.5-7.75%
Ray Stone Stone & McCarthy	8.25%	7.5%	7.0%
Michael R. Englund MMS International	8.25%	7.75%	7.5%
Kathleen B. Cooper Security Pacific National Bank	8.0%	7.25%	7.5%
Robert H. Chandross Lloyds Bank	8.0%	7.5-7.75%	7.75%

Source: American Banker

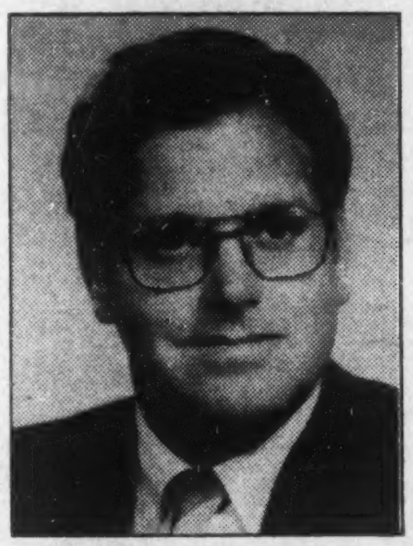
PEOPLE *in the news*

In Reshuffling, Meridian Hires Sparks of Midlantic

By ELLEN MEMMELAAR

Meridian Bancorp., a Reading, Pa., holding company that grew 25% last year despite the failure of its bid to acquire Philadelphia-based First Pennsylvania Corp., has reached into New Jersey to recruit a new vice chairman.

David E. Sparks, who had been an executive vice president of Midlantic Corp., Edison, N.J., was named vice chairman and chief financial officer as part of a reshuffling of top-management responsibilities at the $11.9 billion-asset Meridian. Mr. Sparks will be in charge of the financial, corporate development, investor relations, and funds management departments.



David E. Sparks

Mr. Sparks, 45, took the chief financial officer title from Terry L. Troupe, another vice chairman, who was put in charge of several nonbank operations including Meridian Asset Management Inc., Delaware Trust Capital Management Inc., American Title Insurance Co., Meridian Mortgage Corp., Meridian Securities Inc., and Meridian Automation and Technology Corp.

Ezekiel S. Ketchum, president and chief operating officer, oversees the holding company's banking units, including Meridian Bank, Delaware Trust Co., and First National Bank of Pike County.

Samuel A. McCullough, chairman and chief executive officer, described the alignment as a "two-major-business-unit structure" in which the banking and nonbanking units will take responsibility for support functions formerly performed by the holding company.

Background in Investor Relations, Marketing

Mr. McCullough said that Mr. Sparks' experience in management, marketing, and investor relations at Midlantic made him attractive to Meridian, which is seeking to improve its image among Wall Street analysts and investors.

Mr. Sparks, who describes himself as aggressive, said he sees "great opportunity for the expansion of existing businesses" and creation of new businesses, but he declined to be more specific.

As chief financial officer, he said he also hopes to have a hand in improving profitability. The holding company increased earnings 6% last year to $91.4 million – its 32d consecutive annual rise – but return on average assets fell to 0.89% from 0.99% in 1988.

At Midlantic since 1984, Mr. Sparks recently had to cope with the company's exposure to a declining real estate market in New Jersey. "Maybe he got tired of answering the real estate question," said James Hanbury, an analyst at Wertheim Schroder in New York. "It's a sideways move for him."

David Penn, a bank analyst at Legg Mason Wood Walker in Baltimore, was more positive: "The restructuring sounds good. Sparks seems to have a pretty good handle on what he is talking about."

Colin Crook, Computer Exec, Hired By Citicorp to Be 'Technology Czar'

By RICHARD LAYNE

Just as it did in filling the position the first time, Citicorp has gone outside the banking industry to hire a "technology czar." The new technologist, Colin Crook, will advise on computing and communications strategies for the most global and automated of banking companies.

Mr. Crook, formerly senior vice president of Data General Corp., a computer manufacturer, will succeed Paul Glaser as chairman of the Citicorp Technology Office. The office has a staff of 40 that reports directly to Citicorp chairman John S. Reed.

"He [Mr. Reed] wanted a perspective on the bank, based on my wide background in technology and other businesses around the world," said Mr. Crook.

Mr. Glaser, an aerospace engineer who joined Citicorp in 1973 from TRW Inc., has been appointed president of Quotron Inc., a money-losing Citicorp unit that sells equity pricing information.

Communications Experience at Data General

Mr. Crook managed the communication systems group at Data General, which developed and marketed advanced technology products. Citibank's technology office is concerned with the practical application of technology, not with banking products and services.

Industry observers said that Mr. Crook, also an electrical engineer, should fit into Citibank's efforts to explore advanced technologies for banking.

Citicorp, with offices in 90 countries, is expanding its global communications capabilities and has initiatives in technology intensive businesses such as retail point-of-sale services.

A native of Britain, Mr. Crook began his career with the British Broadcasting company and also worked for British Telecom. He also worked for Motorola in the United States. □

Bankers Trust Net Declines 45%

Provisions Quadrupled for Third World Loan Losses

By GORDON MATTHEWS

NEW YORK — Following the trend of other money-center banks, Bankers Trust New York Corp. on Tuesday reported that its fourth-quarter profits declined 45%. The decline was due to a quadrupling of its provisions for losses on loans to Third World countries and a decline in interest payments from Brazil.

Bankers Trust said it earned $101.2 million in the fourth quarter, or $1.17 a share, compared with $185.5 million, or $2.29, a year ago. The earnings were in line with analysts' expectations.

The provision for credit losses in the fourth quarter was $147 million, up from $30 million in the year-earlier period. With the latest loan-loss provision increases, Bankers Trust has made allowances for 70% of its Third World loans. It is now among the most heavily reserved money-center banks for foreign loans.

Fully taxable net-interest revenue in the quarter totaled $235.2 million, a decline of $88.6 million from a year ago. The decline was mostly due to the fact that minimal interest payments were received from Brazilian borrowers in the quarter, while $95 million of interest due in the fourth quarter a year ago was recognized.

BANKERS TRUST N.Y. CORP.
New York
Dollar amounts in millions (except per share)

FOURTH QUARTER	**4Q '89**	**4Q '88**
Net income	$101.2	$185.5
Per share	1.17	2.29
Net interest income (tax. equiv.)	235.2	323.8
Spread	0.56%	1.56%
ROA	0.64%	1.28%
ROE	17.52%	22.70%
Noninterest income	431.6	420.5
Noninterest expense	405.4	438.4
Loss provision	147.0	30.0
Net chargeoffs	321.7	29.0

FULL YEAR	**1989**	**1988**
Net income	($979.9)	$647.7
Per share	(12.10)	8.09
Net interest income (tax. equiv.)	948.4	1,020.6
Spread	0.67%	1.15%
ROA	NA	1.12%
ROE	NA	21.44%
Noninterest income	1,953.3	1,660.1
Noninterest expense	1,757.5	1,622.1

BALANCE SHEET	**12/31/89**	**12/31/88**
Assets	$55,658.4	$57,942.3
Deposits	26,220.1	32,490.6
Loans	21,153.5	24,115.1
Shareholder equity	81.9	81.1
Loss reserve	2,732.0	1,313.9
Reserve/loans ratio	12.92%	5.45%
Nonperf. loans	1,397.0	1,291.0
Nonperf. loans/loans	6.6	5.4
Primary capital ratio	9.48%	8.58%

As expected, Bankers Trust reported a net loss of $979.9 million, or $12.10 per share, for 1989 because of the $1.6 billion special provision for Third World loan losses in the third quarter. That compares with record net income of $647.7 million, or $8.09 per share, in 1988.

The bank noted that 1989 earnings would have fallen below the 1988 high mark even without the third quarter provisions. Excluding the big provision, net income for the year would have been 4% lower, totaling $620.1 million.

Noninterest income at Bankers Trust rose 3% in the fourth quarter against the period a year ago, totaling $431.6 million. This was largely due to higher revenues from trading activities and an increase in trust and custodian revenues.

Net Chargeoffs Rise

Total net chargeoffs for the quarter were $321.7 million, compared with $29 million last year. Net chargeoffs of developing country loans for the quarter were $172 million.

The chargeoffs included $114.3 million of nonperforming medium- and long-term loans to Brazilian borrowers and $41 million of similar loans made to Argentine borrowers.

During the fourth quarter, Bankers Trust said it continued accruing interest on most of its medium- and long-term loans to Mexican borrowers at a level that reflected the bank's decision to exchange 75% of that debt for interest reduction bonds and the remaining 25% for principal reduction bonds. □

Corrections

A Jan. 22 article ("Community Reinvestment Vexing to Wholesale Banks," page 6) misstated Morgan Guaranty Trust Co.'s investment in Community Capital Bank. Morgan invested $150,000 in the community development bank's stock.

■

An article in the Jan. 22 edition ("First Fidelity Watched for Move on Integrated," page 22) carried outdated information about the intended sale of Integrated Resources Inc.'s core businesses. Those businesses were sold to Broad Inc. on Jan. 18, the buyer said. □

Top Bank Dealers of Commercial Paper

	Overall Rank*	Programs 1989	Programs 1988	Outstandings ($ in billions) 1989	Outstandings ($ in billions) 1988
Bankers Trust	5	150	130	$16.0	$11.0
Citibank	6	114	94	13.0	8.0
Bank of America	8	88	53	6.1	3.8
J.P. Morgan Securities	9	83	67	10.5	7.0
Chemical	10	35	31	3.5	2.0
First National Bank of Chicago	11	33	12	3.5	NA

Domestic programs only. Banks' own commercial paper is excluded.
*Including brokerage companies

Source: American Banker

CORRECTED TABLE: A table on commercial paper appeared Tuesday on page 1 with several errors. The First National Bank of Chicago was incorrectly identified, and the 1989 figure for J.P. Morgan Securities was wrong. A correct version appears above.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
H.F. Ahmanson 6,16
Alliance Capital Management 7
American Continental Corp. 1
Andersen Consulting 9
AT&T 9
Banco Santander 13
BankAmerica 3,8,9
Bankers Trust 2,8,9,13
Bank Hapoalim 13
Bank Marketing Association 9
Bank of New York 4,16
Belzberg 13
Benedetto Gartland 7
Broad 2

C
CalFed 16
Cedalion Systems 3
Centrust Bank 1,16
Chase Manhhattan 8
Chemical 8
CIT Group Holdings 6,14
Citicorp 2,4,5,7,9,13
Citizens and Southern 9
Citizens Bank 16
Clayton & Dubilier 7
Community Capital Bank 2
Constellation Bancorp. 16
Continental Bank 5

D - F
Dai-Ichi Kangyo Bank 14
Daiwa Bank 13
Data General 2
David Ross Palmer 8
Dollar Dry Dock 3
Drexel Burnham Lambert 1
Entel 13
Exchange NB of Chicago 11
FDIC 1
Fidelity Investments 8,9
First Boston 1
First Chicago 7,9
First Fidelity 2
First Pennsylvania 2
Fleet/Norstar Financial Group 8

G - J
General Electric Capital 6
Golden West Financial 6,16
Great Western Financial 6,16
Heritage Federal 9
Histadrut 13
Hoare Govett 13
Huntington Bancshares 9
IBCA 1
IBM 9
Independence Savings Bank 5
Index Group 9
Industrial Bank of Japan 13
Integrated Resources 2
International Business Machines 3
Invest Financial 8

K - M
Keefe, Bruyette & Woods 16
Kemper Financial 8
Koor Industries 13
Lloyds Bank 1,13
Manufacturers Hanover 1,7,14
Marine Midland 8
Maryland National Mortgage 8
Massachusetts Fiduciary Advisors 7
MCS Associates 1
Meridian 2
Merrill Lynch 9,13
Metrobank 5
Midlantic 2
Mitsubishi Bank 13
MNC Financial 9
J.P. Morgan 4,12

N - R
National Australia Bank 13
National Westminster 3,9
NCNB 4
Nomura Securities 13
Northeast Bancorp. 16
Northeast Savings 8
NSS 3
Paine Webber 16
Resolution Funding Corp. 16
Resolution Trust Corp. 1
Riggs National Bank 3
Royal Bank of Scotland 13

S
Salomon Brothers 4,9,13
Security Pacific National 8
Shamrock Investment 13
Shearson Lehman Hutton 13
Silverado Banking 1
Software Services of America 3
Standard & Poor's 7
Standard Chartered 13
State Street Boston 7
Stone & McCarthy 1
Stratus Computer 9
Summit Bancorp. 6
Swift 3

T - Z
Uniao de Bancos 3
U.S. Bancorp 6
Westdeutsche Landesbank 13
Westpac 13
Wilshire Associates 7
Wires 1
World Savings 6
Yankee Group 9
Yasuda Bank and Trust 13
Yorkshire Bank 13

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4

COMMENT/

By John J. Mingo

The Tantalizing Prospect Of a Thrift Acquisition

There has been a virtual explosion in bank/thrift deals since Aug. 9, when the Financial Institutions Reform, Recovery, and Enforcement Act was signed into law. About 60 bank acquisitions of thrifts have been announced under that thrift-bailout legislation.

Many bankers will want to consider the following questions before proceeding with such an acquisition: Why should I consider acquiring a thrift? What should I look for and what should I avoid in examining a thrift for acquisition? What would I do with a thrift?

Why should I consider acquiring a thrift?

There are two reasons for seriously pursuing a thrift. The first is a strategic move. For example, the thrift may be the only institution available for acquisition with significant market share in an attractive new geographic market.

Also, a thrift acquisition may be the only way to enter a desirable market, because of state or interstate branching restrictions.

The second reason is price. By any standard measure, thrifts are simply less expensive than banks. Since the October 1987 stock market crash, bank transactions involving target institutions with more than $500 million in assets had the following median multiples: 1.8 times price/book, 15 times price/earnings, and 6.0% premium/deposits.

During the same period, sound stock thrifts in excess of $200 million in assets sold for the following median multiples: 1.2 times price/book; 12.5 times price/earnings; 2.0% premium/deposits. Thus the typical thrift deal has been approximately a third less expensive than a typical bank deal measured in price/book ratios and price/earnings ratios, and less than half as expensive measured in terms of premium-to-deposit ratios.

What should I look for and what should I avoid in examining a particular thrift before acquisition?

Thrifts are quite different animals than banks, but the differences are often more apparent than real. Here is a checklist of the operating, risk, tax, and regulatory differences that will influence any final decision to acquire a specific thrift.

1. Credit quality. The buyer will need to take more care with the due-diligence process than is typical in a commercial bank acquisition. In particular, the buyer must look closely at the thrift's commercial real estate loan portfolio and commercial real property (for example, other real estate owned and development properties).

Measuring Interest Rate Risk

2. Interest rate risk. The majority of thrifts still suffer from negative GAP. However, interest rate risk can be measured fairly accurately and, more importantly, it can be "priced."

That is, the buyer can measure the impact on the future earnings stream of eliminating any portion or all of the rate risk. Also, many banking institutions are positively GAPed and thus can use a thrift acquisition to reduce consolidated rate risk.

3. Funds volatility. There are two concerns with respect to funds volatility. First, there may be some initial runoff of thrift deposits after an acquisition, especially if the target thrift has been paying higher deposit rates than the other thrifts and banks in town.

> **'By any standard measure, thrifts are simply less expensive than banks.'**

Second, thrift customers have been more rate sensitive than other deposit customers. Even after the initial runoff of deposits, the buyer will need to pay greater attention to how deposit pricing affects deposit levels.

Impact of Exit Fees

4. Issues relating to insurance premiums and entry/exit fees to the insurance funds. This is a complex area, but the buyer should keep some simple rules of thumb in mind.

First, the agencies recently have set combined "entry/exit" fees at 170 basis points in those cases (such as branch purchases) where deposits insured by the Savings Association Insurance Fund are to be converted to the Banking Insurance Fund.

In whole-thrift transactions, these fees are so onerous that virtually no buyers are seriously considering paying them. Thus it is simply a question of how to structure the transaction to avoid paying the entry/exit fees.

Remember that under the thrift-bailout law, the buyer has significant flexibility in structuring a transaction to have the acquired entity insured by either fund and can, therefore, avoid the entry/exit fees.

Tax Recapture Costs

5. Bad debt reserve tax recapture. Thrifts have enjoyed special tax treatment, allowing them to deduct up to 40% of pretax income for additions to bad debt reserves, regardless of actual loss experience.

If the acquired thrift is converted to a bank charter, or merged into a bank, or even if the thrift is left alone as a separate thrift, but certain portfolio restrictions are violated, the previously deferred taxes on the excess loan-loss provisions will become due and payable.

Most buyers are anticipating that this tax will come due, and they are factoring into the purchase price an average of 50 basis points on assets as cost of the tax recapture. Obviously, the actual tax recapture costs will vary depending on the specific institution.

6. Federal Home Loan Bank advances. Some bank buyers may view access to the Home Loan Bank System window as positive. In such cases the thrift acquisition will need to be structured carefully so the institution will continue to meet the qualified thrift lender test embodied in the thrift-bailout law.

As a practical matter, thrifts a fraction of the size of their acquiring bank holding companies will have no difficulty meeting this test.

But failure by the operating thrift subsidiary (or thrift converted to a bank) to meet the test will result in a loss of Home Loan Bank System borrowing privileges and possible forced

See **COMMENT** *next page*

Mr. Mingo is managing director of BEI Golembe Inc., Washington.

GRAPEVINE/

By Jed Horowitz

Morgan Mines California. J.P. Morgan & Co. is meeting with California bank regulators this week to lay the groundwork for a state-chartered trust company. Morgan Guaranty Trust Co. has run a private banking business out of San Francisco and Los Angeles since the mid-1980s, but cannot legally sell property for clients as a trustee. "Most Californians own real estate," says George W. Rowe, Morgan's new head of private banking on the West Coast, in explaining the move.

The planned trust unit, J.P. Morgan California, will target individuals and family groups with about $5 million of assets, a market that Mr. Rowe concedes is fiercely competitive. "We are really after the investment management business as opposed to the trust business" he said. The well-traveled Mr. Rowe, who had been running Morgan's corporate finance unit in London, said he hopes to have the operation running by early summer.

* * *

Signs of the Times? A group of J.P. Morgan officers were chagrined recently to receive service charges for checking accounts they keep at the Bank of New York. It seems that for years Bank of New York has offered free checking, with no minimum balance requirements, to officers of Morgan and other financial institutions in an effort to build its personal banking business. Bank of New York sources say one branch mistakenly assessed the Morgan officers a $6 maintenance fee, but admit the bank is considering revising the free privileges.

Bank of New York veterans can sympathize with their Morgan pals. For years, Bank of New York officers and their colleagues at the U.S. Trust Co. enjoyed reciprocal "instant loan" agreements. "We'd apply in the morning, and get it approved by afternoon," a source said, noting that bankers prefer to keep details of their personal finances distant from coworkers. The arrangement ended a few years ago. "We used to have a few hundred officers, and now it's probably thousands," said the official, sighing for a lost era.

* * *

Sweating Out the Movies. Former traders from Salomon Brothers' once mighty mortgage desk are quaking over how they'll be depicted in the screen version of *Liar's Poker*. The book's publisher confirms that the best-selling chronicle of greed and grubbery at the Wall Street trading giant has been sold to producers at Warner Brothers.

The mortgage traders are portrayed by author Michael Lewis as a "brotherhood of hoods," who in their heyday mercilessly exploited thrift executives. Their boss, Lewis Ranieri, "created a trading desk in his own image: Italian, self-educated, loud, and fat," Mr. Lewis writes.

The traders, many of whom have left Salomon, can't bear the thought of the movie. Danny DeVito will play "Lewie," one speculates with shivers. John Candy will run the desk, another says.

* * *

Still Big in Texas. And now for the flip side of those sweet deals regulators cut with early acquirers of Texas banks. NCNB Corp. says its fourth-quarter and yearly expenses rose a whopping 107% in 1989, partly because of "unusually exorbitant" fees paid to real estate agents and other professionals to sell assets inherited with the acquisition of First RepublicBank Corp. of Texas, now NCNB Texas.

"We paid $700,000 to one guy to move property by the end of the year," chief financial officer James Hance told analysts last week.

Personal Resume. Despite his high-profile position, not much is known about Citicorp's new president, "Rick" Braddock. The bank company will only provide a thumbnail sketch: born in Oklahoma City on Nov. 30, 1941; graduated from Dartmouth in 1963 with degree in history, cum laude and Phi Beta Kappa; MBA from Harvard Business School, class of 1965.

Pressed about his family background, a bank spokeswoman says only that Mr. Braddock's father was "an executive."

For the record, a few additions gleaned from friends and colleagues: Mr. Braddock was reared in Greenwich, Conn. His dad, Robert, was president and a director of General Reinsurance Corp. Rick and his second wife, Susan, live on Manhattan's Upper East Side with their six-year-old daughter, Tina. They have five other children between them from previous marriages. Mr. Braddock's oldest daughter recently graduated from Dartmouth.

He's a competitor: squash several times a week, jogging, tennis, and some skiing with the family. He sweated on Dartmouth's intramural basketball teams. He has a vacation home in St. John's Island, Florida, and complains that he doesn't spend enough time there.

Phil Roosevelt contributed to this column.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Gerald L. Taylor
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2222

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

800

G0175-1

AMERICAN B

VOL. CLV NO. 24 · Monday, February 5, 1990 · 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Budget Warning: Insured Deposits Pose Big Threat

By ROBERT M. GARSSON

WASHINGTON — Buried deep in the 1,569 pages of President Bush's 1991 budget are a few simple paragraphs that have heated up the debate over reform of the deposit insurance system.

The document does not make specific policy recommendations. But it warns that bank deposits have become a $3 trillion contingent liability of the federal government, and it raises the question of how the nation's taxpayers can be protected from the threat that "tens of billions of dollars" in bills will soon come due.

ANALYSIS
Follow-up on the news

Flaws in the deposit insurance system were blamed by many for the thrift crisis. James Barth, former chief economist for the Federal Home Loan Bank Board, said the system sapped market discipline, especially because some large institutions "have been deemed too big to fail."

Yet the rescue law enacted in August, which created a new thrift fund housed within Treasury, hardly touched upon the major deposit insurance issues. Instead, it directed Treasury to conduct a study and report back in February.

Choosing Sides

Now, deposit insurance is moving to the front burner. The New York Clearing House Association recently called for the abolition of the doctrine that the nation's largest banks are "too big too fail." And with the unveiling last week of President Bush's budget, the terms of the debate have been recast with the taxpayer on one side and the banking and thrift industries on the other.

Until now, discussion of deposit insurance has been part of the financial services industry's turf wars. To the securities and insurance industries, deposit insurance gives banks an unfair competitive edge, and the federal backing is cited as a reason for limiting bank powers.

Small banks argue that the foreign branch deposits should be assessed, a position the money-center institutions have thus far been able to defend against.

Savings and loans are looking for parity in the premiums paid by banks and thrifts. Bankers are virtually unanimous in arguing – with considerable emotion – that their insurance fund should not be merged with the new agency created to back thrift deposits.

See **BURIED** *page* **14**

INSIDE NEWS

FINANCE

INTEREST MARGIN pressure is leading many banks to devise new funding strategies. Some are developing marketing initiatives for profitable consumer deposit accounts and looking outside the capital markets for funds. *Page 16*

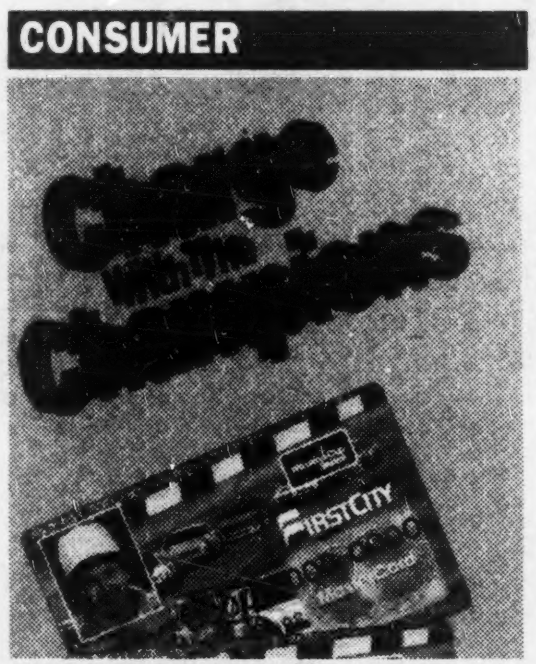
INTERNATIONAL

SOUTH AFRICA'S political liberalization will have no impact on their lending policies, U.S. and foreign banks said Friday. Restoring normal financial ties depends on the governments in Washington, London, Bonn, and Paris, bankers said. *Page 2*

TECHNOLOGY

MELLON BANK plans to shave half a million dollars from its travel budget with a new videoconferencing system linking its Pittsburgh and Philadelphia offices. The technology sends electronic video images over telephone lines. *Page 3*

CONSUMER



STOCK CAR AFFINITY is the target of the latest credit card tie-in – First City Bancorporation of Texas' pitch to racing fans via eight cards linked to the National Association for Stock Car Auto Racing. The cards will be introduced Feb. 18, the day of the Daytona 500 race. *Page 8*

WASHINGTON MONDAY

ROBERT BENNETT, special counsel to a panel probing five U.S. senators accused of improperly interfering with regulators on behalf of Charles H. Keating Jr.'s failing savings and loan, is called a "nonpolitical" man. And that may explain his getting the politically sensitive post. *Page 9*

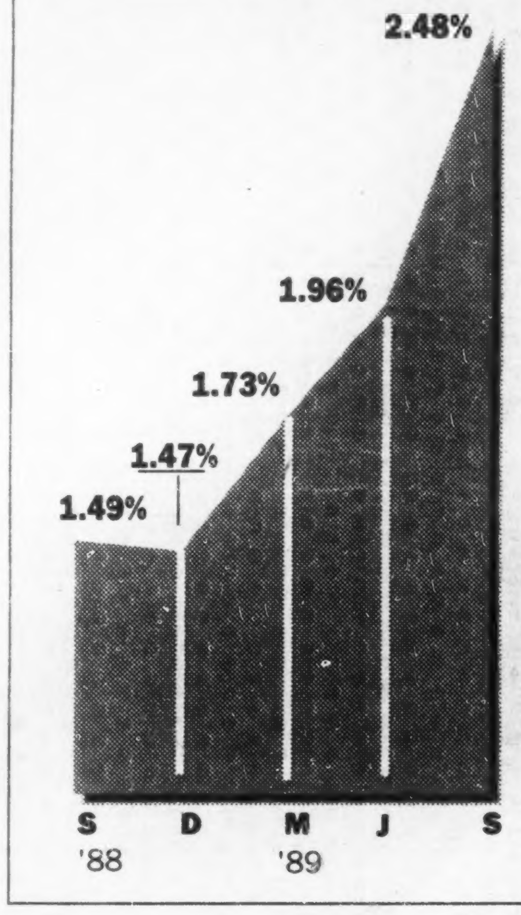
INDEX

Sound Off 4
Classified Advertising 12
Deals 14
Bank and Thrift Stocks 15

New England Examiners Crack Whip, Experts Say

Mounting Loan Troubles....

Percent of nonperforming assets at top banks in region



....Spur Controversy Over Examinations

JOHN J. LYONS *Principal at Lyons, Zomback & Ostrowski*

' I'm very worried that [the regulators] are overdoing it'

PAUL WIECHMAN *Regional director of the Federal Deposit Insurance Corp.*

'We still maintain a fair but firm supervisory posture. We are not changing examination techniques'

By BILL ATKINSON

In the wake of mounting real estate problems, federal examiners are cracking down hard on New England institutions, according to bankers and consultants.

Regulators are harshly scrutinizing loan portfolios, in some cases forcing performing credits to be classified as troubled. Some consultants asserted that examiners are even requiring some new real estate loans to be listed as substandard.

Observers suggested that the regulators are overreacting because of criticism that they moved too slowly when the Texas economy collapsed. They said the hard-line approach could make matters worse by shutting off credit to worthy borrowers and delaying a rebound in the region.

"I'm very, very worried that they are overdoing it," said John J. Lyons, managing principal at Lyons, Zomback & Ostrowski, referring to the regulators. His New York bank and thrift con-

See **NEW** *page* **13**

U.S. Seizes Centrust, Sells Texas S&L To Banc One

By STEVE KLINKERMAN
and JIM McTAGUE

Federal regulators seized one troubled thrift on Friday and placed another in safer hands.

The seizure was of the $8.2 billion Miami-based Centrust Bank, the largest thrift in the Southeast. It had been expected.

In Texas, the Resolution Trust Corp. sold Bright Banc Savings of Dallas to Banc One Corp. Banc One will receive $1.9 billion in relatively healthy assets, while the government will continue to control Bright Banc's remaining $1.9 billion in assets. Terms of the deal had not been made public by late Friday afternoon.

The acquisition would give Columbus-based Banc One a $13 billion presence in Texas, where it is the fourth-largest bank company.

About a third of Banc One's $41.4 billion of total assets will be in Texas, hinging a large portion of its financial future on success in the state.

"Success in Texas is vital to the future of the company," said Frank Anderson, a senior analyst with Stephens Inc., a brokerage house in Little Rock, Ark.

The acquisition of Bright Banc adds 50 offices to Banc One's 63-branch Texas network. The bank company has previ-

See **REGULATORS** *back page*

Iowa Governor To Decide Fate Of Interstate Bill

By NANINE ALEXANDER

NEW YORK — One of the last holdouts to the nationwide interstate banking movement is expected to join the fold this week, after the Iowa Legislature voted to open the state's borders to banks from contiguous states on Jan. 1, 1991.

The reciprocal measure allows Iowa banking companies to reach into bordering Illinois, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin for acquisitions. But it is too early to tell whether Iowa banks will become prey or predators.

If Gov. Terry Branstad signs the bill – as is widely expected – only Hawaii, Kansas, Montana, and North Dakota would still lack laws permitting some kind of interstate activity for banks. Interstate laws are already in effect in 33 states and the District

See **IOWA** *page* **6**

Wolf Likely Replacement for Wall

By BARBARA A. REHM

WASHINGTON — Bush administration officials said Friday that they expect Frederick D. Wolf, the former No. 2 official at the General Accounting Office, will be nominated to succeed M. Danny Wall as the nation's top thrift regulator.

The two other leading contenders have dropped out of the running, leaving Mr. Wolf as the clear-cut choice of the Treasury Department, according to the officials, who asked not to be named.

Mr. Wolf, a 49-year-old partner at Price Waterhouse & Co., wants the job, according to coworkers.

"His governmental juices are still flowing," said one of Mr. Wolf's colleagues. "This job requires a set of skills that very few people possess, so to get the call is a high compliment."

The Treasury Department's official response is that a final decision has not been made on who will replace Mr. Wall as director of the Office of Thrift Su-

Frederick D. Wolf

pervision. "We're still considering several candidates," said Treasury spokeswoman Cheryl Crispin. The administration has been scrambling to replace Mr. Wall since he announced he would resign on Dec. 4.

Mr. Wolf was out of town Friday and could not be reached for comment.

The other top contenders – former Federal Reserve Board Governor Philip C. Jackson and

See **WOLF** *page* **13**

PEOPLE *in the news*

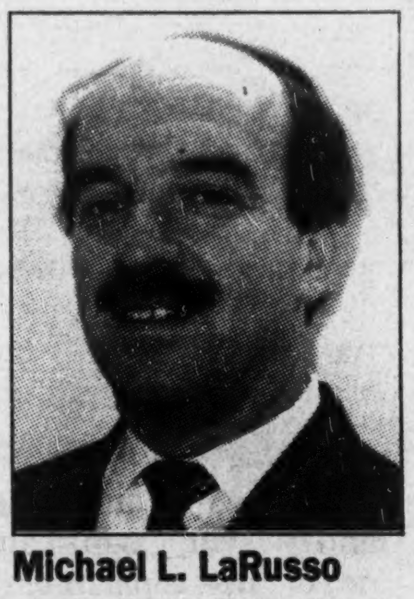
Analysts Laud First Fidelity For Hiring Bank Regulator

By NANINE ALEXANDER

Anthony P. Terracciano won some analysts' praise last week for including Michael L. LaRusso – a bank regulator – among three key appointments at First Fidelity Bancorp., Newark, N.J.

"Bringing in an examiner shows a real sensitivity to the marketplace," said James J. McDermott Jr., an analyst at Keefe, Bruyette & Woods Inc., New York. It sends a "strong signal that [Mr. Terracciano] will move quickly to clear up credit-quality problems by seizing control of credit and operating systems," he added.

Mr. LaRusso, who is 44, has spent 22 years in the Office of the Comptroller of the Currency. In his most recent post, senior national bank examiner in the multinational and regional banking division, he supervised the nation's 11 largest nationally chartered banks.


Michael L. LaRusso

With a veteran bank examiner in a high position, Fidelity will improve its credibility with both examiners and investors, observers said.

"Mike is an expert in credit analysis," said Robert Herrmann, senior deputy in Comptroller's office. That expertise will prove beneficial at First Fidelity, a $30.7 billion-asset superregional holding company that has suffered recently from bad real estate loans.

Moving quickly to put his stamp on First Fidelity, Mr. Terracciano announced Mr. LaRusso's appointment Thursday, his first day as chairman, chief executive officer, and president. Mr. LaRusso will join First Fidelity on Feb. 16 as senior vice president and director of audit and policy development. Mr. Terracciano also named a vice chairman, Peter C. Palmieri, and another senior vice president, Donald C. Parcells.

Mr. Terracciano said that he is focusing on asset quality, productivity, staffing, and business mix and that Mr. LaRusso will be a big help in those areas.

Among the challenges will be determining just where First Fidelity is in its credit curve.

According to one analyst, "One of the first questions he'll have to ask is whether First Fidelity's problems are due to a weak real estate market or weak underwriting practices."

Mr. LaRusso, who was not available for interviews at the end of last week, has served as resident examiner-in-charge at the Bank of America, Chase Manhattan Bank, and Marine Midland Bank. ☐

NEWS *briefs*

Stockholders Approve Merger of C&S, Sovran

NEW YORK — Shareholders of Sovran Financial Corp., Norfolk, Va., and Citizens and Southern Corp., Atlanta, voted in separate meetings to approve the proposed merger under the name Avantor Financial Corp.

According to a pro forma financial statement, Avantor would have 1,000 offices in eight states from Florida to Maryland and $48.7 billion in assets, making it the 14th-largest banking company in the nation.

The companies plan to complete the merger in the second quarter.

Bill Would Prevent Sale Of Affiliates' Securities

WASHINGTON — Sen. Richard Bryan, D-Nev., and other members of the Senate Banking Committee introduced a bill to prohibit any federally insured deposit institution from selling on its premises the securities of an affiliated company.

"We have heard of too many cases where individuals intended to buy insured certificates of deposit but were steered instead to buy high-yield or so-called junk bonds," Mr. Bryan said. "This is a blatant abuse of depositor trust."

Fed Governor Angell Says Inflation Rate Must Drop

DAVOS, Switzerland — Federal Reserve Board Governor Wayne Angell said the U.S. inflation rate of about 4.5% was unacceptable.

Addressing the World Economic Forum, Mr. Angell said the decline in the inflation rate from double digits in the early 1980s had been one necessary step for the U.S. economy.

"The task in the 1990s is to move from 4.5% to a rate that indeed approaches price stability," he said. — **Reuters**

Downgrade Still Possible For Crossland, Says S&P

NEW YORK — Standard & Poor's Corp. said it continues to review for downgrade certain debt of Crossland Savings despite the thrift's recently proposed recapitalization.

Under review is the B-rated subordinated debt and BB-minus/B certificates of deposit. The company's C rating for preferred stock was affirmed and taken off the CreditWatch list Jan. 8.

S&P said that if the recapitalization is completed and regulatory capital requirements are met, Crossland's CD rating could be affirmed.

— **Reuters**

Brady Sees New Credits To 3d World

By ROBERT M. GARSSON

WASHINGTON — Treasury Secretary Nicholas F. Brady stoutly defended the Third World debt initiative that bears his name, telling a congressional panel Friday that he believes banks will soon renew lending to less developed countries.

Mr. Brady conceded he is disappointed banks participating in the Mexican debt agreement generally preferred to accept partial debt forgiveness rather than lend new money.

But he said signs are visible that banks will choose new money in upcoming accords. An agreement with the Philippines, he said, is an example in which banks already have agreed to make $600 million in new loans.

'A Growth Situation'

"I can't imagine banks won't want to be part of a growth situation," Mr. Brady said. "But if countries can't promote growth, the banks won't want to be in."

He also defended his initiative against criticism that the Mexican accord, the first major Brady Plan agreement, would have only a slight impact on debt service. Mexico has bought zero-coupon Treasury bonds that will cover principal payments on $40 billion of debt, he said.

"Because of the defeasance with zero-coupon bonds, the obligation to repay over $40 billion in debt is removed entirely from this generation of Mexican people," he said.

Mr. Brady said he believes that Venezuela and Brazil "are the two big items in 1990" under his debt plan.

Inflation Moves Downplayed

In an appearance before the Joint Economic Committee, Mr. Brady downplayed the need for new inflation-fighting moves, a view apparently at odds with

See **BRADY** *page* **13**

No Policy Shifts Seen On South Africa Loans

By JOHN EVANS
and JAMES R. KRAUS

U.S. and foreign banks do not expect the political liberalization now taking place in South Africa to have any immediate impact on their lending policies to that country.

The Pretoria government announced Friday plans to free long-time political prisoner Nelson Mandela and lift a 30-year ban on the African National Congress, the blacks' main vehicle for obtaining equal rights.

Some banks reached after the announcement said, however, that there would be no change in policy until free elections were held in South Africa.

A Political Problem

Others said restoring financial relations with South Africa depended mainly on government initiatives in Washington, London, Bonn, and Paris.

U.S. banks are not now permitted to lend to South Africa and have a relatively small amount of loans outstanding, about $2.4 billion in September, down from about $5 billion at the end of 1984. South Africa owes foreign creditors some $23.5 billion.

Loans Not Disclosed

U.S. banks have not disclosed their outstanding loans to South Africa because the amounts fall below what they are required to report under U.S. disclosure regulations.

Among U.S. banks, Citicorp is estimated to be the biggest lender to South Africa with $666 million in outstanding loans, followed by Chase Manhattan with $340 million.

In Europe, banks on Friday welcomed the South African move but said any change in bank policy would be slow.

Some Lending Continues

One European banker noted that banks have continued to lend indirectly to South Africa by lending to customers with investments in the country.

"Most banks have quietly supported their key customers, including granting credits and trade finance for South African business," he said.

A Barclays spokesman, speaking on condition he was not identified, remarked: "I can't see banks considering going back in unless . . . the laws are fully rescinded and public opinion made it acceptable for us to do so."

Forecasts Not Given

The major Swiss banks, which have historically close links with South Africa, including selling the nation's important gold production through the Zurich bullion market, were also reluctant to forecast an imminent normalization of banking and financial relationships with Pretoria.

A spokesman for Union Bank of Switzerland in Zurich said the bank welcomed the liberalization but added that "economic sanctions were the wrong way to address the problem." ☐

Corrections

A page 2 article on Feb. 2 carried an incorrect headline. It should have stated that the American Bankers Association is seeking a tighter money policy, citing concerns about inflation.

■

A Feb. 2 article ("Risky Loans at 2 Banks Soar Under New Rule," page 1) misstated the size of Bankers Trust New York Corp.'s unused commitments to highly leveraged transactions. It had $1.8 billion committed to such deals at the end of 1989, including $400 million added because of the new definition. The article correctly stated the amount of the bank's outstanding highly leveraged loans at $3.9 billion. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Advest 6
American Bankers Assn. 2,8
Amoskeag Bank Shares 7
AmSouth Bank 3
Arnold & Porter 1
Arthur Andersen 1
Assn. of Community Organizations
  for Reform Now 8

B
Banc One 1
Bank Marketing Assn. 16
BankAmerica 2
Bank of Boston 3,6,7
Bank of New England 1
Bank of New York 8
Bank of Newport 1
Bankers Trust 2
Barclays 2
Bell Atlantic 3
Beneficial 7
Brenton Banks 1
Bright Banc 1

C
Center for Community Change 8,9
Chase Manhattan 2,10,14
Chemical Bank 10,14
Citicorp 2,10,14
Citizens and Southern 2
Community Resource Projects 9
Consumer Bankers Assn. 8
Consumer Federation of America 8
Continental 1
Coverdell & Co. 8
Crossland Savings 2

D - E
Deutsche Bank 2
Dollar Dry Dock 8
Dresdner Bank 10
Dunnells, Duvall, Bennett & Porter 9

F
First Boston 16
First City Bancorp. of Texas 8
First Fidelity Bancorp. 2
First Interstate of Iowa 1
First Union 16
Fleet/Norstar Financial 1
Florida National Banks of Florida 16
Ford Motor 9
Furash & Co. 1

G - I
Gaston & Snow 1
Georgia Gulf 14
Girozentrale 10
Guaranty Bank for Savings 1
Hawkeye Bank 1
Independent Bankers Association. 1
Institute for Strategy Development 1
International Business Machines 3

J - K
J.P. Morgan 7
Jones, Day, Reavis & Pogue 1
Kansas City Neighborhood Alliance 9
Keefe, Bruyette & Woods 2,16
Koor Industries 10

L - M
Lloyds Bank 10
Luxembourg Bankers Assn. 10
Lyons, Zomback & Ostrowski 1
Marine Midland 2,10
Massachusetts Bankers Assn. 1
MCI Communications 3
MCorp 1
Mellon Bank 3
Morgan Guaranty 10
Morrison & Foerster 8

N - O
Nancy Harvey Steorts & Assn. 9
National Consumer Law Center 9
National Economic Development
  and Law Center 9
National Neighborhood Coalition 8
New York Clearing House Assn. 1
NL Industries 14

P - T
Peat Marwick Main & Co. 1
PictureTel 3
Piper Jaffray & Hopwood 1
Price Waterhouse 1
Public Securities Association 7
Resolution Trust Corp. 1
Riggs National Bank 7
RJR Nabisco 8
Secura Group 1
Shawmut National Corp. 1
Society 7
Sovran Financial 2
Standard & Poor's 2
Standard Chartered 2
Stephens Inc. 1
Time Warner 8

U - Z
U.S. Bancorp 16
UAL Corp. 14
Union Bank of Switzerland 2
United Savings Association of Texas 7
Vietnam Veterans of America 8
Wells Fargo 16
Westdeutsche Landesbank 10
Western States Bankcard Assn. 8

COMMENT / *By Alex J. Pollock*

Deposit-Insurance Debate Should Consider Inflation

In 1974, on the 40th anniversary of the creation of the Federal Savings and Loan Insurance Corp., Congress raised the deposit insurance limit to $40,000. From the discussions of the last few months, it seems that commentators believe this represents the good old days and that $40,000 is a much better level of deposit insurance than the $100,000 of today.

Yet the two amounts are the same, adjusted for inflation. The most essential step in economic thinking is to adjust for depreciation of the monetary unit and operate in terms of constant dollars or purchasing power.

Our financial journals and journalism are currently replete with theoretical discussions of deposit insurance. They typically address its effect on managerial incentives, consider its moral hazard, or treat it as a put option granted by the government.

Inflation Ignored

They usually, however, treat deposit insurance limits in nominal dollar terms and seldom or never consider its history in real dollars, adjusted for inflation.

Since 1974, prices in the U.S. have increased about 2½ times. They have multiplied by a factor of five since 1950, and since 1934, when FSLIC deposit insurance was introduced at $5,000, prices have increased by a factor of 9½.

The real story is that while deposit insurance coverage has increased over the past 55 years, its increase has by no means been what the nominal figures suggest.

Expansion Limited

This provides some important lessons in perspective. Adjusted for inflation, from 1974 to 1989, deposit insurance coverage did not increase 2½ times but remained the same. From 1969 to 1989, the coverage did not increase five times but only 1.5 times. From 1934 to 1989, deposit insurance coverage increased not 20 times but only about twice.

What would happen if the $100,000 level remained in place but that we continued to experience an average 4% annual inflation?

With these assumptions, by 1995 deposit insurance coverage will have dropped to $79,000 1989 dollars, or about 20% less than real 1974 coverage. Suggestions have recently been made that deposit insurance coverage should be reduced to $80,000 or $90,000.

Just Do Nothing

In inflation-adjusted terms, we will achieve this by 1995 by doing nothing. If this process continued, by 1999 the real deposit insurance level would be reduced to the equivalent of 1969 coverage, and by 2008 to the equivalent coverage of 1934.

> **'How much in savings is needed to provide a reasonable retirement income?'**

Suppose you are a believer in lower deposit insurance levels. Your policy prescription is clear: hold deposit insurance at its current nominal level and let ongoing inflation reduce the real coverage month by month. This implies a smooth transition with no disruption and has the virtue of utter simplicity.

We might consider that deposit insurance should reflect not only the depreciation of the monetary unit but also the real growth of the economy.

Between 1934 and 1989, real gross national product per capita increased 4.3 times. If we consider deposit insurance relative to gross national product per capita, the ratio has dropped to half its 1934 level. Had we maintained the 1934 level of deposit insurance relative to this measure of general economic welfare, the insurance coverage would now be $205,000.

Perhaps it is correct to say that as the American population grows richer and better educated, the need for government protection of its savings grows less.

Perhaps, on the other hand, the U.S. population now needs more government protection for its savings than in 1934. More savings are needed to provide for a longer retirement with increasing life expectancy, not to mention the lack of support from relatives with the breakdown of the American family.

A Link to Retirement

How much in savings is needed to maintain a reasonable retirement income? Should deposit insurance protect the savings principal that provides this income? How much insurance would this be?

Today's $100,000 coverage protects a purchasing-power annuity of only $5,667 a year for a retired person, in 1989 dollars. Is that too much? Not enough?

However we may define an appropriate level of coverage, any analysis that does not adjust for inflation does not merit consideration. ☐

Mr. Pollock is president and chief executive officer of Community Federal Savings and Loan Association, St. Louis.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004.

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

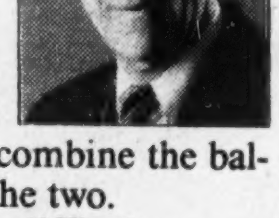
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

"SOUND OFF"

In a recent speech before the New York State Bankers Association, Robert L. Clarke, Comptroller of the Currency, predicted a change in the nature of ownership of banks in the United States. Given the growing need for capital, he said the traditional separation of commerce and banking is likely to erode, allowing industrial and nonbank financial companies to own banks. Judy Ferring, of the American Banker features department, asked industry leaders and observers:

Q *Should industrial companies be allowed to own banks?*

■ Lawrence P. Klamon
President and CEO
Fuqua Industries, Atlanta



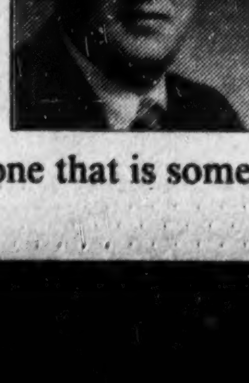
In our case [when Fuqua owned Georgia Federal Bank], we found it not to be a good idea. Combining a financial and a nonfinancial company was all right until [the Financial Accounting Standards Board] changed the accounting rules and we had to combine the balance sheets of the two.

We found it difficult to explain to investors, although there was no problem in running the company itself. [In 1980] we had $800 million in assets, including a $224 million investment in Georgia Federal. Georgia Federal had $4 billion in assets but earned only about 25% of our income.

So we ended up with an entity that looked incredibly leveraged by [financial] industry standards. It made us look like a bank, when in fact more of our income was from Fuqua's principal sources [lawn mowers, photo processing, and sporting goods]. It wasn't total assets but total equity that was important.

Companies like Ford Motor Co. or General Electric are big enough to overshadow their financial organizations, but Georgia Federal's assets were five times Fuqua's. For an industrial company to own a financial institution, if the financial company is larger, it will lower the perceived value of the industrial company.

■ Harold Stuckey
President
Lexington (Neb.) State Bank



There seems to be a whole variety of different companies that might be in the banking industry. I have more of a problem with nonfinancial companies than I do with one that is somehow related – for instance, brokerage or insurance.

All the financial services are going to get blended together eventually, but it would be chaotic to let nonbanks in right now. We're probably not ready for the whole area of nonbank banks until we deal with things like [deposit] insurance reform and walk through FIRREA a little more. There are a lot of things on the agenda before we logically come to all that.

And some of these industrial companies might want to wait a little to see what's going to happen with this CRA thing. From what we know of FIRREA's CRA requirements, it may be difficult enough for those in the financial industry to deal with it. For someone whose experience is selling shirts and socks, it may be harder.

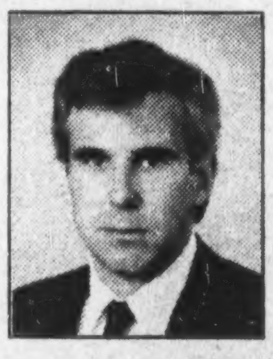
■ Robert E. Mannion
Partner, Arnold & Porter, Washington;
Former deputy general counsel,
Federal Reserve Board

While I do not think that a complete dropping of the wall would be advisable, it might be wise to allow on a selective basis, particularly when there are troubled financial institutions involved. [A total change] is unwise because industrial companies don't necessarily have the expertise or talent for running a bank.

The common argument is industrial companies will abuse banks, but there are severe restrictions on how an owner can use banks in dealing with affiliates. In addition, prior to 1970, several industrial companies did own banks. The Federal Reserve reviewed several – 3M, Goodyear, Beneficial Corp., R.R. Donnelly, Olin Corp. – and found there weren't abuses, so it seems it's possible to do it without severe repercussions.

There are some ways industrial companies might be able to use banks that would make sense: to provide a bank for their employees, for example, or to redevelop an area of the city where they're located.

■ Edward L. Yingling
Executive director,
government relations
American Bankers Association



The ABA supports the concept of banks being allowed to affiliate with firms engaged in all types of financial services, but not those in commerical or industrial activities. There is still a great deal of opposition in Congress and elsewhere to combining banks and commercial activities, based in large part on a "populist" concern about concentration of economic resources.

On the other hand, the walls between commerce and banking are already breaking down; commerical firms already own S&Ls, and S&Ls are increasingly like banks. As S&Ls become even more bank-like, or even become banks, this policy will become increasingly apparent.

Policymakers will have to look at the basic reasons for the separation: concentration of resources, unfair competition, conflict of interest. ☐

GLOBAL *dispatches...*

Luxembourg Stands Behind Money-Laundering Rules

LUXEMBOURG — Despite complaints from bankers, Luxembourg's financial regulator strongly defended its tough new rules aimed at curbing money laundering.

The regulations, sent to bankers in November, include a provision requiring banks to identify who has control of an account.

"I remain convinced that it must be possible to know who the customer is," Jean Guill, director of the Luxembourg Monetary Institute, told a financial conference. It is simply unrealistic to expect private banks to find out if their customers are reputable, he added.

The regulator hopes the provision will prevent scandals such as the one involving the Luxembourg-registered Bank of Credit and Commerce International and some of its directors, charged in Florida with laundering millions of dollars from Colombia's Medellin drug cartel.

Luxembourg is keen to protect its reputation in banking, which is a major money earner for the small country. The country has strict bank secrecy laws and has been reluctant to take action against suspected laundering without clear proof.

But some bankers believe the new efforts to prevent fraud are overzealous.

"Implementing regulations to this law give. . . quite a headache to the whole financial community," said Jean Krier, chairman of the **Luxembourg Bankers Association.**

Bankers say it is difficult to comply with the new regulations because it is not always possible to identify exactly who controls an account, particularly when listed in the name of a shell company.

"Sometimes it is very well camouflaged. These crooks are very clever," said Paul Brown, senior general manager at **Lloyds Bank** in London. He and others said bankers need to ask themselves whether they have confidence in a client. If not, decline the business.

Luxembourg has said it is looking into the charges filed in Tampa, Fla., against BCCI, which last month reached a plea-bargain agreement under which some charges were dropped in return for cooperation in the investigation and the forfeiture of $14.8 million.

U.S. prosecutors say they have taped evidence showing that BCCI directors knew money was coming from criminal activities but ignored it. The bank has denied the allegations in court.

— Reuters

... by country

ISRAEL

Foreign and domestic creditors of **Koor Industries** Ltd., Israel's biggest industrial group, reached a compromise early Friday to write off $255 million in debt, according to a Finance Ministry official.

The compromise capped three days of intensive negotiations over the conglomerate's fate. "I think we finished with the foreign banks. I suppose they will get approval from their management," Finance Minister Shimon Peres said.

Under the deal, foreign banks will write off $75 million of the $250 million owed them, the official said. Israeli banks agreed to write off $180 million of the $800 million they put up.

Koor's board has extended its halt on interest and principal payments until a comprehensive solution can be reached, a company official said Thursday.

— Reuters

PHILIPPINES

Manila will have to lower some of the economic targets agreed upon with the International Monetary Fund because of a shortfall in new funding from abroad, said outgoing central bank Governor Jose Fernandez.

Philippine officials will discuss possible revisions with an IMF review group arriving in March, Mr. Fernandez said.

The Philippines earlier said it wanted to raise $1 billion in new money from commercial banks, but officials now expect $700 million to $750 million.

The Philippines will sign an agreement in Tokyo on Feb. 16 for the new loans, to be backed by the issue of 15-year bonds on the Luxembourg market.

After a failed coup attempt in December, Manila scaled back its growth projections for 1990 to between 5% and 6% from the original 6.5%.

In exchange for an IMF financial package of over $1 billion, Manila had committed to the following targets: gross reserves of $4.04 billion, a current account deficit of $1.40 billion, exports of $8.9 billion, and imports of $11.4 billion.

— Reuters

MEXICO

Responding to criticism, Mexico's chief debt negotiator said a $48.5 billion debt-reduction pact represents "the beginning of life after debt" for Mexico.

Assistant Finance Minister Jose Angel Gurria said the accord, coupled with earlier debt-for-equity swaps, and buybacks, will shave some $20 billion off Mexico's debt, which totaled $100 billion in 1988.

U.S. Treasury Secretary Nicholas Brady, International Monetary Fund Director Michael Camdessus, and the heads of 15 of Mexico's leading commercial creditor banks were scheduled to sign the debt-reduction agreement in Mexico on Sunday.

"It's not a celebration, it's not a fiesta, it's a ceremony to mark the beginning of life after debt," Mr. Gurria said.

— Reuters

Chase Offers Net-Settlement Plan

By JOHN EVANS

LONDON — Chase Manhattan Bank has launched a new service for its correspondent banks in Europe that it says will significantly reduce their exposure to settlement defaults.

The new service is a settlement system whereby banking debits and credits in U.S. dollars that normally require individual transfer payments are settled as a lump-sum net payment in a single transfer.

A Chase spokesman said the bank's service, ChaseNetting, will allow banks to significantly "reduce the size of their currency flows and their settlement requirements."

For example, a foreign bank that was owed $1.2 million and was paying out $1 million would receive a single net payment of $200,000 instead of having a total of $2.2 million in currency flows in both directions.

Regulators Were Worried

The system, based on bilateral netting, addresses the concerns of central banking regulators about systemic risks that could result in a major international crisis if a bank defaulted on a netting transaction, the Chase spokesman said.

The Federal Reserve Board and major European banks conducted an "extensive" review of Chase's netting service before it was launched, the bank spokesman said.

The Chase service, designed to handle U.S. dollar payments generated by banks in the European Community, was first tested with three European partners – Dresdner Bank and Westdeutsche Landesbank of Germany and Austria's Girozentrale. Eleven banks have now agreed to participate in the service, Chase said in an announcement.

Chase Is Largest Clearer

Chase said the service was developed from its experience as the world's largest dollar clearing bank, handling more than $316 billion in daily payments. It is designed to handle the rising volume of cross-border payments in U.S. currency, accepting all types of bank-to-bank transactions, including foreign exchange, money market, and commercial cover payments.

The bank says the new service for correspondents abroad will reduce exposure to defaults.

The bank hopes to launch the service in Canada and several Asian countries later this year, after passing the necessary regulatory reviews, the spokesman said.

Meanwhile, FXNET, a banking consortium specializing in foreign exchange netting transactions, has circulated internal data to members saying major savings are being made with its service.

FXNET member banks, routinely transacting up to 175 currency deals in U.S. dollars daily in London, are reducing the average number of their outgoing payments by 92%, to six from 75 individual transactions.

This is equivalent to a cut to $187.5 million a day, from $750 million.

Compression Substantial

The average reduction in payments across the whole system, in currencies such as the British pound, Japanese yen and German mark, is between 50% and 60% daily, FXNET data shows.

According to Peter Bartko, a Chemical Bank executive who is chairman of FXNET, these reductions are worth up to $250,000 in annual savings to member banks, with cost cuts realized through fewer payments through the Swift interbank transaction networks as well as reduced costs in the banks' own back offices.

London-based FXNET has 15 U.S. and European member banks. Five more banks are waiting to join. □

Japanese Banks Lead in Backing U.S. Municipals

By TERENCE M. SMITH
Global Guaranty

NEW YORK — Japanese banks in 1989 were the leading issuers of letters of credit for U.S. municipal securities, according to a Global Guaranty survey.

Four Japanese banks accounted for 41% of the more than $12 billion in U.S. municipal securities backed by letters of credit. Sixteen of the top 25 banks were from outside the United States, including ten from Japan.

Foreign banks are the leading issuers of letters of credit for U.S. municipal securities because their letters typically carry higher credit ratings than those of their U.S. counterparts.

Municipalities prefer to use the highest-rated letters because it allows them to issue debt at lower interest rates.

Marine Midland Capital Markets Inc., ranked fifth, Citicorp Securities Markets Inc., ranked seventh, and Morgan Guaranty, ranked ninth, were the leading U.S. bank letter issuers last year.

***Global Guaranty* is an *American Banker* newsletter.**

Top Bank Guarantors of Municipal Securities
1989 totals

	Volume ($ in millions)	Number of issues	Market share
The Fuji Bank Ltd.	$2,171.6	32	17.8%
[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Bank	748.9	16	6.1
[illegible]	[illegible]	[illegible]	[illegible]
Marine Midland Capital Markets	539.4	14	4.4
[illegible]	[illegible]	[illegible]	[illegible]
Citicorp Securities Markets Inc.	402.5	15	3.3
[illegible]	[illegible]	[illegible]	[illegible]
Morgan Guaranty	341.7	4	2.8
[illegible]	[illegible]	[illegible]	[illegible]

Sources: Securities Data Co., Global Guaranty

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	2/02	2/01	1/26	2/02	2/01	1/26	2/02	2/01	1/26	2/02	2/01	1/26	2/02	2/01	1/26
United States	8.25	8.25	8.25	8.37	8.37	8.37	8.43	8.43	8.43	7.00	7.00	7.00	10.00	10.00	10.00
Japan	6.56	6.56	6.68	7.06	7.06	7.06	7.25	7.25	7.18	4.25	4.25	4.25	4.87	4.87	4.87
Canada	12.81	13.31	12.50	12.75	12.50	12.50	12.37	12.25	12.00	12.59	12.29	12.29	13.50	13.50	13.50
U.K.	15.06	14.93	14.93	15.12	15.12	15.18	15.18	15.12	15.18	14.45	14.56	14.56	15.00	15.00	15.00
West Germany	8.00	8.00	7.75	8.25	8.25	8.31	8.43	8.50	8.56	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.50	9.50	9.50	9.62	9.68	9.87	9.62	9.68	9.75	6.00	6.00	6.00	11.50	11.50	11.50
France	10.68	10.62	10.75	10.93	11.00	11.06	11.06	11.12	11.18	9.50	9.50	9.50	11.00	11.00	11.00
Italy	13.43	13.43	14.00	13.00	13.00	13.00	13.00	13.00	13.18	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.38	14.75	8.50	9.47	7.32
6 to 12 months	8.63	14.14	8.60	9.96	7.32
12 to 24 months	9.17	13.08	8.43	9.03	6.99

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 10

850

COMS-1

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA   MD 20814

VOL. CLV NO. 25

Tuesday, February 6, 1990

Bidding Battle In Texas Shifts To Weak Thrifts

By BARBARA A. REHM

The reshaping of Texas banking continued last week as two large out-of-state companies vied for one of the state's most attractive retail franchises. In the end, Banc One beat out NCNB for Dallas-based Bright Banc Savings Association.

Now the two aggressive acquirers are expected to turn their bargain-hunting further south, to the $2 billion-asset San Antonio Savings Association.

Banc One Corp., which is based in Columbus, Ohio, and NCNB Corp., based in Charlotte, N.C., are pursuing the same strategy in Texas. Each acquired a large failing commercial bank with government funds – Banc One bought MCorp last summer and NCNB bought First RepublicBank Corp. in 1988.

ANALYSIS
Follow-up on the news

Now each bank is scrambling to acquire broke S&Ls to fill out their franchises.

On Friday, the government's Resolution Trust Corp. sold Bright Banc's $2.7 billion in deposits to Banc One for $45 million. Banc One also acquired $1.7 billion of performing assets.

Keeping Out the Competition

Most analysts speculated that regulators rejected NCNB's bid, not because it was too low, but because NCNB already controls a large chunk of the Dallas deposit market. These analysts said NCNB certainly could have afforded the $45 million price tag and would have wanted to keep Banc One out.

"NCNB is going to bid on everything, not that it needs anything, but to keep the competition out," said Frank Anderson, a senior analyst with Stephens Inc., a brokerage company in Little Rock, Ark.

NCNB has acquired five thrifts in the state. In its largest, the Oct. 13 acquisition of University Federal Savings Association, Houston, NCNB spent $129 million to buy $3.5 billion in deposits.

Mr. Anderson predicted in an interview Monday that both Banc One and NCNB will try to continue their expansions by buying San Antonio Savings, a $2.3 billion-asset thrift seized by the government in March 1989.

"San Antonio Savings would really propel one of these banks into that market," he said. "I think Banc One and NCNB will both be strong bidders."

Another likely shopper will be banking titan Citicorp, which has looked but not yet bought a

See **BANC ONE** *page* 14

INSIDE NEWS

INTERNATIONAL

U.S. BANKS were the most profitable in the world in 1988, according to a survey by IBCA Ltd. The top-rated American bank company was Banc One Corp. *Page 10*

CONSUMER

DISCOVER EARNED $80.2 million last year, contributing almost half the profits of Sears, Roebuck and Co.'s Dean Witter Financial Services subsidiary. *Page 6*

FINANCE

STOCK IN BANKS OF IOWA rose as the state appeared ready to set a trigger for interstate banking. The company has a merger pact with Minnesota's First Bank System. *Page 16*

REAL ESTATE

MIDWESTERN BANKS are avoiding the severe real estate problems that plague institutions elsewhere partly because of cautious lending practices, say industry analysts. *Page 8*

PEOPLE

A.W. CLAUSEN announced he will retire as chairman and CEO of BankAmerica Corp. on May 24. Richard M. Rosenberg will succeed him. *Page 2*

TECHNOLOGY

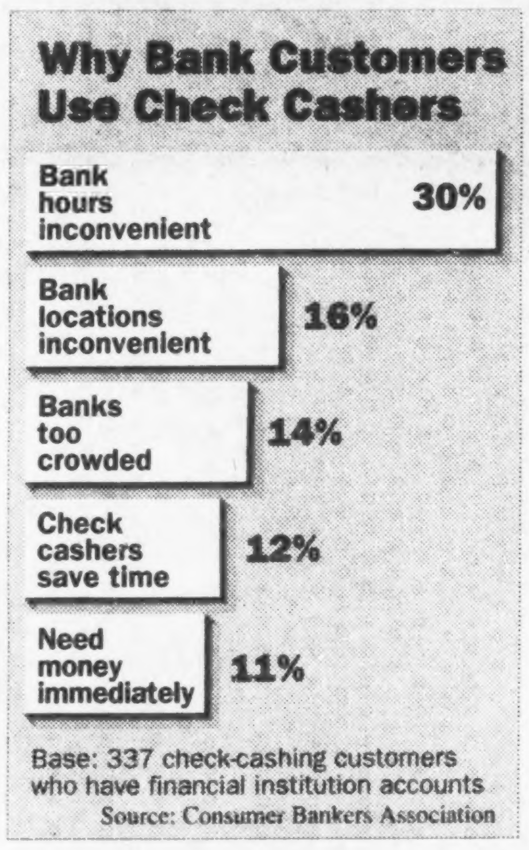
MARYLAND NATIONAL will test a software system, known as Crisp, that gauges the profitability of commercial loans. *Page 3*

OTHER NEWS

A HOUSE PANEL asked the director of the CIA to respond to a report that fraudulent agency loans contributed to 22 thrift failures. *Page 2*

INDEX

Company Index 2
Crime Blotter 4
Executive Changes 5
Classified Advertising 12
Bank and Thrift Stocks 15



Why Bank Customers Use Check Cashers

Base: 337 check-cashing customers who have financial institution accounts

Source: Consumer Bankers Association

Bankers' Survey Disputes Need For Lifeline Law

By YVETTE D. KANTROW

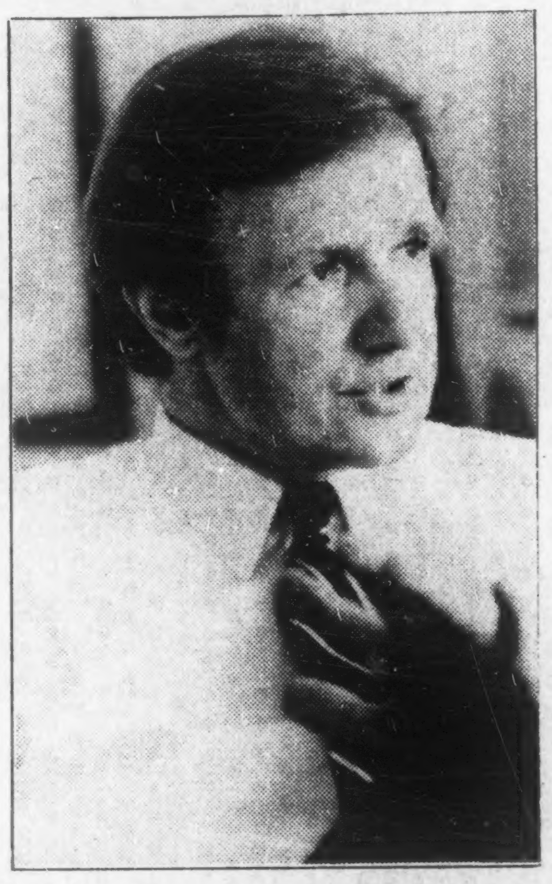
NEW YORK — The Consumer Bankers Association Monday became the latest banking trade group to produce research challenging the need for a law requiring banks to cash checks for people who lack bank accounts.

As support grows on Capitol Hill for legislation that would require banks to provide low-cost services to the poor, the Consumer Bankers Association released a survey concluding that such a law would not necessarily benefit low-income people.

See **CONSUMER** *page* 13

Riegle Opposes Efforts To Amend S&L Bailout

By ROBERT M. GARSSON



Donald W. Riegle
Senate Banking Chairman

WASHINGTON — Senate Banking Committee Chairman Donald W. Riegle said Monday that he opposes efforts to amend the 1989 thrift-bailout law this year, harming prospects for such legislation.

Speaking to a group of credit union executives, Mr. Riegle also said he sees "no enthusiasm among my colleagues" in the Senate for legislation ending that industry's tax advantages.

Referring to the bailout, the Michigan Democrat said: "Some people have asked, 'Should we go back and revisit the thrift legislation?'

"The answer to that is 'no.' We did a good job on that bill. It is necessary to give it time to work. I have no intention of opening it back up."

Avoiding Entanglement

Mr. Riegle is thought to be especially eager to avoid becoming embroiled in another messy thrift bill now – as the Senate Ethics Committee investigates whether he improperly intervened with federal regulators on behalf of Charles H. Keating Jr.'s failing Lincoln Savings and Loan Association.

House Banking Committee Chairman Henry B. Gonzalez, D-Tex., has said a modest S&L bill might be appropriate this year, and a number of key lawmakers are preparing legislation that would, among other things, dismantle the thrift regulatory structure.

But Mr. Riegle is in a commanding position to block a new S&L bill if he chooses, especially if it is not linked to a "must" piece of legislation, as was the case with last year's bailout. Moreover, Mr. Riegle's sentiment appears to be widely shared in the Senate.

Reacting to Mr. Riegle's com-

See **RIEGLE** *page* 11

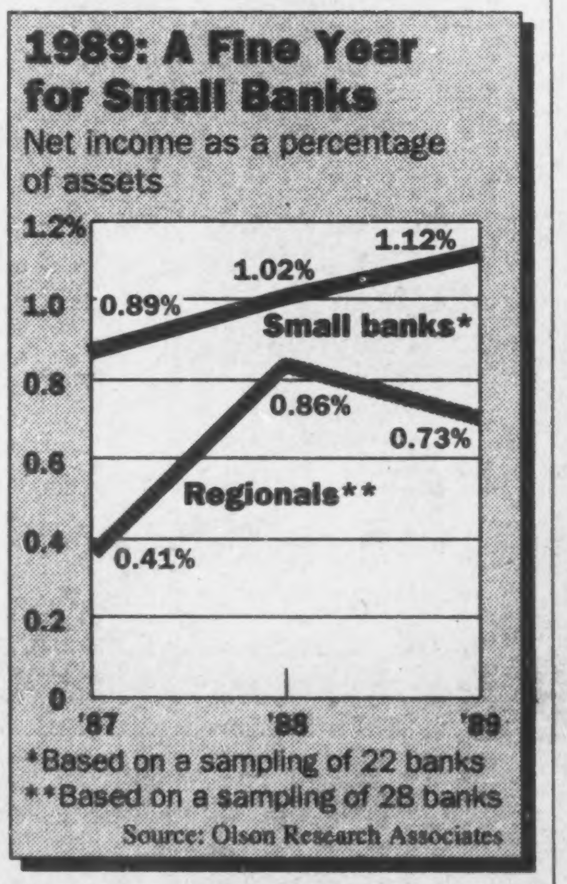
Mounting Loan-Loss Provisions Weaken Regional Bank Profits

By SANFORD ROSE

After rebounding sharply in 1988, the earnings of regional banks worsened appreciably in 1989. By contrast, small community banks registered a significant earnings improvement last year, continuing a positive trend that began in 1987.

These are the major findings of the annual survey of banks undertaken by Olson Research Associates of Greenbelt, Md. The survey encompasses 100 banks – 22 small, 50 midsize, and 28 with over $1 billion in assets. These institutions represent a cross-section of the industry and account for $131 billion in assets, or approximately 4% of all assets held by U.S. commercial banks.

While the small banks did well in 1989, the midsize institutions faltered slightly. But the worst troubles were encountered by those 28 regionals. Their 1989 return on assets fell 13 basis points, from 86 to 73 basis points. And their return on equity nosedived, from 14.37% to 11.83% – the second-worst declension in a decade.



1989: A Fine Year for Small Banks

Net income as a percentage of assets

*Based on a sampling of 22 banks
**Based on a sampling of 28 banks

Source: Olson Research Associates

Since the regionals dominate the Olson sample, holding $112.5 billion of the $131 billion in assets, the 1989 returns of the entire group of 100 banks also proved disappointing. ROA fell from 87 to 75 basis points. And ROE dropped from 13.97% to 11.74%.

The 28 regionals in the Olson

See **MOUNTING** *page* 11

Banc One Gives Video Banking Another Whirl

By KAREN GULLO

NEW YORK — Banc One Corp. is giving video banking another shot.

The Columbus, Ohio, holding company, which failed at three earlier attempts to enter the video banking market, said last week that it will offer home banking services over the Prodigy network.

The move by one of the nation's most innovative retail banking organizations is likely to give a boost to Prodigy Services Co., a partnership of International Business Machines Corp. and Sears, Roebuck and Co. Prodigy claims that 200,000 computer owners nationwide subscribe to its information network, but results in the banking area have been mixed. Just last week, Sovran Financial Corp., Norfolk, Va., said that as of March 1 it would discontinue its Prodigy banking service in the Washington area, where it had 1,000 users.

See **BANC ONE** *page* 13

PEOPLE *in the news*

Texas Banker Back in Fray And Upbeat About the '90s

By STEVE KLINKERMAN

DALLAS — After a decade of crisis, veteran Texas banker Robert H. Stewart 3d is hoping for a decade of fun.

The former chairman of InterFirst Corp. was named vice chairman Monday of Team Bank, Fort Worth, the $5 billion bank formed by the merger of Texas American Bancshares and Deposit Guaranty Bank, Dallas.

Robert H. Stewart 3d

The Team Bank post is a homecoming for Mr. Stewart, who is 64. He will be returning not only to the big leagues of Texas banking but also to the side of Ronald Steinhart, the former InterFirst president who is chairman and chief executive of Team Bank.

"I've had a great friendship with Ron," said Mr. Stewart, who recently resigned from LaSalle Energy Corp. after a two-year stint in which the Texas-based company's major assets were sold. The duo's roles will be reversed at Team Bank, however, where Mr. Stewart for the first time will be working for Mr. Steinhart.

Mr. Stewart's two years at LaSalle capped a tumultous decade in Texas.

After relinquishing the chairmanship of InterFirst to Elvis Mason in 1980, Mr. Stewart was thrust back into the post in 1984 after Mr. Mason's loans to oilfield service companies virtually crippled the company.

Mr. Stewart led InterFirst for four years, ultimately guiding it into a June 1987 merger with cross-town rival RepublicBank Corp. He resigned as chairman of First RepublicBank Corp., the merged entity, months before heavy losses and a deposit run forced it to ask for federal aid in early 1988.

Despite First Republic's troubles, Mr. Stewart didn't lose his appetite for banking. "Bob has put his life into the banking business," said Gene Bishop, a longtime friend and tennis partner who is chairman and chief executive of MCorp, Dallas. "He wanted to stay involved in the industry."

With Monday's announcement, Mr. Stewart's wish has been fulfilled. Drawing on his considerable Texas connections, he will seek customers for Team Bank. And he hopes to put an era of trouble to rest. "I'm just glad to be back," he said. ☐

NEWS *briefs*

Bank of New England Sells Credit Cards to Citicorp

NEW YORK — Bank of New England Corp. said Monday it completed the previously announced sale of its credit card business to Citicorp for $828 million.

The sale will result in a gain of about $176 million for the troubled Boston-based holding company. The premium of 27% for of Bank of New England's $652 million in credit card receivables is one of the highest ever paid in such a sale.

The card portfolio sale was part of program to divest $6 billion in assets, as outlined by Bank of New England last month. The company last week also announced the sale of its vehicle leasing subsidiary to a unit of GE Capital Corp. for an undisclosed price.

"Indications are that we can expect to report further progress in the coming weeks," said interim chairman H. Ridgely Bullock in a prepared statement.

— Jed Horowitz

BancTexas Fights Order To Capitalize Two Units

DALLAS — BancTexas Group Inc. said it applied to the U.S. District Court in Texas for an injunction to limit a temporary order by the Federal Reserve Bank, pending a formal hearing.

The Federal Reserve Bank had scheduled a hearing for March 20 to decide whether BancTexas should use all resources to inject capital into two banking subsidiaries. It also ordered BancTexas to infuse capital into those banks immediately.

The banking company said the Fed order is not upheld by legislation, adding that it believes the temporary action is premature and should be enjoined pending a hearing.

— Reuters

Gonzalez Urges President To Replace Wall Quickly

WASHINGTON — House Banking Committee Chairman Henry B. Gonzalez, complaining that M. Danny Wall continues to sit as the nation's top thrift regulator two months after his resignation, asked President Bush to name a successor immediately.

"Not only does Mr. Wall continue to direct the activities of OTS, but he sits as a voting member of the board of the Federal Deposit Insurance Corp.," Mr. Gonzalez said in his Feb. 2 letter.

He added that Mr. Wall's presence suggests an atmosphere of "business as usual" to "employees on the front line of regulation." ☐

Top Lending Officers Resign at First Bank

By NANINE ALEXANDER

NEW YORK — Less than a week after being named chairman and chief executive of First Bank System Inc., John G. Grundhofer announced Monday that three senior lending officers had resigned in a continuing restructuring designed to improve credit quality.

Though a spokesman for Minneapolis-based First Bank denied that the three were fired, analysts speculated that Mr. Grundhofer's hiring prompted their departure.

'It Makes Sense'

"If you look at his focus on credit quality," said Ben Crabtree, analyst at Dain Bosworth Inc., referring to Mr. Grundhofer, "it makes sense that he would bring in people he's more comfortable with."

The executives who resigned, effective Monday, are Richard W. Schoenke, chief credit and administrative officer; Jay B. Walters, president, commercial and investment banking; and Richard L. Shepley, executive vice president, credit policy.

Faced with mounting credit problems, First Bank last fall announced a major restructuring that included a $2 billion reduction in assets and firing nearly 20% of the staff.

Restructuring's Overseer

Mr. Grundhofer said that Darrell G. Knudson, vice chairman, will oversee the restructuring of First Bank's commercial and investment banking operations. The revamping is to include revisions of loan underwriting standards, continued cuts in commercial assets, evaluation of lender performance standards and compensation programs, and a review of internal lending limits.

Some analysts speculated that Mr. Grundhofer, who took office Wednesday, would hire executives from bottom-line-oriented Wells Fargo & Co., where he had been vice chairman, to help cut costs at First Bank. ☐

House Panel Asks CIA to Comment On Reported Link to S&L Failures

By BILL ATKINSON

WASHINGTON — Concerned about reports that the Central Intelligence Agency played a role in the failure of 22 savings and loans, Rep. Frank Annunzio, D-Ill., has requested to meet with CIA Director William H. Webster.

In a letter sent to Mr. Webster on Monday, Mr. Annunzio said that allegations in a *Houston Post* story are "serious and troubling." As chairman of the House Banking subcommittee on financial institutions, Mr. Annunzio requested that Mr. Webster appear before a closed meeting of the panel as soon as possible.

According to the *Post's* story, which was published Sunday, the CIA may have received fraudulent loans that contributed to the failure of 22 thrifts.

The story charged that the CIA used the loan proceeds to finance such covert operations as aid to the Nicaraguan contras, gun running, drug smuggling, and money laundering.

The newspaper also said it found links between the CIA and organized crime in the thrift fraud.

See **PAPER** *page* **14**

Clausen Says He Will Retire

By SAM ZUCKERMAN

SAN FRANCISCO — A.W. Clausen, 66, announced on Monday that he will retire as chairman and chief executive officer of BankAmerica Corp. at the bank company's annual meeting on May 24. He will be succeeded by 59-year-old vice chairman Richard M. Rosenberg, head of Bank of America's California banking group.

Both Mr. Clausen's retirement after more than three years in a second term as BankAmerica chief and Mr. Rosenberg's promotion to the company's top job had been widely expected. Following retirement, Mr. Clausen will remain on the boards of BankAmerica and its Bank of America subsidiary, serving as head of the executive committees of both panels.

Corrections

A Feb. 2 article ("Bankers Trust Continues to Clean House," page 11) incorrectly described a unit of BT Delaware closed by Bankers Trust New York Corp., its parent. The business, a domestic check-processing unit, employed 15 people. The company also denied speculation that it will reduce the size of its domestic cash management or private banking units.

■

A Jan. 25 article ("Las Vegas Bank: 16 ATM Network Links," page 6) incorrectly described how Valley Bank of Nevada established links with three midwestern automated teller machine networks – Magic Line, Shazam, and Tyme. The links were made through the San Diego-based Star System network. The bank originally stated – incorrectly – that it had agreed directly with the networks. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
American Bankers Assn. 1,3
American Continental 1
American Express 6
AT&T 3
Banc One 1,5,10
Bank of New England 1
Bank of New York 14
Bank of Nova Scotia 14
BankAmerica 2,10
Bankers Trust 2
Banks of Iowa 16
Banque Paribas 14
Bass 14
Boatmen's Bancshares 3
Bracewell & Patterson 1
Brenton Banks 16
Bridgestone/Firestone 5
Bright Banc for Savings 8

C
Callahan & Associates 6
Canadian Imperial Bank of Commerce 14
Centrust 8
Chase Manhattan 8,14
Chemical Banking 1,10
Citicorp 1,8,10,14,16
Citizens and Southern 1,3
City Federal Savings 8
Coast-to-Coast Financial 5
Comerica 8
Consumer Bankers Assn. 1
CoreStates 3
Credit Lyonnais 14
Credit Union Insurance 6
Credit Union National Assn. 1

D - E
Dain Bosworth 2
Daiwa Securities 16
Dean Witter Reynolds 16
Dillon Read 8
Dime Savings Bank of New York 5
Earle M. Jorgensen 14

F
First Bank System 2,8,16
First Chicago 8,10
First Federal Savings 4
First Interstate Banks 16
First NH Banks 5
First Republic 2,5
First Trade Union Savings Bank 5
First Union 16
Fleet/Norstar 10
Florida National Banks of Florida 16

G - I
Georgia Gulf 14
Gibraltar Savings 4
Hawkeye 16
Holiday 14
IBCA 10
IBM 1
INB Financial 8
Investigative Group 4

J - L
J.P. Morgan 14,20
Keefe, Bruyette & Woods 8,16
Kelso 14
Kilsby Roberts 14
Lockheed 14

M
Manufacturers Hanover 1
Marine Midland Bank 5
Maryland Credit Union League 6
MasterCard 6
MCI 3
MCorp 1,2
Merabank 8
Micro Resources 3
Midlantic 1
Mitsubishi 10
MNC Financial 3

N - Q
National Assn. of Share Insurance Corporations 6
National City 3,8
NBD Bancorp 1
NCNB 1,3
NL Industries 14
Norwest 3
Philadelphia National Bank 1
Post Office Credit Union of Maryland 6
Prather Seeger Doolittle & Farmer 1
Prescott Ball & Turben 8
Prodigy Services 1
Queen City Savings 4

R
Resolution Trust Corp. 1,8
Riggs National Bank of Washington 5
Roper Organization 1

S - T
Sears, Roebuck 1,6
Security Pacific 10,14
Shawmut National 4
Shearson Lehman Hutton 8
Skandinaviska Enskilda 10
Southwest Savings 8
Sovran Financial 1,3
Stephens Inc. 1
Sumitomo Bank 14
Summit National Bank 5
Team Bank 2

U - Z
U.S. Sprint 3
Valley Bank of Nevada 2
Visa 6
Walton Cos. 8
Wells Fargo 1,2

COMMENT/*By Paul Nadler*

First of Maryland Keeps Its Irish Owners Smiling

The awards meeting of the First National Bank of Maryland offered several insights that should be of interest to other banks.

There was a predominance of women among the 1,200 award winners at the function – which was held at a posh Baltimore hotel, with all the trimmings, to make them feel special.

I was reminded that for the first decade or so that I taught at the Stonier Banking School of the American Bankers Association, not one of the 400 or so students was female. They were not considered important enough to attend this top officer training school. ("We never waste a man when a woman can do a job," was the way one Philadelphia banker responded in my presence as late as 1970 to a question about discrimination against women.)

Irish Owners Don't Meddle

Although First of Maryland is wholly owned by Allied Irish Bank, this fact has meant virtually nothing in the operation of the bank and in the thoughts of the attendees I talked to.

Out of 4,000 employees, there are only four from Ireland – two top officers and two foreign exchange people. But the only recognition given to chairman Jerry Casey, the top Dublin representative in the bank, was a 50th birthday present of a bunch of carrots (since Bugs Bunny also will be 50 this year).

The rest of the meeting was conducted by Joseph Cole Jr., chief executive officer. He is a Maryland native who has been with First of Maryland for more than a quarter of a century. In fact, the people at the meeting felt that being fully owned by the Irish was great, because it alleviated the fear of unfriendly raids. The shoe had already dropped, and it didn't hurt at all.

Ambassador and Auditor

To be sure, Dublin likes growth in profits. But as long as First of Maryland provides that, Mr. Casey feels his role is to be "an ambassador and an auditor, wrapped into one." He is quick to stress that Mr. Cole and his staff of five executive vice presidents – all of whom also have about 25 years with the bank – run the institution.

But what was more interesting than the bank's structure were the questions raised when I ran a morning seminar for 50 people ranging from trainees to top line people. The "hot button" that most interested them was the suggestion that each teller make two calls every evening to thank people who had come into the bank that day.

Although the attendees felt that banks have very little contact with customers and that these so-called warm calls offer a lot of value over cold calls that often bother people, they feared the interruption of people's dinner and evenings might hurt the bank's image. We agreed, finally, that the opening sentence of any such warm call should be "Is this a good time, or should I call later?"

Are Mea Culpas Necessary?

Equally interesting was the question "If our bank makes a mistake, should we admit it?"

This got me screaming a violent "Yes!" In banking, while customers accept occasional errors, the point most of them make in surveys is that they hate it most when a lot of effort is required to get the errors corrected. This applies to small customers as well as corporate treasurers with giant balances.

The main point that came out is that when an organization or individual makes an error and admits it and tries to correct it, frequently in the end there is a closer tie between the organization and the customer than if the error not been made in the first place.

Compare AT&T with Audi. When AT&T had a computer glitch last month, it apologized. The company said it was embarrassed, would make amends through lower rates on Feb. 14, and would strive to be better.

In our discussion, executive vice president Joe Peters hit the nail on the head when he said the one answer customers will not stand for when an error has been committed is, "The computer broke." "Nonsense," he said. "We are responsible for the computer too."

When there were reports that its cars suddenly lurched forward, Audi took the other approach and said, "Americans just don't know how to drive" – a statement that cost it a giant share of its market in the United States.

Federal Express Dropped Ball

Federal Express lost the package with Westinghouse Scholar applications from Stuyvesant High School in New York and students missed the deadline after years of work. The company had an opportunity to say it would pay for all the scholarships won by applications in the package that got lost, if Westinghouse would only process them like the others despite their late arrival. Such a step would have turned an operational snafu into a public relations coup at minor cost.

So there we were in Baltimore, honoring 1,200 people, printing the names of about 700 who had perfect attendance records, and talking about errors, nonobtrusive calls, and most important, quality of service. Maybe that is why the bank does so well and why the Irish owners are so happy leaving them alone. ☐

Mr. Nadler is professor of finance at Rutgers University's Graduate School of Management.

CRIME BLOTTER/*By Tom Leander*

Judge Orders Felon To Get Rich Quick

In what the Federal Deposit Insurance Corp. is calling the largest restitution award ever in a loan-fraud case, a federal judge has ordered Jerry D. Smith to repay $13 million he wrongfully took from Queen City Savings and Loan Association, Seattle.

And the judge expressed confidence in Mr. Smith's ability to raise the money. Once Mr. Smith finishes serving 10 years in prison for loan fraud, Judge John C. Coughenour has given him only five years him to repay the $13 million.

The judge's order acknowledges that Mr. Smith "may not currently possess significant assets," but notes, "he has demonstrated the ability to accumulate assets in the amount of this restitution order within five years from his release from custody." Mr. Smith was sentenced without parole.

Mr. Smith was not an officer or director of the Seattle thrift, but owned a substantial portion of Queen City stock, according to Jack D. Smith, deputy general counsel at the FDIC. Jerry Smith was convicted of arranging $16 million in fraudulent loans in Texas with coconspirators at Queen City in 1988.

Losses on these loans led to the collapse of Queen City and its seizure by regulators. The former Federal Savings and Loan Insurance Corp. sold the thrift's assets to Gibraltar Savings and Loan Association, another Seattle thrift seized last year by regulators.

The restitution ruling allows the FDIC to search for assets that Mr. Smith may have hidden.

"It is our belief that Jerry Smith has funds that are secreted and that would amount to substantial recovery," said the deputy general counsel.

* * *

Background Checks Keep Agency Busy

International private banks are stepping up efforts to investigate financial backgrounds of potential clients, according to the head of one of the largest private-detective companies in the United States.

James Mintz, president of the Investigative Group Inc., reports a flood of requests for background checks that has grown steadily since late last year.

Mr. Mintz attributes the rise to an increased determination to suppress money laundering and drug trafficking in this country. He also cited a letter issued by the Bank of England in November, warning banks that they must install adequate controls to prevent money laundering.

The Investigative Group has offices in London and in New York and four other U.S. cities.

* * *

Bank Heist Suspect Returned to Scene

Police in Brooklyn, N.Y., nabbed a panhandler who allegedly held up First Federal Savings Bank, then resumed his customary curbside begging post outside the bank.

Peter Nuzzi, 30, is charged with walking into the thrift on Flatbush Avenue, leaping over a teller counter, and scooping an undisclosed amount of cash from a open drawer. Mr. Nuzzi claimed that he was armed, according to New York City police officer Joseph Gallagher.

Two days later, several bank employees observed Mr. Nuzzi return to his customary panhandling spot in front of the thrift. They identified him to police, who charged him with bank robbery and possession of a deadly weapon.

* * *

Connecticut National Indictment Dropped

A money-laundering indictment against Connecticut National Bank has been dismissed because prosecutors waited too long to bring the charges, a federal judge ruled.

Connecticut National, a unit of Boston-based Shawmut National Corp., was indicted last November of failing to file currency transaction reports on deposits made by two brothers from Milford, Conn., who jointly own a restaurant chain.

Judge Warren Eginton, in Bridgeport, Conn., tossed out the indictment when prosecutor John Durham conceded that the charges were brought after the five-year statute of limitations on money-laundering prosecutions had run out.

The prosecutor said he plans to seek another indictment from a federal grand jury on similar, but more recent, money-laundering charges within the five-year limit. ☐

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for space for a Letters to the Editor column or published separately as commentary.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

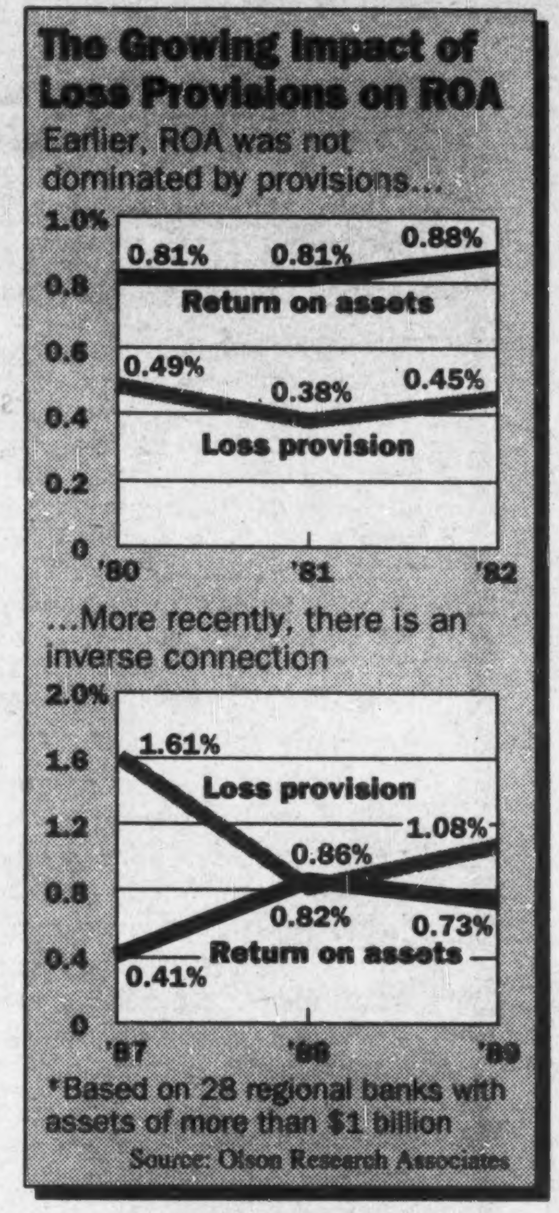
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Mounting Loss Provisions Sap Regional Profits

Continued from *page* **1**

sample were saddled with a variety of problems last year. On average, interest rates rose during 1989, increasing both the asset yield and the cost of funds. But for these institutions, the cost of funds rose by more than did the asset yield – 106 basis points versus 94 basis points. So the banking spread dropped.

The concomitant fall in the banking margin – interest revenue minus interest expense as a percent of earning assets – was to some extent blunted by the increased use of equity funds, which of course bear no explicit interest cost. Nevertheless, the regional-bank margin still fell slightly, exerting downward pressure on the ROA. And because these banks were using more equity money and were therefore deleveraging, the lower ROA translated into an even sharper drop in the ROE.



*Based on 28 regional banks with assets of more than $1 billion

Source: Olson Research Associates

Additionally, the regionals were not able to make progress in reducing the overhead burden, defined as noninterest expenses minus noninterest revenue as a percent of earning assets. Indeed, the net overhead ratio actually inched up last year, reflecting both the rise in expenses and an apparent loss of momentum in generating noninterest revenue.

Overstated Earnings

But by far the most significant factor in the 1989 earnings equation was the behavior of the loan-loss provision. A good deal of the 1988 recovery in earnings at regional banks was attributable to a sharp reduction in the loan-loss provision. In 1988, these banks virtually halved the provision, dropping it from 1.61% to only 0.82% of loans.

However, in their zeal to show higher profits in 1988 after a dismal 1987 showing, the regionals apparently went too far. They overcut the provision, in effect overstating 1988 earnings at the expense of profits in future years.

In 1989, these banks had to reverse themselves and once again fatten the loss provision. Had they not done so, the rapid growth in 1989 loans would have caused an unacceptably large decline in the ratio of loss reserves to loans.

Last year, the regionals allocated 6.5 cents of every dollar of income to the provision, compared to only 5.3 cents in 1988. In absolute dollars, they earmarked around $260 million more to the provision than in 1988. If the regionals had been able to forgo this increase, their aftertax ROA would have gone up by around 3 basis points in 1989 instead of falling by 13 basis points.

Counterintuitive Finding

For the 22 banks in the Olson sample with assets of under $100 million, last year's results were quite a bit more encouraging. ROA rose 10 basis points, to 1.12%, while ROE, despite a modest deleveraging, moved from 11.22% to 12.19%.

These community institutions experienced some compression in their spreads, but less than at the bigger banks – a result that is somewhat counterintuitive since community banks are supposed to be more liability sensitive than bigger banks and therefore more prone to be hurt by rising interest rates.

Since the fall in the spread was comparatively modest, given that these banks also employed relatively more equity money to fund their assets in 1989 than in 1988, their margin rose a tad, slightly buoying the ROA. Unlike the regionals, the community institutions were able to pare the net overhead ratio, which fell from 2.61% to 2.55% of earning assets. And also unlike the regionals, the tiny institutions found it possible to continue reducing the loan-loss provision, which dropped from 3.4 cents per dollar of income to 2.6 cents.

> **The most significant factor in the 1989 earnings equation was the behavior of the loan-loss provision.**

Muted Growth

Whether the reduction in the provision is sustainable is, however, subject to question. The community institutions were able to reduce the provision largely because their loan growth in 1989 was much less rapid than at regional institutions. So while the decline in the provision lowered the ratio of reserves to loans, it did not lower it by an unacceptable amount. On the other hand, loan chargeoffs at community banks were rising in 1989, as was the nonperformer ratio.

Unless these adverse credit trends are quickly reversed, the small banks may soon be required to beef up the provision, even if loan growth remains comparatively muted.

As of now, however, the community banks seem in better shape than they have been for a long time. At 1.12%, their ROA is higher than it has been since 1982 and higher than that recorded by the regionals in any year in the last decade.

Decade of Decline

Since 1989 represents the end of a decade, it is useful to compare the current condition of banks with that which prevailed at the start of the '80s. The average bank in the Olson sample of small and regional institutions is now much worse off than it was in 1980. Both its ROE and ROA have dropped.

But the decline has not been monotonic. Bank returns generally improved in the early '80s before faltering in 1983, as the effects of the last recession began to be felt. Returns perked up in the mid-'80s. But by the late '80s, profitability once again turned down, this time undoubtedly because of the effects of the disinflation that followed the recession and began to devastate the fortunes of real estate, energy, and agricultural borrowers.

Significantly, the impact of the decline in the relative prices of land and oil was much more deleterious to banks than that of recession itself. Bank fortunes reached a nadir in 1987, when the loss provision had to be raised by over 50% and, in consequence, the bank ROA tumbled from 87 to 47 basis points.

Banks recovered sharply in 1988, but, as noted, this recovery was in some sense illusory since it was achieved by a massive decline in the loan-loss provision that has thus far proved unsustainable. Banks might have been better off if they had reduced the provision more gradually in 1988 than was in fact the case.

. Higher Spread, Lower Margin

The average bank now earns a much higher spread than it made in 1980. This is largely because of the shift in asset allocation from low-yielding securities to much higher-yielding loans. The ratio of loans to assets has increased from 66.5% at the beginning of the decade to 73% currently. While serving to bolster the spread, the shift from securities to loans has had the unfortunate side effect of promoting a secularly higher level of chargeoffs and a significant rise in the ratio of nonperforming assets.

Moreover, despite the rise in banking spread, the banking margin has fallen inexorably, from 5.03% in 1980 to around 4.40% at present. This slippage is, of course, almost entirely due to the erosion in noninterest-bearing demand deposits.

Banks have striven to offset the effects of reduced margins in part by paring noninterest expenses and also by reaching for higher levels of noninterest revenue. In 1980, the net overhead burden amounted to 2.72% of earning assets. It has since fallen to 2.22%. However, most of the progress in reducing net overhead was achieved in the early to mid-'80s. Since 1987, the overhead burden has remained virtually constant.

To be sure, banks are today better capitalized and much more heavily reserved than they were in 1980. Given the higher ratio of loans to assets and the increase in borrowed funds, they are also much less liquid. And should the economy falter, the fact that banks are so heavily loaned up may well lead to a further explosion in chargeoff ratios from levels that are still more than 50% higher than they were at the beginning of the '80s. □

Hearings to Resume on Lincoln S&L

WASHINGTON — House Banking Committee chairman Henry B. Gonzalez plans to resume hearings this month on the failure of Lincoln Savings and Loan Association, Irvine, Calif.

Although the committee has not made a formal announcement, staff sources said the public inquiry into the American Continental Corp. subsidiary will probably pick up again during the third week of the month.

Mr. Gonzalez plans to take a look at the role played by junk bond financing in the failure of the thrift, and he has subpoenaed junk bond king Michael Milken.

Mr. Gonzalez will probably also examine other failed thrifts, including Denver-based Silverado Banking, Savings and Loan Association, an institution notable in part because President Bush's son Neil sat on the board of directors.

The Office of Thrift Supervision has accused Neil Bush of a conflict of interest in voting on a loan to a business associate. He has refused to sign an agreement to settle the case. □

Riegle Opposes Efforts to Amend S&L-Bailout Bill

Continued from *page* **1**

ments, Rep. Jim Leach, R-Iowa, conceded that new S&L legislation is unlikely to pass unless it can be attached to a needed money bill, such as legislation authorizing working capital for the Resolution Trust Corp. "Sen. Riegle's statement is pretty significant," he said.

Mr. Leach said he plans to offer a bill disbanding the Office of Thrift Supervision and moving its regulatory functions into the three federal bank supervisory agencies.

Taxing Credit Unions

Mr. Riegle said that taxing credit unions could be counterproductive since it might encourage them to return a greater share of profits to members by paying higher interest on deposits and charging less for loans. He sits on the Senate Finance Committee, which has jurisdiction over tax matters.

He told the Credit Union National Association's annual governmental affairs conference that Congress is not likely to consider merging the credit union industry's share insurance fund into the bank and thrift funds.

"It's not even being seriously considered on Capitol Hill," he said, "so it's not even a live issue, much less a threat." □

HEARD THE ONE ABOUT THE BANKER

WHO LENT TO THE MOVIE BUSINESS?

As a matter of fact, we have. That banker is lending to a counter-cyclical industry which is America's second biggest exporter. Its customer base, revenues, and creditworthiness have been expanding since 1977. Its project loans are characterized by fat spreads and full collateral coverage of principal and interest. Entertainment departments at major banks regularly turn in the biggest profits for their institutions.

So, what's the punchline? Just this: maybe it's time to get serious about the entertainment industry. If you agree, give us a call. We're consultants who help banks expand or establish their lending in this special niche.

Jerry Kelly, Gail O'Dea
Druid Financial Services, Inc.
516-679-0445

Who,
What,
When,
Where,
Why,
How.

Research the national debt. Foreign loans. The S&L crisis. What's up at the Fed. Legislation, monetary policy, the prime rate and more. Much more.

Use the American Banker Online database.

A solid decade of news, events, data and statistics as chronicled in the nation's leading financial services newspaper, updated daily. **Call 1-800-356-4763 for more information.**

American Banker ONLINE

Now!

Find American Banker Online on Mead Data Central's NEXIS, DIALOG Information Services, Dow Jones News/Retrieval, Reuter TEXTLINE, DataTimes, Data Star, and NewsNet.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 11, 13

Banc One to Offer Prodigy Service

Continued from *page* **1**

Citizens and Southern Corp., Atlanta, which has a merger pending with Sovran, pulled out of Prodigy last year.

But several large retail banks, including Manufacturers Hanover Trust Co. in New York, Wells Fargo Bank in California, Philadelphia National Bank, and now Banc One Corp., do participate in Prodigy.

Prodigy estimates that 60,000 homes in the Columbus, Ohio, area have personal computers and can use Prodigy to obtain banking, travel reservations, shopping, and other information services by the interactive method known as videotex.

Of those subscribers, 10,000 are potential Prodigy subscribers, according to John Russell, vice president and head of corporate communications at Banc One. He expects 3,000 to 4,000 will use Prodigy for home banking.

"It will take years before there's critical mass," said Mr. Russell. "It's not a program that will move market share, but customers will come to expect it."

Three False Starts

This is Banc One's fourth foray into video banking after three unsuccessful attempts in the late 1970s and 1980s.

"A single bank couldn't effectively operate a home banking service – it was too expensive and required too much overhead," Mr. Russell said. "We need a national system that you take part in but don't suppport."

In one of its earlier attempts to promote home banking, Banc One joined with several other holding companies in VideoFinancial Services, a transaction-processing company that failed to generate significant volume.

Mr. Russell believes that home banking will succeed in the long run if it is marketed under a broad umbrella like Prodigy, which provides a variety of videotex services to the mass market and is supported by the giants of the computer and retailing industries, IBM and Sears.

First Through Flagship

Banc One will first offer the service through its flagship subsidiary, Bank One Columbus, and then roll it out to other units.

Thirteen other banks, including Wells Fargo, Manufacturers Hanover, Midlantic National Bank, and Bank of New England, have signed agreements to use the Prodigy network for home banking services, according to Thomas Ponosuk, program manager for banking services at Prodigy.

He declined to speculate how many of the current 200,000 Prodigy subscribers are using the system for home banking, but said that according to market research, consumers rank home banking and shopping among the most desirable features.

"The interest in home banking is literally exploding here," said Michael Cuccinelli, senior vice president and cashier at NBD Woodfield Bank, Schaumburg, Ill. The bank is one of 8 NBD Bancorp subsidiaries in Illinois now offering home banking over the Prodigy network. NBD is the parent of National Bank of Detroit, which is also on the Prodigy roster.

Mr. Cuccinelli said he has 200 customers for the service, which became available last September. ☐

Freddie Mac Mutual Fund Soars Abroad

By PHIL ROOSEVELT

NEW YORK — Investors in the Far East and Europe have pumped $531 million into a fund that will buy mortgage securities of the Federal Home Loan Mortgage Corp., the agency said last week.

The fund, advised by a unit of the Blackstone Group, is the latest sign of increased overseas demand for U.S. mortgage securities. Foreign investors and other new buyers are considered critical for the stability of the market, which faces heavy selling by capital-short thrifts.

The fund, rumored since last fall, is similar to three that were set up last year to invest in securities of the Federal National Mortgage Association. Those three were sold mainly to investors in Japan.

Freddie Mac declared its fund to be "the first mortgage fund ever sold globally to institutional investors rather than targeted to investors in Japan."

Response from Six Countries

The agency said that 27 institutional investors in six countries have invested in the new fund. Salomon Brothers Inc. served as managing placement agent, and a unit of Salomon is strategic adviser to the Blackstone unit.

Overseas investment in the mortgage-backed securities market, though growing, remains very small, experts said. They explain that many overseas investors are uncomfortable with the instruments' unusual payment chacteristics.

Mutual funds such as the new one are thought to be more palatable to overseas investors than direct investment.

The Freddie Mac fund "is helping to attract a solid and lasting investor base around the world for our high-quality securities," Leland C. Brendsel, Freddie Mac's chairman and chief executive, said on Thursday.

Laurence D. Fink, chairman and chief executive of Blackstone Financial Management Inc., added, "The successs of the fund offering evidences a growing interest within the international investment community in the U.S. mortgage market." ☐

Survey for CBA Challenges Need for Lifeline Banking

Continued from *page* **1**

The association commissioned the Roper Organization, New York, to survey people who use check-cashing outlets instead of banks. More than two-thirds of them have relationships with financial institutions, the survey found, but willingly pay more for what they perceive as the convenience of check-cashing stores.

Therefore, the association said, low-income consumers are not victimized by price-gouging check cashers, as some legislators have claimed. These lawmakers are pushing a bill that would require banks to cash government checks at no charge to all comers.

"What we wanted to do and what we have done is to dispel some of the myths that check-cashing stores exist because banks have forced people out of their lobbies with high fees," said Joe Belew, president of the Arlington, Va.-based CBA.

Of 505 customers of check-cashing outlets in the CBA-Roper survey, 57% said they know they pay more for check-cashing services than they would or do pay to maintain a bank account. But more convenient hours and locations attract them.

Willing to Pay

In the CBA survey, 31% of the check-cashing services' customers said they had no bank account. And 31% of that group said they lacked money to maintain accounts; only 10% said banks "cheat" them with too many service charges.

Mr. Belew said the latter finding rebuts legislators' claims that consumer banking laws are needed because low- to moderate-income people can no longer afford banking services.

Roper did the survey last fall in Washington, New York, Miami, Chicago, and Los Angeles.

Consumer Advocates' Vow

The findings were released on the heels of a vow made in January by Sen. Howard Metzenbaum, D-Ohio, and the Consumer Federation of America. They promised an unprecedented effort to get Congress to require low-cost bank accounts and government check-cashing privileges for the poor.

The American Bankers Association has said that low-cost bank accounts are already available from 70% of banks in metropolitan areas – where most of the demand for such lifeline services would arise.

A spokesman for Sen. Metzenbaum said he would have no comment until he had reviewed the CBA survey. ☐

Toll Free 800-221-1910 LEGAL ADVERTISING Toll Free 800-221-1910

Auction Notices

M. SKOLNICK DCA LIC # 793106 and/or S. GORELICK DCA LIC # 841437 Sell February 21, 1990 9:30 A.M. 2743 Stillwell Ave Bklyn 1985 Cadillac 4 Dr Sdn 1G6JG69P8FJ504367 Re: C. Rigby: 10:00 A.M. 2548 W. 13th St Bklyn 1988 Mercury Subn 1MEBM55U9JA602055 Re: Manufacturers Hanover WheelLease: 11:00 A.M. 234 Russell St Bklyn 1984 Ford 2 Dr Sdn 1FABP463XEA111661 Re: D. Everett: 11:30 A.M. 31-05 Queens Blvd Queens 1980 Dodge 4 Dr Sdn GM41CAG138403 Re: A.I. Dar: 12:00 P.M. 70-05 Northern Blvd Queens 1979 Pontiac 2 Dr Sdn 2J37Y92542613 Re: G. Millinger; 1986 Hyundai 4 Dr Sdn KMHLF31J4GU053710 Re: A. Cedron; 1980 Dodge 4 Dr H/B ZL44AAD174326 Re: E. Coulon: 12:30 P.M. 126-40 Northern Blvd Queens 1989 Yamaha Motorcycle JYA3LTC0XKA007242 Re: Y. Shigeru: 1:15 P.M. 130-07 Merrick Blvd Queens 1980 Buick 2 Dr Sdn 4M47WAG181557 Re: M. Costello: 1:15 P.M. 130-07 Merrick Blvd Queens 1985 Honda 4 Dr Sdn 1HGAD7421FA013213 Re: A. Tomlinson: 1:45 P.M. 90-25 Rockaway Blvd Queens 1982 Toyota Pick Up Truck JT4LN44D1C0079654 Re: G. Castellanos: 2:15 P.M. 250 Richmond St Bklyn 1985 Mercedes Benz 4 Dr Sdn WDBDA24D4FF039640 Re: E. Brown: 2:45 P.M. 350 Elton St Bklyn 1986 Pontiac 2 Dr Sdn 1G2NE27U7GC702213 Re: J. McCluskey: 3:15 P.M. 169 New Lots Ave Bklyn 1979 Mazda 4 Dr Sdn CB2MS543850 Re: B. O'Connor. Metropolitan Auctioneers, Inc. Published February 6, 1990 & Feburary 14, 1990.

William Cohen Auctr #792219 sells 9 AM on 2/22/90 at 3645 Dyre Ave Bnx '77 Timpte Trailer #41074 Re: U. Bass, '77 Kenworth #251558J Re: U. Bass; 10 AM at 3083 Webster Ave Bnx '77 Chevy #1H57U7B504746 Re: J. Millan; 11 AM at 1840 E. Tremont Ave Bnx '86 Nissan #1N4PB12S7GC772393 Re: Marine Midland Bank; at Noon at 1165 Garrison Ave Bnx '83 Toyota #JT2MX63E5D0026874 Re: R. Soto-E. Padro; 1 PM at 111-113 Erasmus St Bklyn '79 Olds #3V69R9M154869 Re: S. Pierre, '80 Olds #3N69YAX117139 Re: P. Herve, '78 Chevy #1L35U8J320272 Re: Y. Dorsainvil, '80 Buick #4Z573AE444754 Re: M. Pasco; 2 PM at 591 Hart St Bklyn '81 Datsun #JN1HU0155BT013189 Re: Y. Levit; 2:30 PM at 191 Montrose Ave Bklyn '81 Subaru #JF1AM43B3BC427497 Re: F. Petrowicz; 3 PM at 131-53 Sanford Ave Qns '87 Mercury #1MEBM53U1HA635208 Re: M. H. Tsiu; 4 PM at 30-15 Newtown Ave Qns '78 Chevy #1Z37U8B449543 Re: S. M. Hoffman. Published 2/6 & 2/13/90.

BERNARD MAGRILL CO., INC., 194 Broadway, Bklyn, N.Y., As Agents For Gem Pawnbrokers Queens Corp. At 216-15 Jamaica Ave., Queens Village, N.Y. Will Sell All Unredeemed Pledges #0001 10/16/87 To #12499 1/30/89 Also, Gem Pawnbrokers Manhattan Corp. 608 8th Ave., N.Y., N.Y. Will Sell All unredeemed Pledges #50638 8/10/87 To #26034 6/7/89 To Be Sold February 9th At 9 A.M. Queens Village Address.

C. LAUDISI & ASSOCS., INC., auct'rs sell February 21, 1990 at 10 AM at 101-08 43rd Ave., Qns 1978 Chevy #1W35M8D462717 Acct. A. Lopera; 11 AM at 70-11 50th Ave., Qns 1988 Dodge #1B3BD46K2JC149959 Acct. Command Security Corp.; 1989 Mitsubishi #JA7FJ43E0KJ008390 Acct. J. E. Perry 1987 Chevy #1G1JF11W2HJ166613 Acct. M. Adorno; 1975 Buick #4B69H5K112777 Acct. M. M. Slavska-Szulejko; 11:30 AM at 60-20 Northern Blvd., Qns 1982 Buick #1G4AV35N3CX118739 Acct. O. S. Meyer; 12 PM at 37-15 58th St., Qns 1989 Nissan #1N4GB22S3KC718037 Acct. S. J. Blair; 12:30 PM at 216-20 Hempstead Ave., Qns 1984 Toyota #JT2MX63E9E0063198 Acct. P. W. Bowrin; 1 PM at 112-03 14th Ave., Qns 1978 Ford #F37HECA1971 Acct. AB Towing & Storage Corp.; 2 PM at 29 Lincoln Ave., Qns 1980 Chevy #1N69JA1166626 Acct. B. Sencherey; 1980 Olds #3R47FA2472886 Acct. M. Macaro; 3 PM at 425 W. 59th St., NY 1987 Mitsubishi #JA7FJ23E8HJ033616 Acct. K. Yoon; 4 PM at 325 Exterior St., Bronx 1981 Cadillac #1G6AF3395B9196968 Acct. T. V. Liantonio. Published February 6 & 13, 1990.

DEFAULT In Security Agreement Made By Ramon Checo To Sea Crest Trading Of Connecticut Inc. I Will Sell Feb 7, 1990 at 1:30 PM at 764 4th Ave., Bklyn, NY Right, Title & Interest In & To Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right To Bid. Frank E. Seipp, Auct'r Lic #732234 of F.E.S. AUCTIONS INC., As Agents.

Legal Notice

NOTICE OF PUBLIC SALE COOP APARTMENT PLEASE TAKE NOTICE THAT: pursuant to ARTICLE 9 of the Uniform Commercial Code, Neil Heaney, Auctioneer, DCA# 720956, will sell at public auction, with Reserve to the highest bidder at the front steps, Supreme Court Building, 851 Grand Concourse, Bronx, New York at 12:00 p.m. on February 20, 1990, 406 shares of stock of NETHERLAND GARDENS CORP. issued in the name of LAVELL JACKSON JR. and the Proprietary Lease for Cooperative Apartment 4B located at 5621 Netherland Avenue, Riverdale, New York 10471, between LAVELL JACKSON JR. as lessee and NETHERLAND GARDENS CORP., a Cooperative Corporation as lessor. The sale is subject to the approval of the successful bidder by the Cooperative Corporation, it By Laws, Rules and Regulations. This sale is held to enforce the rights of ATLANTIC BANK OF NEW YORK, as the secured party arising under a Security Agreement dated January 19, 1989 executed with LAVELL JACKSON JR., 5621 Netherland Avenue, Riverdale, New York. The Coop Apartment will be sold AS IS, and possession is to be obtained by purchaser(s). Dated: January 10, 1990 BERKMAN, HENOCH, PETERSON, PEDDY & SCARCELLA Attorneys For ATLANTIC BANK OF NEW YORK 777 Zeckendorf Blvd. Garden City, New York (516) 222-6200.

NOTICE OF PUBLIC SALE COOP APARTMENT PLEASE TAKE NOTICE THAT: pursuant to ARTICLE 9 of the Uniform Commercial Code, Neil Heaney, Auctioneer, DCA# 720956, will sell at public auction, with Reserve to the highest bidder at the front steps, Supreme Court Building, 851 Grand Concourse, Bronx, New York at 12:15 p.m. on February 20, 1990, 385 shares of stock of NETHERLAND GARDENS CORP. issued in the name of LAVELL JACKSON JR. and the Proprietary Lease for Cooperative Apartment 1C located at 5640 Netherland Avenue, Riverdale, New York 10471, between LAVELL JACKSON JR. as lessee and NETHERLAND GARDENS CORP., a Cooperative Corporation as lessor. The sale is subject to the approval of the successful bidder by the Cooperative Corporation, it By Laws, Rules and Regulations. This sale is held to enforce the rights of ATLANTIC BANK OF NEW YORK, as the secured party arising under a Security Agreement dated January 19, 1989 executed with LAVELL JACKSON JR., 5640 Netherland Avenue, Riverdale, New York. The Coop Apartment will be sold AS IS, and possession is to be obtained by purchaser(s). Dated: January 10, 1990 BERKMAN, HENOCH, PETERSON, PEDDY & SCARCELLA Attorneys For ATLANTIC BANK OF NEW YORK 777 Zeckendorf Blvd. Garden City, New York (516) 222-6200.

Do You Have an Important Legal Notice?
Call Gail Edwards at 212/943-5716

C0175-1

AMERICAN BANKER

VOL. CLV NO. 26 Wednesday, February 7, 1990 th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Bankers Given Better News on Debt Guideline

By JOHN FORDE

NEW YORK — Although setting an accounting standard to mark certain debt investments to their market value is far from done, bankers are warily optimistic about news they're hearing from a key accounting group.

Based on early reports, the new guidelines will allow banks to hold debt securities at market value if they are likely to hold them for at least one year. The standard will also remove a test of bank intentions based on sales within the investment portfolio.

"It looks like a slight improvement, but it's still very unclear, and we won't know what it really means until the final rules come out for comment," said a controller at a major southeastern bank.

ANALYSIS
Follow-up on the news

"It would seem a little more beneficial for the banks [than earlier drafts], but it could still have an impact," said Martin Baumann, a partner at Price Waterhouse & Co.

Threat to Long Bonds

Bankers and others had worried that the accounting rule could cause banks to jettison their long-term investment portfolios in favor of shorter-term securities. Such a switch would have serious implications, including making it more difficult for the Treasury to fund the deficit. Banks are major investors in long-term government debt.

The latest version of the guideline, called "Reporting by Financial Institutions of Debt Securities Held as Assets," was drafted after a sometimes stormy meeting several weeks ago of the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants.

"Spirited debate" punctuated the meeting, said John L. Kreischer, committee chairman. However, the panel finally agreed by 14 to 1, with one abstention, to accept the new standard.

Bankers Still Opposed

Despite the improvements, from their standpoint, many bankers and others still oppose the guidance. Instead, they favor increased disclosure of the yields and maturities in investment portfolios, as well as of bank activities in selling these securities. The Securities and Exchange Commission has focused on improving disclosure of these activities in annual reports.

Wording of the document au-

See **BANKERS** *page* 19

INSIDE NEWS

FINANCE

NCNB'S STOCK has fared as poorly as most bank issues in recent months, but it has shown greater than average volatility – perhaps the price of fame. *Page 24*

INTERNATIONAL

THE EUROPEAN Commission will push for liberalization of the banking laws of the United States, Japan, and other EC trading partners. *Page 14*

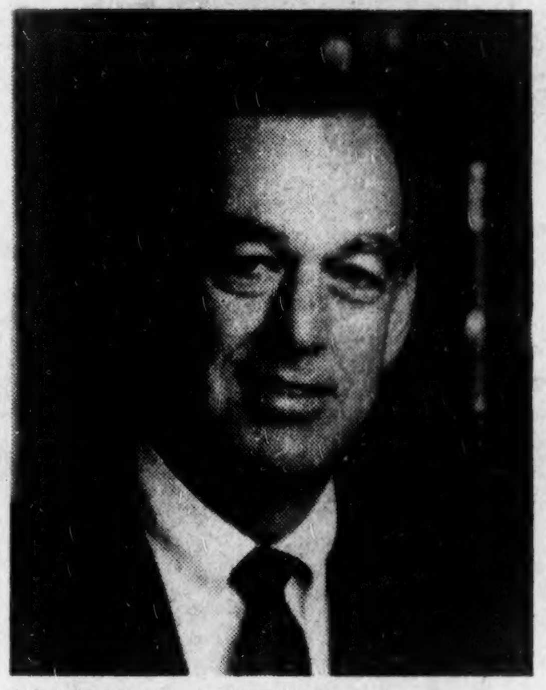
CONSUMER

MARK TWAIN Bancshares agreed to acquire the Alvery Bartlett Brokerage Co. and an affiliate, which will make it one of the largest brokers in St. Louis. *Page 8*

TECHNOLOGY

HUNTINGTON Bancshares, Columbus, Ohio, is revamping all its systems to consolidate acquisitions into a seamless branch network. *Page 10*

PEOPLE



MARIO J. ANTOCI, chairman of the revitalized American Savings Bank in Stockton, Calif., has seen hard work pay off in profits. *Page 2*

DEALS

NCNB INVESTMENT Banking Co. gathered investors for an ESOP issue for Square D Co., in the latest deal to use a proprietary funding structure. *Page 22*

OTHER NEWS

DEPOSIT INSURANCE reform is one of the key issues addressed in the annual economic report of the President. *Page 2*

INDEX

Company Index 2
Technology 3
Grapevine 4
Executive Changes 12
Classified Advertising 20
Bank and Thrift Stocks 23

Thrift Deposits Dip Again, But Industry Gains Capital

By BILL ATKINSON

WASHINGTON — Deposits continued to drain out of the thrift industry in November, regulators said Tuesday, but, in one bright note, there was a modest increase in capital for the first time in nine months.

Net deposit outflows at thrifts not under government conservatorship narrowed to $2.7 billion, the Office of Thrift Supervision said, marking the 11th straight month of outflows. Analysts said that no end to the deposit runoff was in sight.

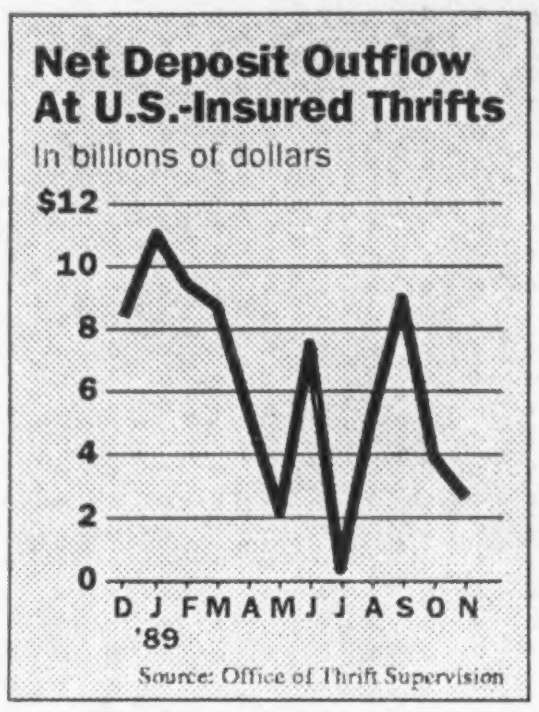
The outflow compares with a $3.9 billion decrease in October and $7 billion a year earlier.

The 275 thrifts under government control had a net deposit loss of $2.2 billion in November, down from $2.5 billion in October.

Many S&Ls are selling assets and deposits to shrink their business and raise capital in an effort to meet stringent capital requirements imposed by the thrift-bailout law.

In a sign that that strategy is working, the industry recorded a $167 million increase in capital in November, the first increase since February, when there was a $144 million gain. In the first 11 months of the year, the industry lost $14.3 billion in capital.

While the net deposit outflows appear to be declining, they will undoubtedly continue, said James Barth, former chief economist of OTS.



Net Deposit Outflow At U.S.-Insured Thrifts

Source: Office of Thrift Supervision

"We could see billions of dollars shed by institutions," said Mr. Barth, who now teaches at Auburn. "It is not likely to discontinue anytime soon. There are too many assets and deposits at these institutions and not sufficient capital."

Mr. Barth said he is concerned that many S&Ls will shed prime assets, such as core deposits and branches. "In many cases, those are the only sources of value at the new institution," he said. "As they have to get rid of their best assets first, some of the bloody institutions are going to be hurting themselves."

"When the confidence in the thrift industry is restored, peo-

See **THRIFT** *page* 21

U.S. Ruling Puts a Dent In Capital Of Citicorp

By TERENCE M. SMITH
and JED HOROWITZ

NEW YORK — Federal regulators are requiring Citicorp to boost the amount of capital supporting its municipal bond insurer, AMBAC Indemnity Corp.

Sources said the ruling could force Citicorp to dedicate an additional $600 million in capital to support the unit or be forced to divest it.

Citicorp currently has enough extra capital to cover that amount. But it now has to decide if it wants to use that capital for AMBAC at a time when its cushion against loan losses and other problems is thin.

Citicorp said it was unaware of the ruling and therefore had no comment.

In letters released Wednesday by U.S. Sen. Steve Symms, R-Idaho, the Comptroller of the Currency said the assets of AMBAC must be consolidated onto Citibank's balance sheet when computing its risk-based capital guidelines. The new rules will require bank companies for the first time to reserve against off-balance-sheet risk in the

See **REGULATORS** *page* 9

Lenders Cut Their Losses on LDC Credits

By JAMES R. KRAUS

NEW YORK — After spending nearly a decade futilely trying to get their money back, major U.S. banks are selling their sour Third World loans at steep losses in order to put the problem behind them.

In the past 36 months, 17 leading U.S. banks have reduced their Third World loan exposures by 31% to $50.7 billion from $73.5 billion, according to Keefe, Bruyette & Woods Inc. Bankers and analysts said the remaining debt will be reduced over the next several years.

"The banks don't like [Third World] borrowers, they don't like the business, and they've decided to get out. They've decided that holding these assets impinges on their market value and have washed their hands of the mess," said Lawrence W. Cohn, a banking analyst with Drexel Burnham Lambert Inc.

To be sure, U.S. banks are paying a hefty price to put their Third World nightmares behind them. They are selling their Third World loans at discounts of 50% to 90%, meaning they are losing anywhere from 50 cents to 90 cents on every dollar loaned out.

But the loan sales actually boost earnings, because banks can claim the losses as deductions on the taxes they pay on their profits. These tax breaks allowed the Bank of America to earn record profits last year, according to Peter McPherson, senior vice president and director of debt restructuring.

The San Francisco-based bank sold $1.4 billion in Third World loans last year, but reported record annual earnings of $1.1 billion.

Among the most aggressive sellers are of Third World loans in the past 36 months are Citicorp, which sold $3.5 billion; BankAmerica, $2.8 billion; Chase Manhattan Corp., $2.2 billion; First Chicago Corp. and

See **U.S.** *page* 9

Banks Opt for a Lighter Load of LDC Debt

	Reductions since '87 ($ in billions)	(% change)	Current exposure ($ in billions)
Citicorp*	$3.5	24%	$11.1
BankAmerica	2.8	27%	7.6
Chase Manhattan	2.2	25%	6.5
J.P. Morgan	1.8	33%	3.6
First Chicago	1.8	58%	1.3
Wells Fargo**	1.8	92%	0.1
Manufacturers Hanover	1.6	17%	7.6
Continental Bank*	1.5	71%	0.6
Bank of New York*	1.4	62%	0.8
Security Pacific**	1.4	64%	0.8

*Medium- and long-term loans only
**Estimate

Source: Keefe, Bruyette & Woods Inc

PEOPLE *in the news*

Antoci Directs American To Top Profits Among S&Ls

By PHIL ROOSEVELT

As chairman and chief executive officer of the once-troubled American Savings Bank, Mario J. Antoci says he is working longer, harder hours than ever before in his career.

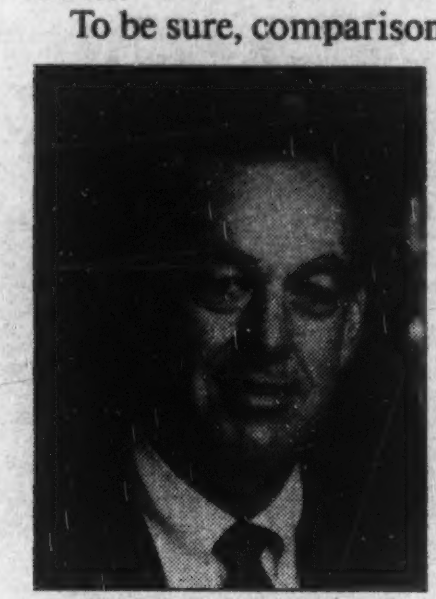
"But I'm loving it," he says. "We've had a lot of fun this year."

Make that fun *and* profits. The Stockton, Calif., thrift, acquired by the Robert M. Bass Group about a year ago, recently reported eye-popping earnings of $214 million for 1989 – more than any thrift in the country.

It beat the $193.9 million reported last month by H.F. Ahmanson & Co., the parent of Home Savings of America, the nation's largest thrift.

To be sure, comparisons with other thrifts are somewhat misleading. Mr. Antoci, 55, noted in an interview that the $214 million does not reflect taxes. Under terms of the Bass acquisition, the thrift pays no taxes, but rather funnels to the government, from retained earnings, about 75% of what it ordinarily would pay in taxes.

Also, the $16.3 billion-asset thrift – the so-called "good bank" of the now-defunct American Savings and Loan Association – derives substantial income from an $8 billion loan to the related "bad bank," New West Federal Savings and Loan Association. American's profits also reflected some nonrecurring gains from the sale of loans and securities.



Mario J. Antoci

Nonetheless, American has made indisputable progress under Mr. Antoci, who came to the post in December 1988 from the presidency of Los Angeles-based H.F. Ahmanson.

Considered one of the leading authorities on adjustable-rate mortgages, he cranked up American's mortgage originations by about 45% last year, to $2.9 billion. And a further jump to $5 billion is planned this year, Mr. Antoci said.

More important, Mr. Antoci has switched the type of adjustable favored by the thrift to one with a rate that adjusts every month instead of every six months.

"The six-month loan is just wrong for someone who wants to lock in a profitable spread," he said. "You take basis risk when you only adjust every six months."

At the same time, Mr. Antoci has attacked American's cost structure, which he said became bloated as a result of a 1983 merger. General and administrative expenses have declined to 1.7% of assets from 2.2% a year ago, even as the thrift extended its week to offer Saturday banking.

Working with two consulting firms, Mr. Antoci and his team "took a very extensive look at how we run this company from every facet," he said. "And because we had a new management team, no egos were bruised when someone said we should change the way we're doing something. All of us were flexible and willing to change." ☐

NEWS *briefs*

First Fidelity's Terracciano Aims to Boost Productivity

PHILADELPHIA — First Fidelity Bancorp chief executive Anthony Terracciano said he would take quick action to boost productivity and returns at the regional bank company.

Mr. Terracciano, who became chairman on Feb.1, told a news conference that he would focus on improving First Fidelity's asset quality, productivity, and business mix "and the pace with which we come to grips with these issues will be rapid."

Chase Securities Lays Off 11 During Restructuring

NEW YORK — Chase Manhattan Corp. said its fixed-income securities unit has laid off 11 employees. Chase Securities Inc., which underwrites, trades, and distributes corporate and government debt instruments, has over 200 employees, a Chase spokesman said.

No single area was targeted for the layoffs, which included personnel in sales, repurchase agreements, and trading. All the traders dismissed were involved in government securities.

The spokesman said the layoffs follow a restructuring of the securities unit as well as "expense cuts" within nonstrategic areas. He said some may find other jobs with Chase.

Fed Wins Battle to Force BancTexas to Add Capital

DALLAS — The Federal Reserve Board won a court battle Tuesday that permits it to go ahead with plans to force BancTexas Group Inc. to inject capital into two banking units.

The U.S. District Court for the Northern District of Texas refused to grant BancTexas' request that the Fed be barred from applying its "source of strength" doctrine and require the holding company to bolster its subsidiary banks with capital.

— Barbara A. Rehm

New Deadline in Debit Card Antitrust Case

By YVETTE D. KANTROW

NEW YORK — MasterCard International and Visa U.S.A. have been given another month to consider settling the antitrust suit filed against them last July by 13 state attorneys general.

The extension until March 8 was granted Tuesday by the U.S. District Court for the Southern District of New York.

Since September, the card associations have been mulling a settlement proposal presented by the attorneys general, which sought to prevent MasterCard and Visa from providing a debit card system known as Entree. The attorneys general also wanted MasterCard and Visa to sell their interests in the two national debit card networks, Cirrus System Inc. and Plus System Inc.

Several Extensions

In their settlement offer, the attorneys general said they would drop the lawsuit, including the demand to divest Cirrus and Plus, if MasterCard and Visa agree to abandon Entree and enter no further joint ventures in the debit card field.

The card associations' response to the September settlement offer was originally due to be filed on Nov. 6. The court has since granted several one-month extensions to allow the two sides to continue negotiations.

In the absence of antitrust enforcement by the Justice Department, the state attorneys general joined forces to halt the Entree project. They accused MasterCard and Visa of engaging in a conspiracy to preserve the profitability of credit cards.

Difficult Progress

While MasterCard and Visa have been planning Entree for several years, the system has yet to get off the ground, and the specter of legal action has made progress difficult.

If the card associations accept the settlement offer as originally proposed, Entree would be scrapped, MasterCard could keep its Cirrus subsidiary, and Visa could retain its minority share of Plus. MasterCard and Visa would also be allowed to develop their own electronic debit card systems, but they would have to remain separate.

Officials on both sides of the issue will not disclose details of the behind-the-scenes settlement discussions. ☐

Bush's Economic Report Raises Reform of Deposit Insurance

By ROBERT TRIGAUX

WASHINGTON — Inefficiencies in the banking system and the need to overhaul the federal deposit insurance system are among the key issues discussed in the annual economic report of the president.

In addressing a wide range of economic issues, the 419-page report, released Tuesday by the White House, partially acknowledges poorly designed policies for contributing to the thrift crisis. But it also warns that the banking industry has serious obstacles to overcome – including a lack of funding discipline.

Deposit insurance, which is now being studied by the Treasury Department, has helped prevent public panics, but it also has encouraged excessive risk-taking by institutions that do not have enough of their own capital at stake, the report said. Deposit insurance also allows banks to continue raising funds even when the funds are being devoted to "activities that are not economically viable," the report states.

One result is that the recent deterioration of credit quality may actually be systemic, and not reflect one-time shocks or problems in specific sectors or geographic regions, according to the report.

"Banks have suffered from more bad loan experiences but in the aggregate have not received increased compensation from borrowers," the report said.

The use of risk-based deposit insurance, the report suggests, would give banks more incentives to weight their costs against their choice of investments. Reform of deposit insurance, as well as the repeal of the Glass-Steagall Act, which separates commercial and investment banking, must be considered in a larger effort to modernize the financial system, the report stated. ☐

Corrections

A Feb. 2 story ("Ranieri Group to Acquire Mortgage Origination Network," page 11) incorrectly stated the roles of two companies that have been helping sell parts of Commonwealth Mortgage Corporation of America, Houston. Hamilton, Carter, Smith & Co., Los Angeles has been assisting in the sale of the company's origination network. A unit of Countrywide Credit Industries, Pasadena, Calif., has been assisting in the sale of certain mortgage servicing rights.

■

A Jan. 30 story ("Louisiana's Hibernia, Eager to Add Texas Franchise, Takes a New Step," page 1) misstated the federal agency involved in the sale of BancTexas Dallas and incorrectly reported terms of the deal. Hibernia Corp. received $69 million from the Federal Deposit Insurance Corp. to assume all the assets and most of the liabilities of BancTexas Dallas. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
H.F. Ahmanson 2
Alvery Bartlett Brokerage 8
AMBAC Indemnity Corp. 1
American Bankers Assn. 8
Associates Corp. 12
AT&T 10,22
Banc One 10
Bancal TriState Corp. 12
Bancorp of Mississippi 12
BancTexas Dallas 2
Bank of Credit and Commerce International 14
Bank of New England 4,24
BankAmerica 1,8
Bankers Trust 3,12
Barclays 3
Brattleboro Savings and Loan 6
British Telecom 3
Brown Brothers Harriman 24
BT Tymnet 3

C - E
Campeau 4
Chase Manhattan 1,2,4,12,24
Chemical Banking 4
Cirrus System 2
Citicorp 1,4,24
Citizens Fidelity 12
Citizens First National of New Jersey .. 12
Commonwealth Mortgage Corp. of America 2
Countrywide Credit Industries 2
Digital Equipment 3
Drexel Burnham Lambert 1,24

F - G
F&M Financial Services 12
Fifth Third 10
Financial Guaranty Insurance Corp. 1
First American Bank of Virginia 12
First Chicago 1
First City, Texas-Houston 12
First Fidelity 2,24
First Wachovia 22
FirstFed Michigan 12

H - I
Hamilton, Carter, Smith 2
Hewlett-Packard 3
Hibernia 2
Huntington Bancshares 10
IBM 3,10
Intelligent Technology Group 3
International Bank of Commerce 8
InterVoice 6

J - L
Keefe, Bruyette & Woods 1,24
Kelso 22
Lloyds 3

M - N
Manufacturers Hanover 1,8
Mark Twain Bancshares 8
MasterCard 2,3
McDonnell Douglas 3
Mellon 24
Merrill Lynch 21
Mitsubishi Trust and Banking 14
Mitsui Trust and Banking 14
Moody's Investors Service 14
J.P. Morgan 1,4,22,24
Morgan Guaranty Trust 4
National Westminster 6,12
NCNB 22,24

O - P
Old Stone Bank 12
One Bancorp Financial Group 12
PaineWebber 24
Paknet 3
Plus System 2
Price Waterhouse 1

Q - R
Quaker Oats 22
Rich Inc. 3
Robert M. Bass Group 2

S - T
Sanford C. Bernstein 1
Scholl & Levin 24
Security Pacific 14,22
Square D 22
Stock Index Futures 8
Stone & McCarthy 21
Sumitomo Trust and Banking 14
Synovus Financial Corp. 12
Teachers Insurance & Annuity Assn. of America 22

U - V
U.S. Bancorp 22
U.S. League of Savings Institutions 6
UJB Financial Corp. 12
Unisys 10
Visa 2,3

W - Z
Wachovia Bank and Trust 12
Washington Bancorp 12
Wells Fargo 8,12
Xerox 22

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 9

COMMENT/ *By Wayne B. Lewin*

For CEOs, a Staffing Crisis

Overall, most banks have weathered the winds of deregulation pretty well.

Oh, isolated problems have cropped up. And with unregulated liability rates, it is a bit more difficult to maintain an acceptable net interest margin. Nevertheless, deposits continue to roll in, and loans are made – things really haven't changed all that much.

Underlying this sense of satisfaction, however, is a fundamental perception that is about to be vaporized.

The business scenario just described assumes that the traditional universe of conscientious, capable, and inexpensive customer contact staff will continue to be available. While we have been reading for years that this population would shrink, it had not yet happened in the banking world, so the natural tendency was to ignore the warnings.

Time of Comfort

Based on my experience over the past 18 months, those comfortable days are about to end.

Officers at virtually every institution I talk to or work with – large as well as small – say: "We are having a very difficult time finding tellers and new account representatives. It is taking longer to fill these positions, and the people we are hiring are at a much lower level of competency than in the past."

Sound familiar? (If you are a CEO and you have not experienced the problem, call your personnel officer and ask whether it is happening. If it isn't, act now because you are lucky to have the lead time. Chances are you will discover it is happening. You just haven't been told.)

Make no mistake. This is not a short-term phenomenon. The demographic data are absolutely clear that this will be with us for the foreseeable future. A declining population is available to take entry-level jobs, and the nation's high schools are producing graduates who often can barely read, write, or compute.

> **'We are kidding ourselves if we think that traditional hiring, training, and compensation will bring about planned strategic outcomes in today's staffing environment.'**

This is a challenge that without a doubt requires the immediate attention of the CEO because it has practical as well as strategic implications.

The solution simply can't be left to the personnel department. I have repeatedly seen CEOs ordering the personnel department to "work harder at finding better people." Problem is, they don't exist – at least not at a salary level that fits within the industry's current economics.

This crisis is now beginning to affect the ability of some organizations to maintain adequate service.

One CEO recently got a rude introduction to the crisis when he ventured into the lobby on a busy Friday morning. He saw that only two teller windows were open and that one teller was also handling the drive-up window.

Lines were long, and customers were becoming angry. Like any good commander, this CEO found the teller supervisor and ordered her to "open more windows immediately." He was told there were no more tellers. Overtime guidelines had already been exceeded for the week, and teller openings were chronically unfilled.

Strategic Implications

Believe me, that CEO knows the crisis is here. But more importantly, the crisis has at least two strategic implications.

First, it calls into question the basic business plans that many institutions have spent so much time developing in the past four to five years.

Many banks intend to differentiate themselves on the basis of quality service. They are expecting much more complex work from their staffs when the employee pool is smaller and less well prepared than ever before.

Practically everyone wants to cross-sell services and make more fee-based sales. But as a recent headline in the *ABA Banking Journal* said: "Forget About Sales – Can Your Teller Add?" We are kidding ourselves if we think that traditional hiring, training, and compensation will bring about planned strategic outcomes in today's staffing environment.

Second, the economics of hiring competent entry-level employees has changed drastically.

I have done research suggesting that entry-level pay would have to be 2.5 times greater, on average, in order to attract truly more competent employees. Raising base pay a few thousand dollars simply attracts the same quality person but with several more years' experience. If anything, that may worsen rather than solve the problem.

Think what would happen to the bottom line if teller and new account staff pay was doubled. In at least one organization I studied, this alone would have almost wiped out the year's net income.

But the challenge does not stop here. People at this next tier are more career-oriented, so they expect more rapid salary increases and promotion opportunities, further straining banks' economics.

Few banks I know of today could use this approach anytime soon. They can't afford it, and the internal structure is not ready to meet such expectations.

(Parenthetically, it should be noted that this may be the only long-term solution. But details of that scenario will be left to a future article.)

Four Steps Recommended

Every CEO should now have a plan to deal with the crisis. In my practice, I have found that four steps must be taken. These must be seen by everyone in the institution as emanating from the CEO's office and having his full support.

Failure to provide this type of leadership will lead to increasing incidents of the type described earlier. One day, the crisis will hit home in some very unpleasant way. These are the four steps:

- Expect and plan for a high rate of turnover in the first 90 days. This means keeping the job-candidate pipeline full. Despite ever more sophisticated recruiting and selection tools, the

See **IMPENDING** *page* **19**

Mr. Lewin is senior vice president, retail banking, at University Financial Savings in Chicago.

GRAPEVINE/ *By Jed Horowitz*

Morgan Cracks Whip. J.P. Morgan & Co. president Douglas "Sandy" Warner played tough guy with the troops last week, telling senior managers they are not meeting cost-reduction goals, a source said. Morgan laid out a plan last summer to cut head count by a reported 10% – or some 1,500 people – by the end of 1990.

Mr. Warner rapped the budget plans submitted by most managers as insufficient to meet the overall target. The source said budget plans that formerly were reviewed perfunctorily are now undergoing tough scrutiny.

"Morgan doesn't have the luxury to be the benevolent institution it has been in the past," the source said. "It's not kinder and gentler; it's tougher and rougher."

A Morgan spokeswoman said the company does not comment on internal management sessions.

The meeting's somber tone also may have been colored by recently awarded bonuses that in most cases were sharply reduced from the previous year.

* * *

Net Net, Citibank Retreats. Citibank has abruptly withdrawn from a foreign-exchange clearing system it was developing with Chase Manhattan Co. and Morgan Guaranty Trust Co. Citibank pulled the plug only days after the money-centers conducted a road show to persuade other big trading banks to join the project.

Sources said Citibankers working on the project were as surprised as their colleagues by the order to withdraw. Apparently, Citibank bosses were concerned that the company was competing against itself. Citicorp's Quotron subsidiary recently won an assignment to develop software support for a rival, though less sophisticated, currency clearing system called FX Net.

Ironically, the decision to award the contract to Quotron was opposed by only two members of the bank-controlled FX Net board: one from Chase and one from Morgan.

Budd Berro, senior credit officer for Citi's North American investment bank, said Citicorp felt it was efficient to focus on the simpler FX Net system, a bilateral netting plan that is further along in development. Both systems are aimed at reducing credit risk and processing costs for interbank currency traders.

Citibank, Chase, and Morgan spent a few hundred thousand dollars developing the multilateral netting plan over the past year. Chase and Morgan continue to recruit other banks to give data and money for the next stage of development.

* * *

Shipley Snubs Gotham. Chemical Banking Corp. chairman Walter V. Shipley says his crusade to wean the bank from New York City is continuing. In a recent speech to New York State bankers, he said his company "doesn't want to be the slave to Manhattan that we have been," noting the difficulty of finding qualified people to work as clerks and tellers.

After the speech, he noted that he has met with recently inaugurated Mayor David Dinkins. The subject: Chemical's threat to move more than 3,000 people in its back-office and other operations out of Manhattan in 1994 unless it can win tax concessions from the city.

* * *

Round Trip in New England. Talk about bad timing. Walter Mercer, who was Citicorp's senior officer in Massachusetts, joined Bank of New England's real estate department just a few months ago. Weeks later, the Boston bank said almost 20% of its real estate portfolio was under water and projected a fourth-quarter loss of $1.2 billion.

Mr. Mercer wants to return his signing bonus so he can rejoin Citicorp, according to a reliable source. Neither he nor Citicorp officials would comment.

His new boss, executive vice president Robert McAleer, concedes the job has changed, but said he is trying to persuade Mr. Mercer to stay. "He thought he was coming in to build the portfolio locally and nationally," Mr. McAleer said. "We want him to manage the Boston Bank's real estate department. Things have changed."

* * *

Baa, Baa, Baankrupt. Call it sheepish black humor. At a recent meeting of bankers who are arranging debtor-in-possession credits for affiliates of the crumbling Campeau Corp., a chalkboard with a picture of a big sheep graced the conference room.

Issuing from the sheep's mouth was a cartoon balloon reading: "Baa, baa, I lost my company."

Company founder Robert Campeau is on a regimen of imported sheep cell injections to keep him youthful, the host bankers explained. When bankers involved in the loan call each other today, one creditor says, they identify themselves with a "baa." □

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Regulators Requiring Citicorp to Raise Capital for AMBAC Subsidiary

Continued from *page* 1

form of letters of credit and other financial guarantees.

Although Citicorp has included AMBAC on its balance sheet since purchasing it in 1985, it also has been accused of double counting in including AMBAC's capital to support other activities of the parent. As of June 20, AMBAC's capital stood at $714 million.

Rival financial guarantors also have accused Citicorp of planning to transform existing letter-of-credit businesses into companies like AMBAC. The Financial Guaranty Insurance Corp. told the Federal Reserve Board last summer that Citicorp apparently believes that financial-guarantee insurance policies are not subject to risk-based capital rules that will go into effect at yearend 1992.

"We in Congress have just gone through the trauma of the thrift bailout caused, in part, by lax and inadequate capital standards," Sen. Symms, a member of the Committee on Finance, wrote Comptroller Robert Clarke last November. "This is neither the time nor the industry in which to experience a repeat performance through circumvention of applicable capital standards."

In responses from Mr. Clarke and Fed Chairman Alan Greenspan that Sen. Symms released Wednesday, the regulators said they would not permit Citibank to "deconsolidate" its financial-guarantee activities nor double-count capital from the units.

Mr. Clarke said his office "has informed Citibank that we expect it to consolidate AMBAC onto its balance sheet when computing its risk-based capital requirements," Mr. Clarke wrote. He said the new standard would be phased in over two years beginning Dec. 31, 1990.

In his letter to the senator, Mr. Greenspan said many technical questions remain on how to "calculate the level of capital required to support" financial guarantees. But he said it was clear that double counting is not permitted under the risk-based capital framework.

Citibank has been accused by FGIC, a bond insurance company, and the American Insurance Association of double-counting its capital at AMBAC Indemnity.

They charged that Citicorp reserved just $65 million in capital against AMBAC's $1.1 billion in assets, according to petitions sent to the Fed.

Since AMBAC has capital of approximately $630 million, Citicorp is free to use the remaining $535 million as capital, said Bonita Z. Dorland, vice president and director of FGIC's financial institutions group.

"Essentially, a conflict arises because insurance regulators count the full $630 million in capital as dedicated to AMBAC's policyholders, while the Fed counts $535 million as available for bank depositors,' Ms. Dorland said. ☐

U.S. Banks Take Steep Losses In Third World

Continued from *page* 1

J.P. Morgan & Co., $1.8 billion; and Manufacturers Hanover Corp., $1.6 billion.

Officials at these institutions said they plan to continue aggressively disposing of their Third World loans.

"We're still going down. We don't plan to level," said Paul McGonagle, senior vice president in charge of country risk management at First Chicago.

Sales in Secondary Market

Most of the Third World loans are being sold on the secondary market, where banks buy and sell their foreign debt on behalf of governments and private customers.

They are also negotiating debt-reduction agreements, generally a less costly method. For example, U.S. banks signed an agreement on Sunday to reduce the principal on their loans to Mexico by 35%, but refused to advance the country additional loans. In the secondary market, Mexico is estimated to have bought as much as $6 billion worth of loans at discounts of up to 60%.

"We could have sold out on Mexico at 40 cents on the dollar, but ended up by getting 65 through the latest agreement," one banker in New York pointed out. ☐

Fed Wins Court Fight Against BancTexas

DALLAS — The Federal Reserve Board won a court battle Tuesday that permits it to go ahead with plans to force BancTexas Group Inc. to inject capital into two banking subsidiaries.

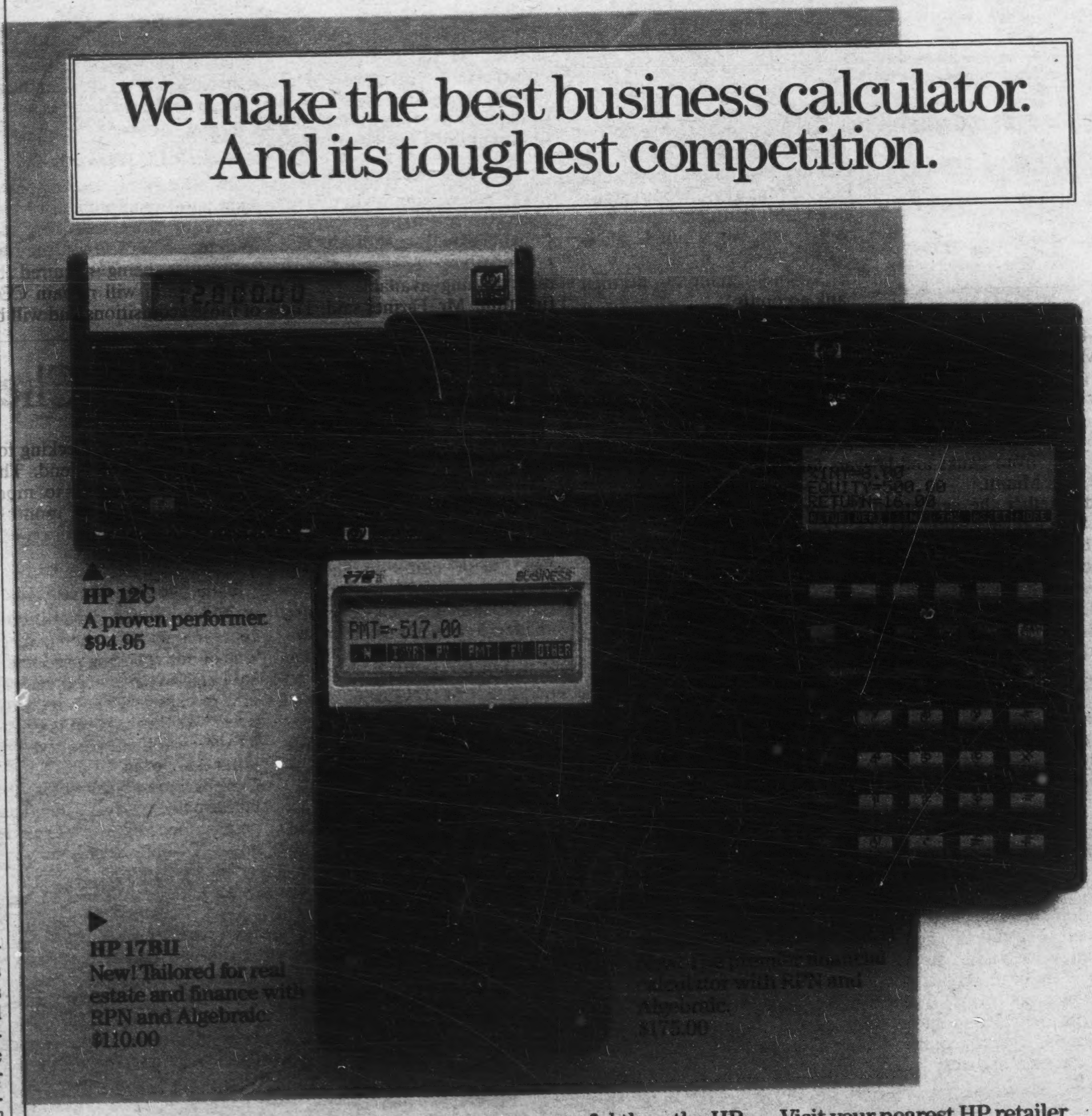
The U.S. District Court for the Northern District of Texas refused to grant BancTexas Group's request to bar the Fed from applying its source-of-strength doctrine and require the holding company to bolster its subsidiary banks with capital. ☐

CNB to Buy Kentucky Bank

EVANSVILLE, Ind. — CNB Bancshares Inc. said it had agreed to acquire Kentucky's Henderson County State Bank from Henderson Financial Corp. for $1.75 million.

The deal for the bank, which has assets of $23 million, is subject to definitive agreement and regulatory approvals.

The firms said the transaction is expected to be completed in the second quarter. ☐



We make the best business calculator.
And its toughest competition.

▲
HP 12C
A proven performer.
$94.95

▶
HP 17BII
New! Tailored for real estate and finance with RPN and Algebraic.
$110.00

calculator with RPN and Algebraic.
$175.00

The HP 12C is a modern legend. Over the past 8 years, it's become standard equipment for everything from savings plans to APR calculations.

Now Hewlett-Packard introduces two new business calculators: the HP 17BII and HP Business Consultant II. Even faster, simpler and more powerful than the HP 12C. With RPN *and* algebraic entry.

We've built in scores of menus to lead you to the solutions step-by-step. Our unique HP Solve function even lets you enter your own formulas in plain English. Then change variables without going back to square one.

Visit your nearest HP retailer and get a business calculator that's going to make it tough on your competition. Check your Yellow Pages for retail locations.

There is a better way.

HEWLETT PACKARD

© 1990 Hewlett-Packard Company All prices suggested retail. PG12001A

800

C0175-1

AMERICAN B

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 27 Thursday, February 8, 1990 155th year

Rosenberg Seen Building B of A In Western U.S.

By SAM ZUCKERMAN

SAN FRANCISCO — Richard M. Rosenberg's selection as BankAmerica Corp. chairman and chief executive is likely toaccelerate the company's transformation from a global banking powerhouse to a western superregional, company insiders and analysts say.

Mr. Rosenberg, who will succeed A.W. Clausen after the company's annual meeting on May 24, has limited international banking experience. The 59-year-old executive has spent almost his entire career in marketing, and analysts expect he will focus on retail and commercial banking in the West.

ANALYSIS
Follow-up on the news

"International lending is not [Rosenberg's] strength," said a Bank of America executive who asked not to be identified.

Mr. Clausen, who had turned Bank of America into a major international player by the time he first retired in 1981, grudgingly consented to scale back international activities when he returned for a second tour of duty four years ago. But analysts say Lewis W. Coleman, the bottom-line-oriented head of Bank of America's world banking group, was not able to make all the cutbacks he felt were needed.

"Tom Clausen restrained Lew Coleman from acting more quickly and severely in withdrawing from markets and businesses," says PaineWebber analyst Thomas K. Brown. "The combination of Mr. Coleman and Mr. Rosenberg won't hesitate to further reduce the World Banking Group."

Flair for Downsizing

Mr. Brown says of Mr. Coleman: "I can't think of another person who takes such pleasure in downsizing his area."

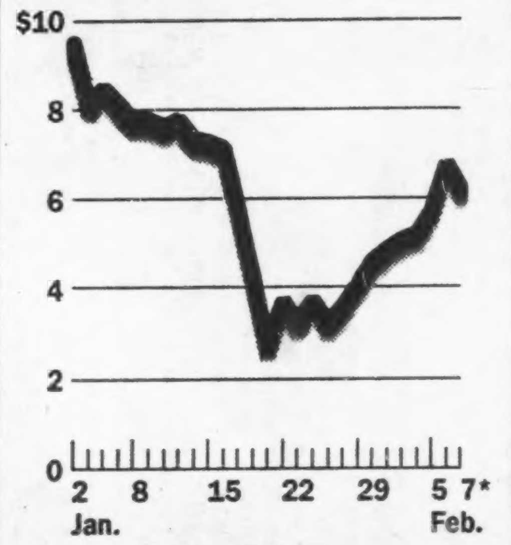
Mr. Rosenberg and his top deputies, including vice chairman and chief credit officer Glenhall E. Taylor Jr. and vice chairman and chief financial officer Frank N. Newman, as well as Mr. Coleman, all did stints at Wells Fargo & Co., where they absorbed that organization's disciplined, cost-efficient approach.

Under their direction, BankAmerica is likely to become more like its San Francisco rival in strategic focus and a strict emphasis on profitability. Their approach allows little room for the kind of considerations of global prestige that landed Mr. Clausen the presidency of the World Bank in 1981.

See **ROSENBERG** *page* 9

INSIDE NEWS

BNE's Stock Rebound



*Price at 3 p.m. Feb. 7

Source: DB Technologies Inc.

FINANCE

THE RALLY in Bank of New England shares faltered, although rumors persisted that a big piece of the company might be sold to Citicorp. *Page 16*

INTERNATIONAL

U.S. COMPANIES led the field last year in raising international bank loans for global merger activity, the Bank of England reports, *Page 10*

TECHNOLOGY

QUOTRON, Citicorp's troubled information unit, plans to buy American Financial Systems, a Pennsylvania software company that specializes in portfolio management systems for brokerage houses. *Page 3*

MANAGEMENT

LARGER-THAN-LIFE characters from literature and history provide models for modern-day managers at the Consumer Bankers Association course in leadership. *Page 8*

CONSUMER

ROCKY MOUNTAIN Bank Note, a check printer in Denver, has entered an "affinity checking" deal that benefits the U.S. Ski Team. *Page 6*

COMMENT

TIME-SAVING strategies win points with consumers who have grown accustomed to this convenience in other markets, writes William M. Isaac. *Page 4*

INDEX

People in the News 2
News Briefs 2
Company Index 2
The Lobbyists 4
Marketing 6
Classified Advertising 12
Bank and Thrift Stocks 15

AT&T Asks Banks to Join EDI Venture

By RICHARD LAYNE

ORLANDO, Fla. — Boosting the communications and payment technology known as electronic data interchange, American Telephone & Telegraph Co. is seeking an alliance with bankers to offer financial data interchange to corporations.

AT&T is the second corporate giant offering to join forces with large banks to incorporate EDI in cash-management services. Late last year, an affiliate of Sears, Roebuck and Co. formed a partnership with leading cash-management banks to combine funds-transfer information and other documentation in EDI transmissions.

Compatibility Explored

In EDI, corporations exchange invoices, advices, and other documents in electronic form. Banks have been exploring ways to make it compatible with the payment and cash-management services that are a significant source of their fee income.

The AT&T combine, like the

See **AT&T** *page* 7

3 Regulators Clarify 'Highly Leveraged'

By BARBARA A. REHM

WASHINGTON — Federal regulators clarified their definition of highly leveraged transactions on Wednesday and, in the process, reduced the number of loans that banks will have to disclose as risky.

The revision came in response to criticism that guidelines released last October were too vague. Those guidelines, aimed at presenting a better picture of the riskiness of bank lending portfolios, were expected to result in huge increases in the loans classified as financing leveraged buyouts and other risky transactions.

The revision does not substantially alter the original definition. But it does effectively ease the terms in some cases, bankers said. For example, while the original definition did not set a minimum for affected loans, some bankers thought they had to include loans exceeding $5 million. But the revised rules specify a minumum of $20 million.

However, the regulators denied bankers' requests to exempt loans to cable and media companies from the highly leveraged transaction, or HLT, classification.

Changes in Rules On Leveraged Loans

The new guidelines:

- ☞ **Limit the transactions affected to buyouts and full-business recapitalizations.**
- ☞ **Include loans to media and cable companies.**
- ☞ **Exclude loans smaller than $20 million.**
- ☞ **Specify when performing loans can be exempted.**

Michael L. LaRusso, senior national bank examiner at the Office of the Comptroller of the Currency, explained that some bankers have been assuming cable and media company loans were excluded because these companies normally have high debt.

"That was the biggest industry the banks were not including in their HLT portfolios," he said. "We never contemplated excluding those loans."

Regulators do not limit the amount of highly leveraged

See **REGULATORS** *back page*

Peggy Turbett

LEAGUE LEADER: Kenneth Seaton, chairman of the U.S. League of Savings Institutions.

U.S. League Committee Opposes Efforts to Shut Down the OTS

By WENDY GROVER

NEW YORK — A key committee of the U.S. League of Savings Institutions voted this week to oppose attempts to abolish the Office of Thrift Supervision, Kenneth Seaton, chairman of the trade group, said Wednesday.

In a meeting with *American Banker* reporters and editors, Mr. Seaton acknowledged that some thrift executives feel overburdened by OTS regulatory demands. But the league's federal affairs regulatory committee, at a meeting on Monday night, decided to support keeping the OTS in place rather than shifting thrift regulatory authority to the Office of the Comptroller of the Currency.

Rep. Charles Schumer, D-N.Y., plans to introduce a bill next week that would put state-chartered and federally chartered thrifts under the Comptroller, who primarily regulates national banks, and thrift holding companies un-

See **LEAGUE** *page* 9

First Interstate Delays Offering At SEC's Order

By STEVE KLINKERMAN

DALLAS — First Interstate Bancorp said Wednesday that it has been forced to delay its $400 million stock offering for the second time because the Securities and Exchange Commission has ordered it to make additional disclosures.

A First Interstate spokesman refused to discuss the nature of the disclosures demanded by the securities industry watchdog. But he confirmed that the Los Angeles company plans to put $60 million more capital than previously disclosed into its ailing Texas unit.

Delay in January

First Interstate's 7.5 million-share stock offering was delayed last month after the SEC ordered additional disclosures about the corporation's Texas and Arizona units.

The company released an amended registration statement Jan. 31 disclosing that the SEC had "made an informal inquiry" concerning fourth-quarter loan-loss provisions and that regulators had barred its Arizona and Texas units from paying div-

See **DISCLOSURE** *page* 12

PEOPLE *in the news*

Citibank's Debt Negotiator Moves to International Post

By JED HOROWITZ

William R. Rhodes has made it official. The banker whose name has become synonymous with hard-nosed Third World debt workouts is stepping back from the negotiating fray to take on more statesmanlike duties.

Citibank announced Wednesday that Mr. Rhodes, 49, has been promoted to senior executive, international. He will be responsible for "contacts with the many worldwide and Washington constituencies that touch on the company's international business," according to the nation's largest bank company.

Mr. Rhodes also will supervise the management of Citibank's cross-border portfolio. His previous job as chairman of the bank's restructuring committee will be assumed by Robert A. McCormack, who will become chief negotiator for the restructuring of Citicorp's $8.6 billion of long- and medium-term debt.

William R. Rhodes

Mr. McCormack, 46, is a vice president who has been on the bank's restructuring committee since the middle of 1987.

Mr. Rhodes' desire to take a break from the prestigious but wearing role of chief tough guy was well known. "I'm the last of the Mohicans," he told a reporter last year, shortly before he began landmark negotiations to restructure $54 billion of Mexican bank debt. "All the other major players in the debt talks in 1982 have gone on to other things. I don't want to spend the rest of my career doing this."

The New York City native, who joined Citicorp in 1957, spent Wednesday – his last day as chief negotiator – at a signing ceremony celebrating completion of the Mexican debt package, a bank spokesman said.

In addition to cochairing the Mexican creditors' committee, Mr. Rhodes has chaired industry negotiating panels on the debt of Argentina, Brazil, Peru, and Uruguay.

While it is trying to recoup as much of its loans as possible, Citicorp chairman John S. Reed remains intent on building a strong banking franchise in Latin America. Citicorp is the only major bank that agreed to provide new funds to Mexico as part of the new debt package. Mr. Reed, who spent part of his boyhood in Argentina, has a strong personal interest in Latin America.

Mr. McCormack will report to Mr. Rhodes, who reports to Mr. Reed. Mr. Rhodes' new role as ambassador to the international community was previously held by George J. Clark, who retired Feb. 1 after 26 years with Citicorp. ☐

NEWS *briefs*

Brady Minimizes Difference With Fed on Interest Rates

WASHINGTON — Treasury Secretary Nicholas Brady played down the administration's disagreement with the Federal Reserve over interest rates, saying reports of these kinds of dispute are sometimes overblown.

It's just a question of nuance, Mr. Brady told the House Appropriations Committee on Wednesday. The administration's focus is more on maintaining growth than on containing inflation, he said, and the Fed is more concerned about inflation.

— Reuters

Higher Capital Level Urged For 2 Mortgage Agencies

WASHINGTON — The government should take greater steps to ensure the safety and soundness of two large mortgage agencies, a Senate banking subcommittee was told Wednesday.

Washington lawyer Thomas Stanton said the Federal Home Loan Mortgage Corp., or Freddie Mac, and the Federal National Mortgage Association, or Fannie Mae, should boost their capital to "levels comparable to those now being required for thrifts and commercial banks."

But David O. Maxwell, chairman and chief executive of Fannie Mae, told the panel his agency is "a strong, stable, financially sound company that Congress and American taxpayers don't have to worry about."

Leland C. Brendsel, chairman and chief executive of Freddie Mac, said it would take "an economic catastrophe worse than the Great Depression" to make his agency a federal liability.

— Phil Roosevelt

Merged 1st Pennsylvania To Get Fitch Debt Upgrade

NEW YORK — Fitch Investors Service Inc. said Wednesday it will upgrade its rating of securities of First Pennsylvania Corp. and lead unit First Pennsylvania Bank after they are acquired by CoreStates Financial Corp.

Fitch said it will increase, to AA-minus, both its BBB-plus rating on the bank's subordinated capital notes and its BBB-minus rating on the corporation's convertible subordinated debentures. The merger is expected to be completed this quarter.

— Reuters

4th Quarter Earnings at Top Southeast Banks

Assets in billions, net income in millions

	Assets 12/31/89	Assets 12/31/88	Net income 4Q '89	Net income 4Q '88	Percent change
NCNB*	$66.2	$29.8	136.2	$64.3	112%
First Union	32.1	29.0	39.6	70.5	(44)
SunTrust Banks	31.0	29.1	84.6	79.1	7
Barnett Banks	27.3	27.3	64.9	57.5	13
Sovran Financial	25.4	22.5	72.6	68.1	7
First Wachovia	24.1	21.8	69.0	62.1	11
Citizens & Southern	23.3	21.1	60.3	54.5	11
Southeast Banking	16.5	15.6	(15.3)	24.9	NA
Signet Banking	12.5	11.0	32.7	28.3	16
Crestar Financial	11.4	10.8	27.5	22.3	23

*Acquired FirstRepublic Bancorp in August, 1989

Source: Company reports

Southeast Banks Rebound, Raising Profits in Quarter

By KENNETH CLINE

ATLANTA — Having rebounded from the credit problems and margin pressures experienced earlier in the year, major banks in the Southeast posted healthy profit increases in last year's fourth quarter. But analysts are predicting slightly lower profits this year.

"Generally speaking, there was no evidence of dramatic problems," said Jon Burke of Robinson-Humphrey Co. in Atlanta. "The problems that do exist are focused on individual markets and individual financial institutions."

Mr. Burke said profits of the major banks on average rose 12 to 13% in 1988, which was consistent with their historical levels. But he said earnings of major banks this year would increase only about 9 or 10% be-

See **SOUTHEAST** *page* **11**

Corrections

A Feb. 7 news analysis ("Bankers Given Better News on Debt Guideline," page 1) misstated the position the American Institute of Certified Accountants is expected to take on accounting for certain debt instruments. In the article's first reference to the possible position, a sentence should have read, "Based on early reports, the new guidelines will allow banks to hold debt securities at historical value if they are likely to hold them for at least one year."

■

The minority general counsel for the Senate Banking Committee is Ray Natter. His first name was given incorrectly in the signature of his Jan. 31 letter to the editor ("Committee Aide Has a Defender," page 5). ☐

Hawaii Deal A Departure, WSGP Says

By SAM ZUCKERMAN

SAN FRANCISCO — Despite agreeing to a quick sale that will result in a spectacular profit on their Hawaiian bank company, former Treasury Secretary William E. Simon and his partners expect to stick to a strategy of holding their remaining banks and thrifts three to seven years before selling, a cofounder of the group said.

"A unique set of circumstances" allowed WSGP International Inc. to more than double its investment by agreeing to sell $812 million-asset First Interstate of Hawaii Inc. just one year after buying the Honolulu-based banking company, co-chairman Gerald L. Parsky said. For the three thrifts and one bank it still owns, the firm has "an approximate five-year plan" to build franchise value before selling out, he noted.

An Irresistible Offer

Those unique circumstances amounted to an offer WSGP couldn't refuse. The firm agreed to sell the Hawaiian banking company to First Hawaiian Inc., the state's second-largest banking organization, for 2.3 times book value at closing, a price Mr. Parsky estimated would be $135 million to $140 million when the deal is completed in six to nine months.

In February 1989, the firm bought First Interstate for about $60 million, on a par with book value.

Total profits will be even higher because the original purchase was partially financed, Mr. Parsky said.

"They got a top price from a willing purchaser prepared to pay full value," said James M. Rosenberg, analyst with Shearson Lehman Hutton Inc. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
American Airlines 6
American Bankers Assn. 8
American Express 4,6,10
American Financial Systems 3
AmSouth Bank 8
AT&T 1,3
Automatic Data Processing 3
Bank of Boston State Street 16
Bank of New England 16
Bank of New York 16
BankAmerica 1
Bankers Trust 1,14,16
Barnett Banks 2
BayBanks 16
Alex. Brown & Sons 3

C
Canadian Imperial Bank of Commerce 10
Chase Manhattan 1,6,16
Chemical 1,16
Cirrus System 6
Citgo Petroleum 14
Citicorp 1,2,3,4,8,14,16
Citizens and Southern 2
Connecticut Bank & Trust 16
Consumer Bankers Assn. 8
Continental Bank 1,14
Cooperative Marketing 6
CoreStates Financial 1,2
Country NatWest Securities 1
Credit Union National Assn. 4

D - F
D&N Savings Bank 1
De Piano Design 6
Dean Witter Reynolds 16
Drexel Burnham Lambert 1,16
EDI Education 1
Fannie Mae 2
First American 2
First Chicago 1,16
First Fidelity 16
First Hawaiian 2
First Interstate 1,8
First Pennsylvania 2
First Union 2
First Wachovia 1,2
Fitch Investors Service 2
Fleet/Norstar Financial Group 16
Florida National Banks 2
Ford Motor 10
Freddie Mac 2
Freeman Co. 4

G - L
GE Capital 1
Great American Bank 8
Harris Trust & Savings 1
Huntington Bancshares 8
IBM 3
Intellimation Systems 3
Interstate/Johnson Lane 2,3
Issues 6
Key Bank 8
Kodak 6
LIN Broadcasting 14
Lintas Worldwide 6
Loan Pricing 1
Lotus Development 3

M - O
Manufacturers Hanover 1,14,16
Marine Midland 6
Martin Agency 6
MasterCard International 6
McCaw Cellular Communications 14
Mellon 1,16
Merrill Lynch 3
Metromedia 14
MNC Financial 6
Moody's Investors Service 10
J.P. Morgan 14
Mortgage Bankers Assn. of America 4
Mortgage Insurance Cos. of America 4
National Assn. of Realtors 4
National Bank of Detroit 1
National Westminster 3
NCNB 2,6
NCR 3
Northern Telecom 3
Northern Trust 1
Nynex 3

P - Q
PaineWebber 1,16
PNC Financial 16
Promotional Marketing 6
Prudential-Bache 1
Quotron Systems 3

R - T
Rauscher Pierce Refsnes 1
RJR Nabisco 8
Robinson-Humphrey 2
Rocky Mountain Bank Note 6
Sears, Roebuck 1
Security Pacific 1
Shawmut 6
Shearson Lehman Hutton 2,16
Shell Oil 1
Signet Banking 8
Southeast Banking 2
Southland 14
Sovran Financial 2
SP Associates 8
SpencerStuart 8
SunTrust Banks 2
Toronto Dominion Bank 14
Translink 10

U - Z
U.S. League of Savings Institutions 1
Visa 6
Wells Fargo 1
Wheat, First Securities 2
WPP Group 6
WSGP International 2
Young & Rubicam 6

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 10

BEST AVAILABLE COPY

COMMENT/ By William M. Isaac

S&L Law Needs Revision To Accelerate the Cleanup

No one is satisfied with the pace of the savings and loan cleanup. The dissatisfaction stems, to some degree, from unrealistic expectations. The problems in the industry are massive, and we need to accept that it will require the better part of a decade to put them behind us. Having said that, there are some steps we can and should take to improve the workout process.

Part of the problem is the structure of the bailout program. When I testified before the House Banking Committee when the Financial Institutions Reform, Recovery, and Enforcement Act was being considered last year, I expressed three principal concerns.

A New Agency

First, instead of turning the problem over to the Federal Deposit Insurance Corp., a new bureaucracy – the Resolution Trust Corp. – was created. This, I felt, would inevitably lead to delays, infighting between the RTC Oversight Board and the RTC itself, and a lack of specific accountability.

Second, although the bailout plan might provide adequate revenues to absorb the ultimate losses in the S&L industry, it seemed woefully inadequate in providing the working capital needed to carry the troubled assets pending liquidation.

Third, I was concerned about the provisions in the law that would diminish the value of an S&L charter (for example, raising the qualified thrift lender test, charging S&Ls significantly more than banks for deposit insurance, and failing to allow bank holding companies to take full advantage of a thrift's branching rights and other powers).

I am convinced that these deficiencies in the law will continue to hamper the S&L cleanup until they are modified by Congress.

Deals Done Badly

Another shortcoming is that the RTC is attempting to dispose of the S&Ls in an unrealistic fashion. Washington is up in arms about the S&L deals arranged at the end of 1988 by the Federal Savings and Loan Insurance Corp.

It is felt that those deals required too little private capital, were too tax oriented, and provided excessive asset protection that created little incentive to work the assets properly. It also appeared to many that the FSLIC deals were not open to all comers.

> **'The asset protection area is where the RTC is shooting itself in the foot.'**

While it is understandable that the RTC would want to remedy these perceived deficiencies, the pendulum has swung too far in the other direction.

I have no quarrel with imposing higher capital standards, but we need to recognize that this will necessitate more financial assistance from the RTC to make the deals produce acceptable returns on investment. Nor do I have any quarrel with opening the bidding process. Moreover, I favor removing the tax benefits from the deals.

The asset protection area is where the RTC is shooting itself in the foot. The RTC Oversight Board has mandated that the RTC pass to the purchasers of failed S&Ls as much risk as possible on the S&Ls' assets. If it were dealing with only a handful of S&Ls, the RTC might get away with imposing this requirement. But there are hundreds of S&Ls to be handled, and it's a buyers' market.

Particularly at a time when the regulators and analysts are beating up on banks that have any serious exposure in real estate, it's not realistic to expect bidders to be receptive to deals that create additional exposure.

Bidding Must Be Made Easier

The RTC needs to make it easier for people to bid. The RTC's current policies require bidders to spend considerable time and money on due diligence, with no guarantee their bids will be successful. Not many bidders are willing to do that.

The solution is to put the failed S&Ls up for bids as is, but then give the successful bidder the right, for six to 12 months after the acquisition, to sell to the RTC any assets deemed troubled under fairly liberal preestablished criteria.

The troubled assets could be sold to the RTC in exchange for promissory notes, which would reduce the RTC's need for cash. The acquirer would agree to work the troubled assets on behalf of the RTC under an incentive collection arrangement, with the RTC having the power to shift the servicing to another party if it becomes dissatisfied with the acquirer's performance.

The thrift cleanup is proceeding at a snail's pace, even though a lot of good people are working incredibly hard to get things done. The problems are structural and procedural and can be readily cured. In the meantime, the cost of the cleanup is increasing at the rate of $10 million for each day we delay. ☐

Mr. Isaac was chairman of the Federal Deposit Insurance Corp. from 1981 to 1985. He now heads the Secura Group, a Washington-based consulting firm.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services: Don A. Rusling
Senior Vice President, Advertising Christopher B. Edman
Vice President, Circulation Madeline Krakowsky
Production Manager Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

THE LOBBYISTS/ By Barbara A. Rehm

Credit Union Group Mans the Barricades To Preserve Status

For its annual government affairs convention, the **Credit Union National Association** turned its "Operation Grassroots" into a military mission.

Operation Grassroots is a campaign begun Oct. 30 to educate credit union members about bank and thrift efforts to bring the same regulation and taxation to all financial institutions.

In the fight to preserve the special status of credit unions, thousands of credit union executives and volunteers from around the country became willing recruits last week.

Revving up the troops, CUNA's staff issued silver dog tags with red letters on one side, "Operation Grassroots – A Credit Union System Campaign," and blue letters on the other side, "Credit Unions, For People – Not Profits."

But the dog tags were just the beginning. Attendees also were outfitted with bright-yellow patches announcing that they are "Volunteers for Victory." Conference materials were supplied in Army-green pouches.

CUNA put its members on "full alert" that the government may tinker with the credit union system by revoking the industry's tax-exempt status or merging its insurance fund into the bank and thrift funds.

After a legislative briefing by association lobbyist **Charles O. Zuver,** credit union members were deployed to Capitol Hill. Their mission: maneuver through their lawmakers' offices spreading the message that credit unions do not operate under the same rules as banks and thrifts because they are nonprofit organizations.

* * *

Hutchinson Gets Title At Mortgage Group

After more than five months, it's official: **Suzanne C. Hutchinson** will be named executive vice president of the **Mortgage Insurance Companies of America.** Ms. Hutchinson has been in the top job on an interim basis since September, replacing **Steven P. Doehler,** who resigned.

S.C. Hutchinson

"After an extensive search, the MICA search committee determined that Suzanne was the most qualified person to take over the helm of the association," said the group's elected president, William H. Lacy.

Ms. Hutchinson joined MICA in 1986 as general counsel and staff vice president and lobbied Congress and the agencies on housing policies as well as bank and thrift regulations. Before 1986, Ms. Hutchinson lobbied the agencies for the Mortgage Bankers Association and worked for the Golembe Associates consulting firm.

* * *

Mortgage Bankers Fight Referral Fee

The **Mortgage Bankers Association of America** has hired some outside lobbying power to try to persuade Congress to prohibit realty brokers from earning mortgage referral fees.

The trade group has retained the **Evans Group Ltd.,** a lobbying concern headed by former Rep. **Thomas Evans,** R-Del. **Thomas H. Quinn,** a partner with Mr. Evans' former law firm, **O'Connor & Hannan,** is assisting Mr. Evans.

The mortgage bankers have spent more than two years seeking a referral-fee ban from the Department of Housing and Urban Development. But HUD has not acted on the issue, prompting the trade group to shift its focus to Congress. The group has reportedly earmarked $250,000 for a Hill fight.

The mortgage bankers claim it is a conflict of interest for realty brokers to receive fees for helping home buyers get mortgages. The group has met with stiff opposition from the **National Association of Realtors, Citicorp,** and some other large lenders.

— Phil Roosevelt

* * *

Freeman On His Own In Nation's Capital

Harry L. Freeman is back in the nation's capital with his own consulting firm, the Freeman Co., to represent multinationals in trade and other foreign economic issues.

Mr. Freeman resigned last year as executive vice president of American Express Co. after accepting "executive responsibility" for the false-story campaign that tried to link former American Express official Edmond J. Safra to drug running and the Mob. The company indicated Mr. Freeman was not personally involved.

Harry L. Freeman

As an entrepreneur, Mr. Freeman will do many of the things he did for American Express: government relations, public and media relations, philanthropic and cultural programs, and strategic planning.

Personal goals are to improve U.S. trade statistics and Democrats' dialogue with business.

"Both are, certainly, long crusades," Mr. Freeman said. "One may even be possible."

— Robert Trigaux

GLOBAL *dispatches...*

Canadian Imperial Seeking Higher Worldwide Profile

LONDON — **Canadian Imperial Bank of Commerce** Ltd. has built up a portfolio totaling $7.65 billion in highly leveraged and real estate transactions, much of it in the United States, but its exposure to those troubled sectors is "well diversified," according to senior officials of the bank.

The Canadian bank, which has assets of $84.7 billion, released key operating data to a group of institutional investors in London, part of a road show in Europe that is intended to raise the bank's profile internationally.

Canadian Imperial reported record basic earnings of $644 million for 1989, up from $500 million the preceding year. At the same time, it took provisions for 100% of its troubled loans to Third World countries, excluding those of Mexico, for which it set aside 45% of its remaining $317 million of exposure.

R. Donald Fullerton, the bank's chairman and chief executive, told the London audience that Canadian Imperial's goal is "to be recognized clearly as a leader in the financial services industry in North America."

In highly leveraged transactions, it has $2.2 billion in its portfolio, of which just over 60% is outstanding in the United States, said A.L. Flood, president of the corporate bank unit.

Mr. Flood did not disclose the Canadian bank's potential loan losses, although he said its leveraged lending, consisting of some 106 transactions, is "well diversified."

Supervision Is Noted

Mr. Flood commented: "This portfolio is closely supervised, and while some restructuring will no doubt take place, we do not envisage any situations that would have a long-term adverse impact on the bank."

In real estate lending, the bank has $4.6 billion outstanding, of which $2.71 billion represents commitments in Canada, $1.77 billion in the United States, and some $170 million in a number of other countries.

The "best estimate" at present is that loan losses should not exceed $17 million on this particular portfolio, against $10 million last year.

The Canadian bank continued to make its No. 1 priority improving the quality of its assets, Mr. Flood stressed. The Canadian bank's nonperforming loans, which peaked at $2.1 billion in 1986, or the equivalent of 4.02% of its loan portfolio, are now down to $653 million, or 0.96% of outstandings.

The bank, which was heavily embroiled in the provisioning for Canada's troubled Dome Petroleum, has now reduced sour loans to the point where it has achieved parity with the Canadian banking system in terms of nonperforming lending, according to the executive. The bank aims to be "an industry leader in asset quality. Our objective over the next three years is to reduce our loan losses to 0.25% of our portfolio," he said.

Mr. Flood also said the bank's asset sales and syndication team would continue to be very active, and that it played an important part in managing risk in the bank's portfolio.

— John Evans

... by country

CANADA

American Express Co. will be permitted to set up a bank in Canada before the government introduces new banking legislation, Junior Finance Minister Gilles Loiselle told the House of Commons in Ottawa.

Mr. Loiselle promised American Express last year it would receive its license by April 1990, but final approval was postponed until the government could complete new banking legislation.

Mr. Loiselle told Commons: "I am afraid [the new banking act] cannot be in place before American Express receives its license."

An American Express vice president, Nick Mancini, told the *Financial Post* that the company expected to receive final government approval in April.

— Reuters

THE PHILIPPINES

Overseas banks that are opting not to lend more money to the Philippines could find their decision affects their future business dealings with the country, Finance Secretary Jesus Estanislao said.

"The Philippines cannot be taken for granted, and those who are going to support us will be treated very favorably," Mr. Estanislao said.

But for those who are not supportive, "We will consider them as not very friendly and therefore their long-term business relationship with the Philippines would be taken in light of their behavior," he told reporters.

— Reuters

BRAZIL

Brazil's key bank rate surpassed 100% a month for the first time, reflecting the country's losing battle against inflation.

The overnight rate for deposits at commercial banks was fixed by the central bank at 100.02%, up from Tuesday's 98.05%, the previous high.

The rate is stated in monthly terms even though it refers to one-day deposits.

— Reuters

U.S. Firms Lead in Global Merger Loans

By JOHN EVANS

LONDON — U.S. corporations were by the far the most active last year in raising international bank loans and credits to help finance mergers and acquisitions worldwide, according to the Bank of England.

The value of this type of financing more than doubled during 1989, to $55.8 billion, with American companies raising $33.7 billion, or 60% of the total.

U.S. concerns dislodged British companies, which have been among the most aggressive players in the cross-border mergers in recent years and the biggest international borrowers from banks for acquisition purposes, data from the British central bank showed.

International Financing for Mergers
in millions of dollars

Country of borrower	1989	1988
United States	$33,703	$1,705
Britain	10,059	14,141
Canada	2,100	150
Australia	1,247	2,311
France	789	2,447
Japan	NA	1,472
Other	7,946	2,367
Total	**$55,844**	**$24,593**

Source: Bank of England

British Led in 1988

In 1988, when total acquisition-related bank borrowings reached $24.9 billion, British companies were responsible for $14.1 billion, against a skimpy $1.7 billion by U.S. corporations. Last year, the British raised $10.1 billion.

In a separate report, U.S. corporations are shown to be the largest single corporate acquisition force in Europe, where $55 billion in cross-border deals were concluded last year.

American companies spent $17 billion to take over 185 European corporations and were responsible for more than half of the $24.5 billion of acquisitions in Britain, according to the *European Deal Review* publication of Translink, a U.S. company that monitors mergers and acquisitions in Europe.

Second Half Was Active

European activity by U.S. acquirers was concentrated in the second half, when U.S. companies concluded more than 100 acquisitions worth $12.5 billion, including Ford Motor Co.'s purchase of Britain's Jaguar car company.

The Bank of England's own survey, in its quarterly economic bulletin, analyzed loan financings raised on an international basis, rather than in domestic banking markets.

Of last year's financing total, more than 80%, or $46.2 billion, was denominated in U.S. dollars.

"Many of the credits arranged in the period 1987-89 were intended to finance acquisitions of U.S. companies. Consequently, merger-related syndicated loans have been overwhelmingly dollar-denominated," the Bank of England noted.

Syndicated loans have proved an attractive vehicle for corporations to mount acquisitions, the bank added.

Such loans allow "borrowers to raise larger sums than they are able to obtain through either the Eurobond or the equity market over the short term, and to do so quickly. Moreover, borrowers may subsequently refinance such debt by utilizing other markets."

In turn, acquisition-related business has provided banks with major forms of income, either through advisory fees or interest charges and other fees from participating in financing packages, the bank said. ☐

Moody's Questions Impact of Debt Relief

By JAMES R. KRAUS

NEW YORK — Debt-reduction agreements similar to the one just signed between Mexico and its creditor banks are unlikely to solve the problems of Third World debtor countries, Moody's Investors Service said.

The rating agency said in a report this week that the reductions are too limited to give major debtor countries the financial relief they need. These countries also must drop the subsidies and deficit-ridden state corporations that distort their economies, it said.

Mexico's agreement, signed Sunday, has been criticized for failing to give that nation any real financial relief. It cuts principal on Mexico's foreign bank debt by about $7 billion and annual interest payments by $1.4 billion.

However, Mexico is borrowing $5.7 billion to buy zero coupon U.S. Treasury securities that will collateralize its own bonds. It is also borrowing $1.2 billion more from banks.

Net Effect Lessened

As a result, senior bankers have estimated that Mexico is reducing its net annual interest payments by just $1 billion.

This, Moody's noted, amounts to only a 10% cut in Mexico's interest bill on a total foreign debt of about $100 billion.

Moody's said debt reduction agreements are also limited in value since they only reduce debt to foreign commercial banks, not to other governments or to international lending agencies such as the World Bank.

Other Debt Untouched

"Even if debt-reduction agreements reduced the [commercial bank] debt [to] zero, you still have a very high level of other types of debt," said Guillermo Estebanez, a Moody's vice president and analyst of sovereign debt. Such agreements can only help countries, such as Chile, that have already moved toward economic reform, he added.

The rating agency ranked Venezuela as the next most likely candidate, because of its economic reforms, to benefit from debt reduction. Debt agreements will be of little benefit to Brazil or Argentina because of their increasing economic disarray, the agency said. ☐

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	2/07	2/06	1/31	2/07	2/06	1/31	2/07	2/06	1/31	2/07	2/06	1/31	2/07	2/06	1/31
United States	8.25	8.31	8.25	8.37	8.38	8.37	8.43	8.43	8.43	7.00	7.00	7.00	10.00	10.00	10.00
Japan	6.56	6.43	6.62	7.12	7.03	7.06	7.25	7.15	7.25	4.25	4.25	4.25	4.87	4.87	4.87
Canada	12.47	12.75	13.37	12.62	12.50	12.50	12.37	12.18	12.25	12.59	12.59	12.29	13.50	13.50	13.50
U.K.	15.06	15.06	14.93	15.18	15.18	15.12	15.18	15.18	15.06	14.45	N.A.	14.56	15.00	15.00	15.00
West Germany	8.06	8.06	7.93	8.50	8.25	8.25	8.75	8.50	8.50	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.12	8.87	9.12	9.81	9.62	9.68	9.87	9.68	9.56	6.00	6.00	6.00	11.25	11.25	11.50
France	10.57	10.50	10.75	11.06	10.93	10.93	11.31	11.06	11.12	9.50	9.50	9.50	11.00	11.00	11.00
Italy	13.67	13.50	13.50	13.00	13.18	12.87	13.06	13.18	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.49	14.80	8.78	9.70	7.40
6 to 12 months	8.76	14.20	8.89	9.17	7.44
12 to 24 months	9.27	13.25	8.66	9.25	7.12

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

800

C0175-1

AMERICAN R

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 28 *Friday, February 9, 1990* *155th year*

New Definition Of Leverage Hits 2 Banks Hardest

By BARBARA A. REHM

WASHINGTON — Federal regulators' revised definition of highly leveraged transactions will take the biggest toll on First Chicago Corp. and Bank of Boston Corp., analysts said Thursday.

The clarified definition, released Wednesday, specified that loans financing leveraged transactions involving media and cable companies would be subject to disclosure. As heavy lenders to those industries, First Chicago and Bank of Boston will have to reclassify a substantial number of loans as risky.

The revision came in response to criticism that the definition released last October was too vague. But analysts said Thursday that the new guideline remained too general to truly gauge the riskiness of a bank's portfolio. They said the definition will result in disclosure of the quantity of loans financing leveraged transactions but will not touch on the quality of those credits.

ANALYSIS: *Follow-up on the news*

Under the definition, loans that finance highly leveraged transactions must be disclosed if they result in the borrowing company's debt exceeding 75% of its equity or if they double the company's debt and exceed 50% of its capital.

No Curb to Risky Loans

The new definition does not curb risky loans. But the disclosure of a significant increase in the number of loans deemed risky by regulators could affect the way investors evalute a bank.

The revised definition, while not substantially altering the original definition, will reduce the number of loans disclosed in most cases, bankers said.

But the number will go up for banks that have not already classified cable and media company loans as risky. An exclusion for those loans had been sought because those companies normally have high debt.

At the Bank of Boston, John Kahwaty, director of investor relations, acknowledged that the bank could have to double the amount of loans reported.

"Clearly this concerns us," he said. But he maintained that the riskiness of his bank's portfolio has not increased. "A definitional change," he said, "does not change the inherent risk of these loans."

Before the definition came out last October, Bank of Boston re-

See **BANKS** *page* **13**

INSIDE NEWS

INTERNATIONAL

BORROWING from Western banks by the Soviet-bloc nations rose in the third quarter of 1989, but lending to China fell. *Page 10*

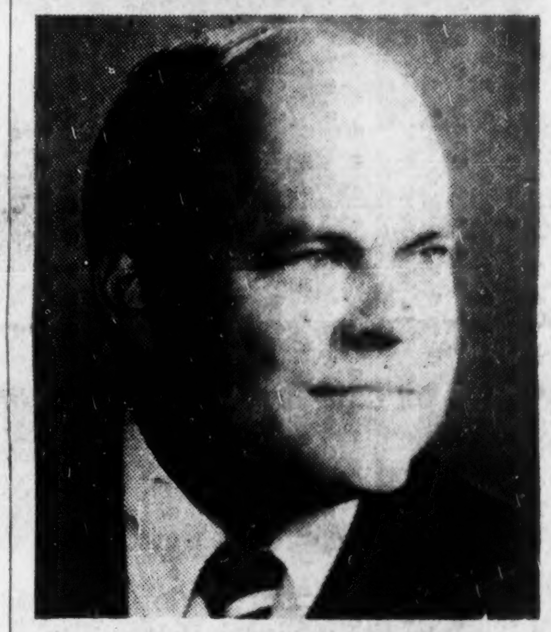
FINANCE

FEW ARE LAUGHING now at KeyCorp, the Albany, N.Y., banking company that has succeeded by acquiring banks far from home at distressed prices. *Page 16*

CONSUMER

U.S.-BASED CREDIT CARD companies are setting their marketing sights on the European Community's small-business market. *Page 6*

PEOPLE



WALTER A. DODS JR. was outsmarted, some observers say, in his deal to buy First Interstate of Hawaii from William E. Simon's merchant banking firm. *Page 2*

MORTGAGES

PUTTING HIS BANK on the Texas mortgage map has been Christopher T. Gilson's mission the past year, and data from his NCNB Corp. subsidiary say he's succeeded. *Page 7*

TECHNOLOGY

BANKS' RESEARCH emphases make their laboratories places where a Thomas Edison would be at home but an Albert Einstein would not, an *American Banker* survey found. *Page 3*

COMMENT

LETTING COMMERCIAL banks own corporate equity and underwrite securities could make them better monitors of commercial-loan credit quality, Sanford Rose writes. *Page 4*

INDEX

Company Index	**2**
Funny Money	**4**
Classified Advertising	**12**
Bank and Thrift Stocks	**15**

Bill to Seek Steep Penalty In Drug Cases

By BILL ATKINSON

WASHINGTON — Dissatisfied with the federal attack against the booming money-laundering business, Sen. John F. Kerry said Thursday he plans to introduce a sweeping bill that, among other things, would revoke the charters of banks connected to laundering.

At a news conference, the Massachusetts Democrat released a Senate report critical of the government's lack of progress in curbing money laundering. His legislation is expected to incorporate a number of the report's recommendations.

Among them is a recommendation that bank charters be revoked when an institution's senior officials or directors have knowledge of money laundering.

The report also urged the regulation of currency exchange houses, check cashing-businesses, and foreign transmittal agencies because they are increasingly being used to launder drug profits.

The report said the Senate Banking Committee should in-

See **SENATE** *page* **12**

First Interstate Expects Shortfall on Stock Issue

By STEVE KLINKERMAN

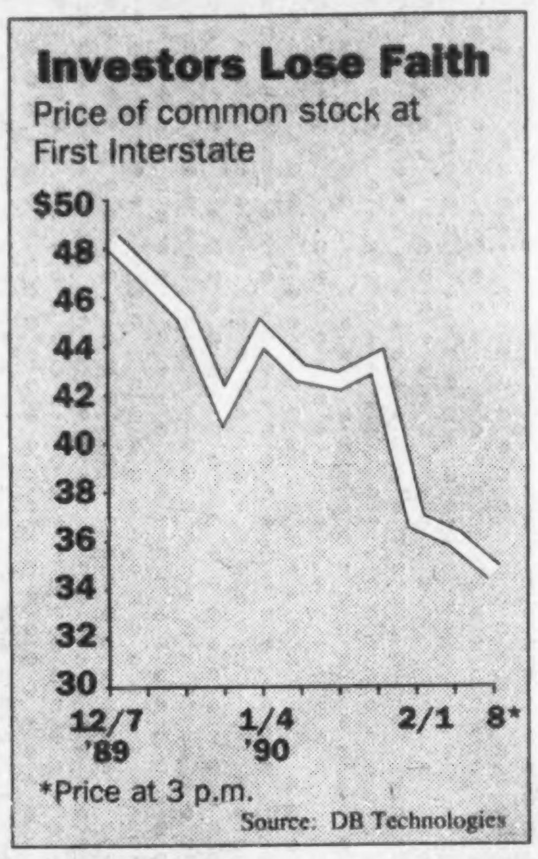
DALLAS — First Interstate Bancorp said Thursday that it expects to raise only $275 million, rather than $400 million, in its stock issue. It also disclosed that regulators ordered a $91 million cash infusion last month into its troubled Arizona unit.

The lower figure could put the company in the position of having to sell assets or issue additional securities, if earnings do not rebound before new capital guidelines take effect at the end of 1992. And some analysts were skeptical that even the $275 million could be raised. (See related story on page 16.)

The disclosures were made in a second amended version of the company's stock registration statement, which was issued at the insistence of the Securities and Exchange Commission. The disclosures will allow First Interstate to proceed with its stock offering, which it expects to complete next week.

The statement said the SEC is continuing to investigate the circumstances surrounding First Interstate's fourth-quarter loan-loss provision of $400 million.

Los Angles-based First Interstate said in its second amended statement that it signed an agreement with the Office of the Comptroller of the Currency to maintain equity equal to 5% of assets at the Arizona unit.



Investors Lose Faith

Price of common stock at First Interstate

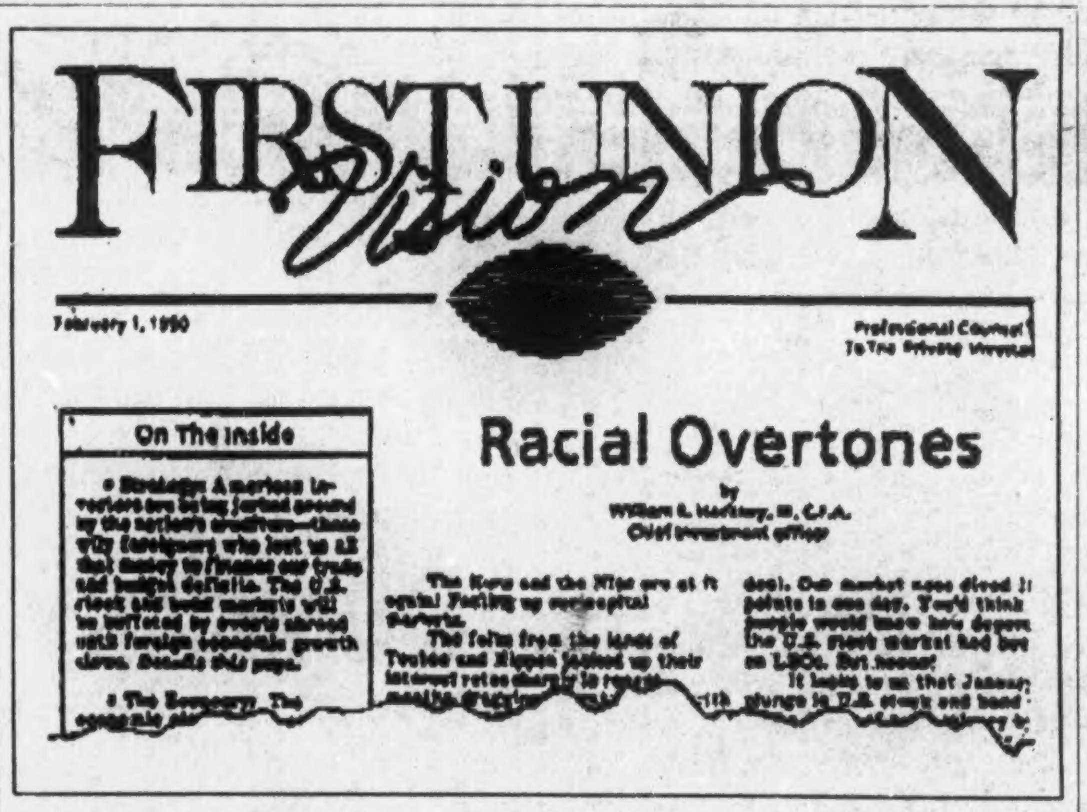
*Price at 3 p.m.

Source: DB Technologies

First Interstate has already pumped $61 million into its ailing Arizona unit, which lost $153.8 million in 1989. The company said it will invest an additional $30 million by June 30.

First Interstate also said that the $275 million stock offering

See **FIRST** *page* **16**



FIRST UNION Vision

February 1, 1990

Professional Counsel To The Private Investor

On The inside

Racial Overtones

by William R. Hackney, III, C.F.A. Chief Investment Officer

RACIAL BACKLASH: This newsletter article stirred a storm.

Bank Officer's 'Humor' Forces Apology to Germans, Japanese

By KENNETH CLINE

ATLANTA — An attempt by an executive of First Union Corp. to add humor to an article about the impact of rising overseas interest rates backfired, and the company this week hurriedly apologized for racial slurs against the Japanese and German people.

The article in a monthly newsletter of the Charlotte, N.C.-based bank company referred to Japanese as "Nips" and Germans as "Huns."

It was written by First Union's chief investment officer, William R. Hackney 3d, whose calls Thursday from the press were being handled by a bank spokesman.

Mr. Hackney referred at the end of the article to his "foregoing tongue-in-cheek assault." The article, headlined "Racial Overtones," began by stating: "The Huns and the Nips are at it again!

See **FIRST** *page* **13**

2 Bank Funds Bravely Target Leveraged Loans

By CAREN CHESLER-MARSH

Just when financing for highly leveraged transactions was getting tougher and tougher, two new bank loan funds decided to target HLTs as their primary investments.

The funds, which are seeking investors for a total of about $1 billion in capital, could add some much-needed liquidity to the HLT market. The investment banking unit of Citicorp, in a joint venture with Boston-based Prospect Street Investment Management Co., is starting a $500 million fund. Manufacturers Hanover Corp., along with Merrill Lynch & Co. and Capital Holding Corp., a Kentucky-based insurance concern, are now marketing the other fund of similar amount.

The funds provide vehicles for Citicorp and Manufacturers Hanover to dispose of some of their own highly leveraged loans, enabling them to purchase more. They can also produce huge returns for the equity holders. Both funds will probably be set up as limited partnerships.

While the concept of a fund

See **FUNDS** *page* **14**

PEOPLE *in the news*

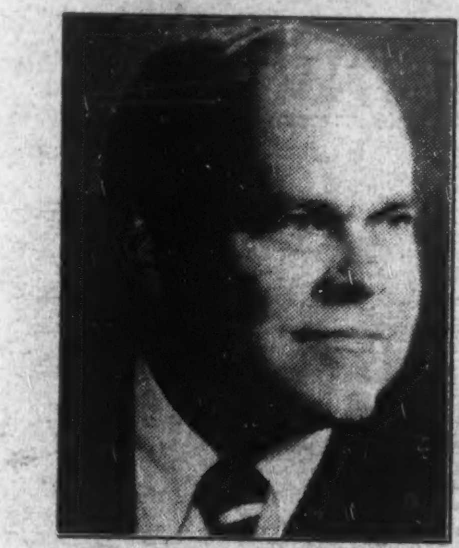
First Hawaiian Chief Sees Room for Profit in Simon Deal

By SAM ZUCKERMAN

SAN FRANCISCO — When First Hawaiian Inc. announced Tuesday that it will buy First Interstate of Hawaii from William E. Simon's merchant banking firm for an estimated $135 million, some observers thought the young chief executive of the acquiring bank had been taken to the cleaners.

Former Treasury Secretary Simon paid less that half that amount for the banking company a year ago.

And Walter A. Dods, 48, had been made chairman and chief executive of First Hawaiian only four months earlier, following the death of John D. Bellinger, the autocrat who had dominated Hawaii's second-largest bank for 10 years.


Walter A. Dods Jr.

Mr. Dods, however, bristles at the notion that he is overpaying for the $812 million-asset First Interstate. "I know what I can take out on the operational side," he says. First Hawaiian has 169 current job openings, he states, so "synergy can occur without job loss."

The verdict is not in on the Simon deal. But the purchase may yet prove to be a good one for First Hawaiian, which has $5 billion in assets. In the meantime, Mr. Dods is winning praise as a talented manager and salesman.

"He is a very strong chief executive, one of the most street-wise guys I know," said Philip Norris, Honolulu manager of Prudential-Bache Securities.

In his five years as president of First Hawaiian, Mr. Dods was called "Buffy" by his colleagues because he served as a buffer between them and Mr. Bellinger. When he took the top job, some viewed him as an untested underling who had never really exercised authority.

Mr. Dods joined First Hawaiian as a marketing specialist in 1968. A little more than a year later, as a young junior executive, he coined the advertising slogan, "First Hawaiian – the Bank that Says Yes," to promote the bank's image as a convenient, friendly place to get a loan. The idea was radical in banking's pre-sales-culture days.

"You can imagine how scandalized the senior people were," Mr. Dods recalls. "They wanted to change the slogan to 'The Bank that If You Give Us the Opportunity Might Consider Saying Yes.' " Mr. Dods overcame the skeptics, and his version remains First Hawaiian's theme to this day.

First Hawaiian has enjoyed 25 consecutive years of earnings growth. But, with 33% of commercial bank deposits, First Hawaiian finds itself lagging behind Bank of Hawaii's 45% share. Hence the acquisition.

Mr. Dods' strategy is "not to go to markets we're not familiar with, but to grow with our own market." That has not been a bad approach in a state where tourism and Japanese investment have brought rapid economic growth. First Hawaiian assets climbed 20% in the past year, while nonperformers remained an enviable 0.04% of total assets. □

NEWS *briefs*

NY Thrift Files Papers To Exit Home Loan Bank

NEW YORK — American Savings Bank has taken another step toward exiting the Federal Home Loan Bank System.

The White Plains, N.Y., thrift, which first expressed interest in leaving the system last year, said Thursday it had filed a notice to withdraw from the Federal Home Loan Bank of New York. The filing follows the thrift's conversion in December from a federal to a state charter.

The Home Loan Bank System's role in the thrift bailout has caused American Savings to be concerned about the future value of its $24.6 million in stock in the Home Loan bank, said Robert Hughes, the thrift's chief financial officer.

Soviets May Find a Role In East European Bank

BRUSSELS — The countries establishing a new East European development bank may consider allowing the Soviet Union to take a stake but not borrow from the bank for some time, a senior European banker said.

Ernst-Guenther Broeder, president of the European Community's European Investment Bank, said the idea may be discussed by nations drawing up statutes for the bank.

The status of the Soviet Union is a main sticking point in talks in Paris this week to form the European Bank for Reconstruction and Development.

First Eastern Is Set to Buy Atlantic Financial Offices

WILKES-BARRE, Pa. — Atlantic Financial Savings and the Resolution Trust Corp. confirmed their intent to proceed with the sale of nine branches to First Eastern Bank as announced Dec. 22.

First Eastern, a national bank with headquarters here, has about $2.3 billion in assets. Atlantic Financial Savings is based in Bala Cynwyd, Pa. □

Bullock Hopes to Keep Connecticut Franchise

By JED HOROWITZ

NEW YORK — H. Ridgely Bullock, the acting head of Bank of New England Corp., said the beleaguered company has not yet received bids for its Connecticut Bank and Trust Co. unit and prefers not to sell it at the distressed price it probably would fetch today.

He conceded that regulatory and market pressures may not give him the option to refuse a strong bid for the Connecticut franchise. But, in a telephone interview Thursday, the interim chairman was optimistic about his ability to save the $29 billion-asset institution from the clutches of regulators.

He underscored the point by saying he is actively campaigning for the full-time job of chief executive.

"Why? Because that's where the money is," Mr. Bullock said, quoting bank robber Willie Sutton. "If carried out succesfully, this could be very personally rewarding."

Since being named interim chairman and chief executive officer less than two weeks ago, the 55-year-old lawyer and investment banker has aggressively touted Bank of New England's ability to restore the confidence of depositors and investors.

Fast Start on Rebuilding Plan

He also has ousted four senior executives, and simultaneously managed the sale of $1.6 billion of assets – a fast start on a plan to shed $6 billion in order to replace lost liquidity and build eroded capital.

Mr. Bullock's concern that the Connecticut franchise might be sold too cheaply was underscored Thursday when investors spurned an announcement that BancNewEngland Leasing Group was sold at a premium of $92.5 million. The price was $17.5 million less than expected.

Bank of New England's stock fell as much as $1.50 during the day. In late afternoon trading on the New York Stock Exchange, it changed hands at $5.37, off 50 cents from Wednesday's close.

H. Ridgely Bullock
Bank of New England Corp.

Bank of Tokyo bought the leasing unit as well as $500 million of the Boston bank's lease portfolio and servicing rights on $1 billion of leases that Bank of New England is retaining. "With all they were seeing and hearing about us, they were concerned," said spokeswoman Marcia Ryan, explaining the lower sale price. She also noted that Bank of New England is eager to maintain "long-term good relations" with the Asian bank.

"The bloom popped today because it was the first negative story to come out in two weeks," said Gerard Cassidy, a Maine-based analyst for Tucker Anthony & Co. "It's less than expectations and the earnings or lack thereof are coming out next week. You still have a very troubled bank, and reality is coming back into the marketplace."

Link to New England Economy

Mr. Cassidy said the stock price had been boosted recently by Mr. Bullock's enthusiasm, the fast pace of asset sales, and the hefty 27% premium the bank received from Citicorp for its credit card portfolio. "But the New England economy hasn't materially changed, and the bank's outlook is highly dependent on that," the analyst said.

See **BULLOCK** *page* 14

Georgia Bank Boosts Image In Thrift Deal

By KENNETH CLINE

ATLANTA — First American Bank of Georgia may go a long way toward changing its image as a perennial also-ran in Atlanta banking with its announcement Wednesday it will acquire 22 thrift branches.

Analysts warned, however, that the deal could face regulatory obstacles.

The 22 branches now belonging to Fulton Federal Savings Bank would boost First American's branch total to 74, moving it ahead of First Union National Bank of Georgia – with 59 branches – to the fifth-largest retail presence in Atlanta.

Move to 4th Place

The acquisition would boost First American's share of deposits in the eight-county region to more than 8%, improving its market share from seventh to fourth place.

As part of the deal, First American is to pay a premium of $50 million to assume $917 million in deposits, as well as related lease obligations. Fulton Federal, which is severely undercapitalized, would be left with 15 branches in middle and south Georgia.

The two companies are still negotiating a transfer of assets, but Fulton Federal president Charles T. Cantrell said his bank would retain most of its residential loan portfolio and mortgage-backed securities, probably leaving First American with consumer and commercial loans.

The $1.7 billion-asset First American is a subsidiary of Washington-based First American Bancshares.

The Fulton Federal deal fits in with First American's strategy of strengthening retail operations while deemphasizing real estate lending. Chief executive Guy W. Freeman said a major benefit of the announced deal is putting First American in three counties – Bartow, Fayette, and Henry – where it now lacks a presence. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
American Express 6,10
American Mortgage Banking 4
American Savings Bank 2
Arthur D. Little 3
Atlantic Financial Savings 2

B
Bank Administration Institute 3
Bank for International Settlements 10
Bank of Boston 1
Bank of New England 2
Bank of Tokyo 2
Bank Western Federal Savings 7
BankAmerica 1,13
Bankers Trust New York 3
Banque Nationale de Paris 1
Bay View Federal 13
Bear, Stearns 10
Bidermann SA of France 1
Bright Banc for Savings 4

C
Capital Holding 1
Central Bank of the South 13
Central European Development 10
Chase Manhattan 3,10
Citicorp 1,2,3,6,7,10
Cluett, Peabody 1
Colorado National 7
Continental Bank 1
Credit Lyonnais 1
CSSP Technologies 6
CTX Mortgage 7

D - F
Drexel Burnham Lambert 1
Duff & Phelps 1
Farley 1
Federal Home Loan Mortgage Corp. 7
Federal National Mortgage Assn. 7
Financial Security Assurance 1
Financial Women International 4
First Albany 16
First American 2
First Boston 16
First Chicago 1
First Colonial Bankshares 13
First Fidelity 16
First Hawaiian 2
First Hungary Fund 10
First Interstate 1,2,13,16
First of American Bank 13
First RepublicBank 4
First Union 1,2,7,13
Fleet/Norstar Financial Group 2
Fuji Bank 10
Fulton Federal Savings 2
Furash 6

G
GE Capital 2
General Electric 7
Government National Mortgage Assn. 7

H - L
Heller International 10
Honfed Bank 13
Intercraft 1
International Bank of Credit 1
International Finance 10
Keefe, Bruyette & Woods 1,16
Kelley Drye & Warren 13
KeyCorp 16
Lincoln Bancorp 4
Lincoln Savings & Loan 4
Lodestar Group 1

M - O
Magyar Hittelbank 10
Manufacturers Hanover 1
MasterCard 6
Mellon Bank 3
Merrill Lynch 1
Moody's Investors Service 16
J.P. Morgan 4
Morgan Stanley 1
Mortgage Information 7
Mutual of New York 13
National Bank of Hungary 10
NCNB 1,7
Norwest 13
Oesterreichische Volksbanken 10

P - T
PrimeBank 13
Prospect Street Investment 1
Prudential-Bache Securities 2
Resolution Trust Corp. 2
Salomon Brothers 3
Second National Federal 4
Shearson Lehman Hutton 7
State Bank and Trust 4
Stroock & Stroock & Lavan 10
Trans Data 3,6
Tucker Anthony 2

U - Z
Union Federal Savings 7
Universal Lending 7
Vernon Bank 13
Visa 6
Wells Fargo 6
West Point-Pepperell 1

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 6

COMMENT/*By Sanford Rose*

Making Banks 'Universal' Can Improve Credit Quality

Oddly enough, one of the principal reasons for giving commercial banks investment-banking powers is to help them become better commercial banks.

That is, if we permit commercial banks to own corporate equity and underwrite all types of securities, they will probably end up doing a more effective job of monitoring commercial-loan credit quality than is now being done. As a result, fewer banks will fail, and the risk-adjusted returns of the banking industry will rise. Not insignificantly, broadening the securities powers of banks should also result in somewhat greater economic growth.

It cannot be denied that U.S. commercial banks are falling down on the job of managing credit risk. Current loan charge-offs for the average U.S. bank are more than 50% higher than at comparable stages of past business cycles, and the nonperformer ratio, though down from its peak in the mid- to late '80s, is still nearly twice what it was at the beginning of the '80s.

The Need to Update

The most plausible explanation for the deterioration in bank loan-monitoring capabilities emphasizes the interplay between changes in the external environment and the internal managerial reaction to these changes. In brief, it is argued that as the economy has become more volatile, the half-life of usable credit information has greatly shortened. In other words, the business fortunes of borrowers are changing far more rapidly than in the past, requiring banks to update their credit files more frequently.

Yet, as deregulation has eroded its profitability, the banking industry has become increasingly reluctant to allocate the funds needed to gather credit information in a timely enough fashion. Lacking current information, banks have been unable to identify credit problems as rapidly as they once did.

And, indeed, preliminary evidence suggests that the public marketplace is now more alert to deteriorating credit conditions than are many banks. In cases where borrowers have publicly traded debt as well as bank loans, the market often moves to lower debt ratings or bid down bond prices before the banks act to downgrade their internal loan ratings. Either the banks get the information after the marketplace or they get it before but somehow fail to act on it.

Early-Warning Capabilities

How will the acquisition of investment-banking powers improve the loan-monitoring capabilities of commercial banks? In countries like Germany, Austria, and Switzerland, where there is universal banking – i.e., no separation between commercial and investment banking – and in Japan, where there is a high level of de facto integration between finance and commerce, the job of loan monitoring turns out to be quite a bit easier than in the U.S., points out Randall Pozdena, a vice president of the Federal Reserve Bank of San Francisco.

Being more closely tied to their borrowers, banks in these countries are apparently able to spot credit problems at an earlier stage than American banks. They are also able to take steps, including the removal of company managements, to correct these problems before they result in loan defaults and bankruptcies.

Pozdena argues that whereas a U.S. commercial bank's means of controlling adverse borrower behavior "are limited to invoking loan covenants and withdrawing loan funding, the underwriting relationship available to a universal bank enhances this channel of influence, since a company that performs badly on its loans is also at risk of losing access to reputable underwriting and hence to nonbank sources of funds."

Even more significant, the fact that the universal banks of Germany and the Japanese banks are able to own the equity of those to whom they lend immeasurably reinforces their "channels of influence." As equity holders, lenders can participate directly in a company's management, thereby influencing the decisions to take on risk. Says Pozdena: "In essence, holding some of the equity helps offset the incentive borrowers always have to take advantage of lenders by taking on riskier projects than these lenders anticipated."

An Irrational Fear

It is claimed that borrowers benefit from having stronger lenders. Why is it that the U.S. is the only major country with a venture-capital industry and a junk-bond market? Part of the answer, opines Pozdena, is that weak-collateral, low-net-worth U.S. firms often find it insuperably difficult to get adequate bank financing.

By contrast, in countries that allow universal banking, bank financing tends to be more readily available to the less well-heeled. Having greater influence over the management of these firms, foreign banks are much more comfortable lending to them than are their American counterparts.

So borrowers should welcome broader powers for lenders. However, some who claim to speak for them and for the public interest do not. Fearful of bank dominance of the economy, many Americans would be loath to end the separation of banking and commerce.

Yet this separation may be costing us more than we know. Economic historians attribute the rapid pace of development in Germany and Japan at least partly to the close relationship between industrial and financial firms. What's more, this relationship may have promoted more stable as well as faster

See **COMMENT** *page* **14**

FUNNY MONEY/*By Tom Leander*

Arbor Day

Some financial institutions give away toasters to attract business. But American Mortgage Banking, Westbury, N.Y., has added a new twist to the giveaway craze by handing out trees.

With great fanfare, the Long Island mortgage company announced last week that each loan customer will receive "a two- to three-year-old deciduous shade tree with a one-and-a-half-inch trunk diameter." The customers will be encouraged to plant the trees in a drive to save the nation's tree cover.

The program, which the company says has been in the making for six months, was planned to coincide with a call from President Bush last week to increase the nation's tree cover by a billion trees a year for the next 10 years.

— **Phil Roosevelt**

* * *

Free Lunch

In 1990, the free lunch that J.P. Morgan Co. provides its nonofficer employees will cost the company a little less than in 1989. The average daily cost per person of Morgan's cafeteria-style lunch has been cut to $3.60, from $3.90 last year, notes a company memo. The reduction was made for tax reasons.

* * *

Bum Sets His Sights

After learning that thinking big can lead to disaster, H.R. "Bum" Bright is thinking small.

The crusty Texan combined InterFirst Corp. and RepublicBank Corp. to create First RepublicBank Corp., a $33-billion asset behemoth that subsequently failed.

H.R. 'Bum' Bright

Later he formed the $4 billion-asset Bright Banc Savings Association, by merging several small Texas thrifts. That institution also failed.

Now Mr. Bright has set his sights on the $7.1 million-asset State Bank and Trust Co., Dallas, the smallest bank in town.

But as befits his audacious personality, Mr. Bright is undaunted by the First Republic and Bright Banc catastrophes, and is intent on rebuilding his personal fortune.

"I'm looking to create a new garden," said Mr. Bright, "not dig through the garbage pail of the past."

— **Steve Klinkerman**

Is His Name Next?

Despite record earnings and a loyal customer base, a small commercial bank in Encino, Calif., has decided to change names to fix its public image problem. Lincoln Bancorp has been deluged by calls from customers who mistake it with Lincoln Savings and Loan, the Irvine thrift seized by regulators last year.

John J. Keating

"We've been pummeled by the bad publicity," says the bank's president, who admits that his own name, John J. Keating, may have added to the confusion.

* * *

Last Rites

Responding to the wave of fraud within his own industry, Henry A. Berliner Jr., president of Second National Federal Savings of Salisbury, Md., has suggested a "Dying Mother Test" for executives who face a tough ethical decision.

H.A. Berliner Jr.

In a speech to University of Michigan students Tuesday, Mr. Berliner asked executives to imagine that "the proposed course of action was the last thing that your dying mother heard from your lips. Would she approve?"

Mr. Berliner added that sharp practice in American finance has turned the phrase "business ethics" into an oxymoron like "military intelligence" and "healthy savings and loan."

* * *

Hooked

Federal Reserve Bank presidents rarely show their emotions in public, except when arguing issues relating to monetary stability.

E.G. Corrigan

But New York Fed President E. Gerald Corrigan was positively beaming following his remarks Monday night in Washington before the Financial Women International. Following his after-dinner dissertation on the need for financial restructuring, the officers of the trade group rewarded Mr. Corrigan with a bag of brand-new fishing lures.

"This is terrific,"gushed Mr. Corrigan, a devoted fisherman, holding up a DareDevil lure. "This will catch just about anything."

— **Robert Trigaux**

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, John Forde, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Jim McTague, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

© 1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815, Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

SMALL BUSINESS

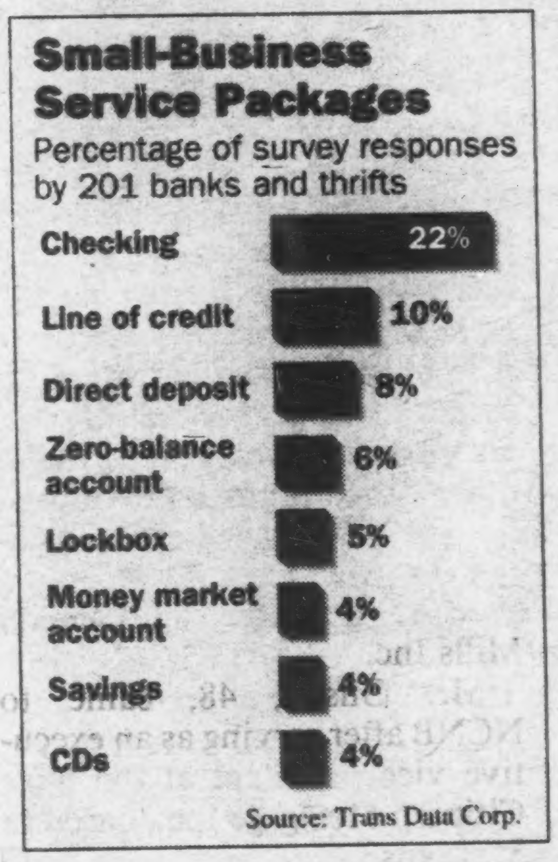
Large Banks Ardently Court Corporate Market's Low End

By LAURYN FRANZONI
Special to the American Banker

After years of neglecting the low end of the corporate market, larger banks are beginning to group services into attractively priced packages to win small-business accounts back from their own smaller competitors.

In the process of pursuing big and prestigious accounts, banks with more than $2 billion in assets have largely ignored the needs of small businesses, analysts say. Start-up banks and independents filled the breach.

But that is all beginning to change. Banks with $4 billion and more in assets are twice as likely to offer special service packages as banks with assets of $2 billion to $3.9 billion, according to research by Trans Data Corp., an *American Banker* affiliate in Wayne, Pa.



Small-Business Service Packages
Percentage of survey responses by 201 banks and thrifts

Source: Trans Data Corp.

Regional differences also come into play. Institutions in the north central and western states are more than twice as likely as their southern counterparts to offer special account packages for small businesses.

Of 200 banks and thrifts interviewed for the survey, 15% said they offered packaged services. The five products most likely to be included are commercial checking (by 22%), lines of credit (10%), direct payroll deposit via the automated clearing house (8%), zero-balance accounts (6%), and lockbox (5%).

Among the institutions offering packaged services, nearly half – 48% – indicated that their packages are specially priced, while 38% selectively discount the packages. But pricing alone does not move market share.

A 'Relationship Sensitive' Market

"While it is a price-sensitive market, we believe it is also the most relationship sensitive," said Kathleen C. Holmes, executive vice president of Furash & Co., Washington. Ms. Holmes has helped financial institutions review their product strategies for the small-business market.

"The bank has to help the small business to get ready to do business with the bank," she said. "That means standardized loan documents, standardized loan products packaged for access by the customer."

More than one-third of the institutions surveyed by Trans Data said they offer advisory services to their small-business customers. Banks are more than four times as likely as thrifts to provide these services.

Bankers in the North Central region are doing more to educate customers than those in Middle Atlantic institutions. Sixty-two percent in the northern region reported offering advisory services such as financial planning, marketing, and advertising advice, compared with only 19% of the institutions in the Middle Atlantic region. The most commonly offered advice is payroll management. Other popular services include employee-benefits planning, tax planning, accounting and legal advice, and personnel counseling.

Three-fifths of all banks and thrifts offer this advice separately for a fee, while 18% offer it at no additional cost to depositors.

Few Offer Specialized Branches

These advisory services are more likely to be offered to customers than are special, "small-business-only" branches, which are operated by only 4% of those surveyed. And only 1% said they have special small-business facilities within branches to serve this target group.

Whether the dedicated branch becomes more prevalent will depend on where the small-business group falls within bank management structures. The Trans Data research and other surveys indicate that the industry is split fairly evenly at this point over the placement of small-business units.

Banks that already have a dedicated small-business staff are far more likely to offer dedicated facilities and services than those that still service small-business customers from within existing lending groups.

Profitability Gets Good Rating

Even though these customers are now demanding more services and attention, about half of banks and thrifts rate the profitability of their small-business operations as "good to extremely good."

"Frankly, if you use good quantitative analysis, process management, and solid product engineering, the margins in this business should be substantially fatter than corporate services," said Wells Fargo executive vice president Douglas Freeman. "The challenge is to be careful so loan losses don't erode the margin."

Ms. Franzoni is a freelance banking reporter in Springfield, Mo.

U.S. Card Concerns Target Europe

Small Businesses Expected to Thrive, Need Services

By ELLEN MEMMELAAR

NEW YORK — Major U.S.-based credit card companies are setting their marketing sights on the European Community's burgeoning small-business market.

Sources close to Visa International said it will launch a card this month with add-on services tailored to smaller European companies.

And American Express Travel Related Services Co., which has promoted a small-business card service in Britain for six years, is preparing advertising campaigns for selected markets on the Continent as well.

MasterCard International, which has a strong business card effort in the United States, is also expected to expand in Europe.

Diners Club International is looking into the small-business market, said John Stout, London-based vice president for marketing in Europe, the Middle East, and Africa. But the Citicorp travel-and-entertainment card subsidiary "is a long way off from a pan-European product designed for small businesses," he said.

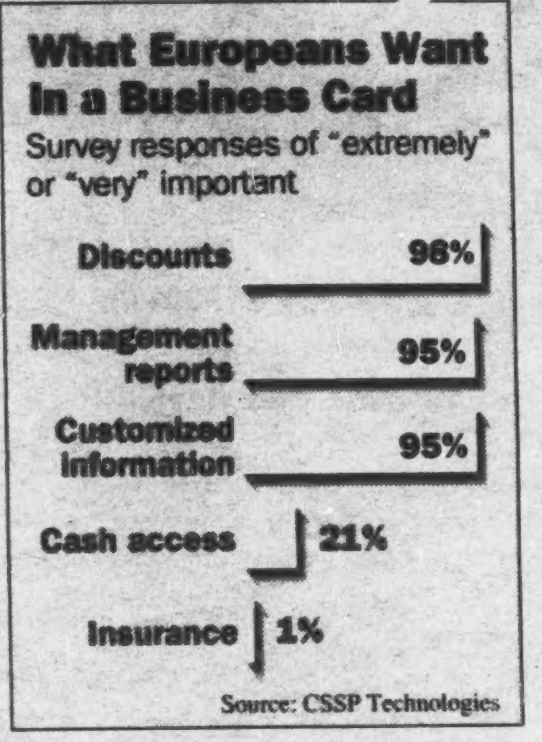
The economic unification of the 12-nation European Community in 1992 is seen as boosting small-business growth.

Already, Europe is seeing an entrepreneurial boom like that which hit the United States in the 1980s. The community has 25 million small businesses, accounting for more than 95% of all companies, according to Russell Prince, president of CSSP Technologies, a New York-based consulting company.

Raising Venture Capital

The 12 nations raised more than $5.1 billion in venture capital in 1987, which is $200 million more than U.S. companies raised the same year.

The removal of tariffs and border restrictions will give smaller businesses easier access to a market of 320 million people – which is larger than either the United States or Japan.



What Europeans Want In a Business Card
Survey responses of "extremely" or "very" important

Source: CSSP Technologies

"The removal of barriers will help small businesses exploit other markets over the long term," said Richard Cullen, head of product development at Visa in London.

Small-business spending on travel is $150 billion a year, not including $200 billion for restaurant and gasoline bills, according to Mr. Cullen.

Mr. Prince said about 17 million Europeans incur business expenses and 97% of small-business owners would now acquire a credit card, provided its annual fee were not significantly higher than those on personal cards. He based his conclusions on a survey of 387 small-business people in six nations.

"Big, private-sector industries do not exist in a lot of these places now, so the economy will be driven by smaller businesses," said Mr. Prince. He estimated that Europe would see $1.5 trillion in total purchases by small businesses between now and 1992.

But marketing of credit cards aimed at small to medium-sized businesses is almost nonexistent. Few such products exist, and their structures vary widely by country and bank.

The Visa product, although not mandatory for association members, will unify products under a single logo and marketing approach, said Mr. Cullen.

The Visa card will come with a variety of travel and entertainment benefits, including an emergency message service and document-courier service anywhere on the globe.

In Britain, American Express recently made membership in the Royal Automobile Club automatic for business customers, giving access to a nationwide repair service.

A Banking Connection

Visa's focus on the business-card market is not new. Eight months ago, it launched a management information system called the Business Card Response System. This gives detailed reports on expenditures by company employees.

Asked about his competitors, Mr. Cullen said neither American Express nor Diners Club has access to the 2,500-bank European network that Visa does or the banking relationships that go with it.

"You don't want to sell a credit card. You want to sell a package of services," said Mr. Prince, the consultant. "Small companies are always looking for information that will better enable them to handle their businesses."

Indeed, information services came up as one of the most valuable characteristics of a credit card product in a survey of European small businesses done by CSSP Technologies.

Customized Newsletters

Mr. Prince said he advocates customized newsletters to deliver information to European cardholders. Businessmen are very concerned about financial matters, products, and services that relate to their industries, the survey found.

A newsletter "can be cost-effective, and the fact that you offer a service at break-even makes you look so much the better," he said.

Research by Mr. Prince also showed that European businessmen prefer one multipurpose card to a variety of credit, debit, and check-cashing cards. The best card, he said, would be usable for any type of payment and would be tied to an interest-bearing money market account. □

AMERICAN BANKER */Bank Rate Monitor's™*

Consumer Money Index

Highest Retail Yields and Jumbo Rates

These are the highest jumbo CD rates ($100,000 minimum deposit) and retail CD yields (for the lowest deposit required to open the account) offered on Feb. 7, according to the "100 Highest Yields" and "Jumbo Flash Report" consumer-investor newsletters. The star ratings are supplied by Veribanc Inc. of Wakefield, Mass., which evaluates the financial condition of insitutions using third quarter, 1989 data ffrom ffederal regulators. Veribanc assigns 0 (lowest) to 3 (highest) stars to the institutions. Information from Veribanc is believed to be reliable, but the accuracy, adequacy and completeness of the information is not guaranteed.

Retail Yields

Six-month		
Maine Savings Bank, Portland		8.89%
Columbia S&L, Irvine, Calif.		8.65
Home Owners Svgs, Burlington, Mass.	★	8.64
First Mutual Bank, Boston		8.57
The Bank Mart, Trumbull, Conn.	★	8.57
One-year		
Home Loan & Inv. Bank, Providence, R.I.	★★★	8.80%
Bank of New England, Boston		8.77
Maine Savings Bank, Portland		8.72
Home Owners Svgs, Burlington, Mass.	★	8.64
NVR Federal Svgs, McLean, Va.	★	8.60
Five-year		
The Bank Mart, Trumbull, Conn.	★	9.00%
Washington Svgs Bank, Waldorf, Md.	★★★	8.78
Eastern Svgs Bank, Hunt Valley, Md.	★★	8.75
NVR Federal Svgs, McLean, Va.	★	8.75
Maine Savings Bank, Portland		8.72

Jumbo Rates

Six-month		
First State svgs, San Antonio		8.65%
Westwood S&L, Calif.		8.65
Resource Savings, Dallas		8.60
First South Svgs, Houston		8.60
Platt Valley Fed. S&L, Scottsbluff, Ne.		8.60
One-year		
Calif. Thrift & Loan, Santa Barbara, Calif.	★★★	8.69%
First Stata Svgs, San Antonio		8.50
Bank of New England, Boston		8.50
First Network Svgs, Los Angeles	★	8.50
First Mutual Bank, Boston		8.50
Five-year		
Bank Hapoalim, Chicago		9.00%
Meritor Svgs, Philadelphia	★	8.60
Chase Manhattan Nat'l Bank, N.Y.		8.55
Chemical Bank, Jericho, N.Y.	★★★	8.50
New South Fed. Svgs, Birmingham, Ala.	★★★	8.45

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

808

C0175-1

AMERICAN BANKER

VOL. CLV NO. 29 Monday, February 12, 1990 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Foreign Rates, Inflation Fears Hobble the Fed

By ROBERT TRIGAUX

ANALYSIS: *Follow-up on the news*

WASHINGTON — Fears of inflation in the United States and continued high interest rates abroad appear to have all but killed opportunities for the Federal Reserve to ease its monetary policy anytime soon.

The Fed, whose Federal Open Market Committee met last week to set credit policy, will continue to target the federal funds rate at 8.25%, despite signs that the economy is continuing to droop, analysts forecast.

James P. Winder, economist at Merrill Lynch Capital Markets, believes "monetary policy was left unchanged at the FOMC meeting last week."

"Concerns about inflation at home and rising interest rates abroad give policymakers no room to address the weakness in the U.S. economy," he said.

Wholesale prices surged 1.8% in January, the biggest jump since the 1974 energy crisis and again fueled by a huge increase in oil and gas prices, the government said Friday.

With such inflationary numbers, "How can the Fed ease?" asked Robert A. Brusca, chief economist at Nikko Securities Co. International in New York.

Adding to rate pressures are Japan and West Germany, whose high rates make it even more difficult for the Fed to lower domestic rates and still attract needed foreign investors. Japanese rates are expected to inch upward in anticipation of its Feb. 18 elections. West Germany, suffering a recent bout of inflation and the added instability of East Germany's future, is expected to keep rates high.

Bad News for Banks

Such pressures on the Fed to keep rates up will hurt financial institutions hopeful that further easing in the near term might avoid a recession and spur credit demand. But, some analysts argue, higher rates may help those institutions by bolstering a nervous bond market that views any further Fed easing as a sign that it is caving into recession fears before it has gotten a handle on inflation.

"The Fed will not move on its short-term policy," said Richard C. Trainer, vice president and senior economist at the Bank of Tokyo in New York. "If the Fed eases too soon, and breaches Greenspan's gradualism of monetary policy, it will trigger the psychology of worsening in-

See **INFLATION** *page* **13**

INSIDE NEWS

INTERNATIONAL

CENTRAL BANKERS and economists worry that the funding needs of Eastern Europe might cause a protracted bout of high interest rates throughout the European Community. *Page 10*

FINANCE

OLD STONE CORP. stock has managed to advance this year while other thrift issues have headed south. Still, the share price is 54% below what it was June 30. *Page 16*

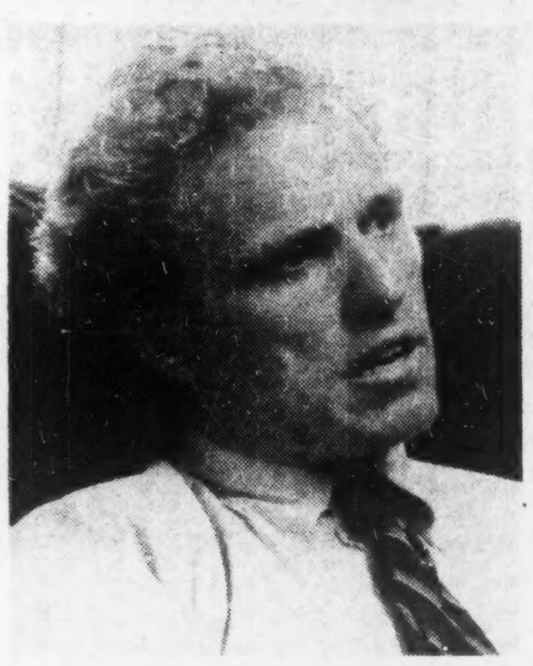
CONSUMER

BANK OF NEW ENGLAND plans to go after consumer deposits with an ad campaign that gently reminds the public its accounts are protected by federal insurance. *Page 6*

TECHNOLOGY

BANKS AND OTHER financial firms are not fully exploiting information technology, according to a survey of systems managers in the United States and Europe. *Page 3*

WASHINGTON



REP. JOSEPH P. KENNEDY, D-Mass., a thorn in the side of the banking industry since he pushed for disclosure of lending patterns last year, is now taking up the cause of Third World debt reduction. *Page 8*

COMMENT

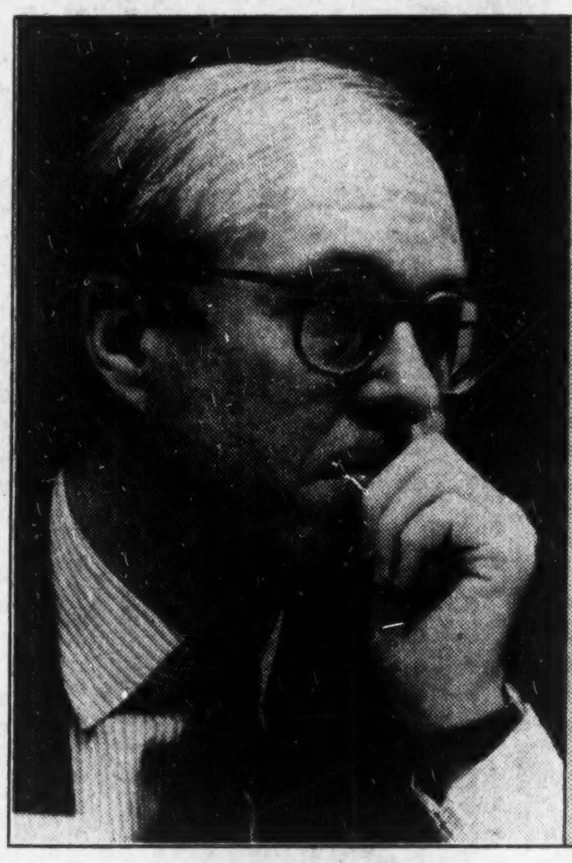
THE BEAR MARKET in bank stocks has lumped strong institutions with weak ones, causing frustration among managers of healthy companies. *Page 4*

INDEX

People in the News 2
News Briefs 2
Company Index 2
Sound Off 4
Classified Advertising 12
Bank and Thrift Stocks 15

Kearney Exit Seen as Blow to RTC

Resignation Cuts Credibility of Bush S&L Cleanup



Kearney's RTC Woes

- **Bureaucracy and infighting mired the agency.**
- **A dispute on how to raise working capital has dragged on for months.**
- **Red tape discouraged investors, slowing S&L sales.**
- **Key RTC posts remain unfilled.**

Louise Krafft

By BARBARA A. REHM

WASHINGTON — Daniel P. Kearney's abrupt resignation Friday from his job overseeing the Resolution Trust Corp. is being viewed as the latest and most embarrassing proof yet that the government's blueprint for cleaning up the thrift industry is seriously flawed.

Critics have lashed out at the RTC almost since its inception last summer, saying bureaucracy and infighting were crippling efforts to sell or liquidate billions of dollars of seized thrift assets. Mr. Kearney's departure, because of what he considered excessive interference by the Treasury Department, deals a severe blow to the government's already low credibility.

"The disarray and the indecision are now publicly evident and this will do nothing but increase the cost of the bailout and delay the resolution of pending cases," said Rep. Henry B. Gonzalez, chairman of the House Banking Committee.

The Texas Democrat added that the resignation is "more evidence of the growing disarray in the Bush administration's implementation of the savings and loan bailout."

Exit May Firm Anti-RTC Mood

John D. Hawke Jr., a partner with Arnold & Porter, said Mr. Kearney's exit might help consolidate opinion that the organization set up to implement the bailout is the very thing that is keeping it from occurring.

"There is need to revamp the structure," he said. "It is such a cumbersome operation that it has really become catatonic."

Mr. Kearney's resignation as president and chief executive officer of the RTC oversight board, which sets policy for the agency, stemmed from a dispute with senior Treasury officials, especially John Robson, the deputy secretary.

"I have concluded that the role of president and CEO does not currently afford me the authority that I believe is essential

See **KEARNEY** *page* **7**

Rival Thrift Trade Groups Talk Merger – Informally

By WENDY GROVER

NEW YORK — Facing rapid declines in membership, the two rival thrift trade associations are considering a merger.

Officials of the U.S. League of Savings Institutions and the smaller National Council of Savings Institutions said last week that they are discussing a merger only in a preliminary way. The idea may gain momentum this week when several thrift executives plan to confer in New York.

"We'll talk about it as individuals," said National Council chairman David Sullivan. They will not officially represent the trade groups or their individual members, he said.

Necessity Presses Them

Although officials said a formal merger agreement is not imminent, the two organizations may reconcile their longstanding policy differences out of necessity. Each association has lost well over 100 members this year, from Jan. 1 totals at the U.S. League of 2,754 and at the National Council of 479.

"When you've tried to promote your own services as superior, it takes a little time to change the attitude and say, 'Maybe these are our friends, and we should join them,' " said Kenneth Seaton, chairman of the U.S. League, in an interview.

The Possible Partners

	U.S. League	National Council
Year founded	1892	1983*
Annual budget	$30 million	$9.5 million
Employees	450	55
Member thrifts at yearend	2,754	479
Decline in membership since Jan 1	179	111

*Created from merger of National Association of Mutual Savings Banks (1920) and National Savings and Loan League (1943)

Source: Associations and American Banker

See **RIVAL** *page* **13**

Bank Helps Crack a Laundering Operation

By KAREN GULLO

NEW YORK — Employees at a branch of Key Bank in Newburgh, N.Y., helped drug enforcement agents crack a major money-laundering operation in New Jersey with ties to Panama and Colombia, a federal prosecutor said Friday.

U.S. Attorney Samuel A. Alito Jr. in Newark, N.J., said the bank's actions were instrumental in bringing charges against 25 people and five international corporations for conspiring to violate U.S. currency laws.

Federal officials said that if the charges are proved, it will be the largest money-laundering crime ever prosecuted in New Jersey, but they did not disclose the total dollar amount.

Conviction Last Year

The U.S. attorney last year won a conviction against Roberto Calleja, a former manager of the Forest Hill office of First Fidelity Bank, Newark, for helping to launder an estimated $6.5 million to $11 million between 1982 and 1985.

Mr. Alito said one of the defendants in the current case mailed $73,000 in checks and money orders to the Key Bank office, requesting that they be deposited in an account held by Paulina DeQuintero, a Colombian woman. Suspicious bank employees contacted the Internal Revenue Service in Albany,

See **BANK** *page* **13**

PEOPLE *in the news*

Sense of Humor Misfires For a Top Money Manager

By KENNETH CLINE

ATLANTA — William R. Hackney 3d is best known by friends and acquaintances for his sense of humor. But last week he wasn't doing much laughing.

The chief investment officer with First Union Corp.'s capital management group wrote a tongue-in-cheek article for the bank's investment newsletter "Vision" in which he referred to Germans as "Huns" and Japanese as "Nips." Mr. Hackney intended to satirize American fears of foreign investment, but some readers missed the point and complained about the unflattering terms he used for two of the top trading partners of the United States.

The Charlotte, N.C.-based banking company later apologized for the article.

A First Union spokesman said Mr. Hackney, 41, would not be available to speak with reporters. But friends and acqaintances of Mr. Hackney said he is well known for his sense of humor and probably never intended to offend anyone.

"Everybody that knows him knows that's not the way he meant it," said Clifton McIntire, a broker with Shearson Lehman Hutton in Charlotte.

A stock analyst, who did not wish to be identified, said he remembered Mr. Hackney from the late 1970s, when he had handled First Union's investor relations. "I think he's perceived as someone who has a sense of humor and is given to writing that way," the analyst said. "As I recall, he's outspoken, and I think we had some laughs."

Mr. McIntire worked with Mr. Hackney at E.F. Hutton from 1980 to 1982, when Mr. Hackney was Hutton's regional research director in Charlotte. The two men remained friends after Mr. Hackney returned to First Union, where he had worked in the trust division from 1974 to 1980, and have talked since the newsletter flap became public early last week.

"He's a good guy, very level-headed, and sorry they took it that way," Mr. McIntire said. "I wouldn't say he's upset about it, but no one likes people to misinterpret them, and if there was some misunderstanding out there, he would be bothered by that misunderstanding."

According to Mr. McIntire, Mr. Hackney uses satire in his newsletter articles to simplify complicated financial issues. "He's always got something in there of trying to use an analogy that somebody can understand to get his point across," Mr. McIntire said. "Most of the people that follow him like him and understand what he means."

Since 1982, Mr. Hackney has managed First Union's capital management group, where he is ultimately responsible for $7 billion in common stock, bond, and money market investments for individual, corporate, and institutional clients.

The group's equity fund performance has placed it among the top 10% of money managers nationally during the past five years, according to First Union. Mr. Hackney's articles in the *Vision* newsletter are intended to provide investment advice.

A native of Charlotte, Mr. Hackney earned a bachelor's degree from the University of North Carolina at Chapel Hill. He earned a master's degree in business administration from the Citadel while serving as an officer in the U.S. Marine Corps. He is a chartered financial analyst. □

Feud Brews Over Stock in Freddie Mac

By PHIL ROOSEVELT

NEW YORK — A move by the Federal Home Loan Mortgage Corp., or Freddie Mac, to retire some its stock has pitted the agency in a bitter war of words with the 12 Federal Home Loan banks that hold the shares.

The presidents of the banks are calling Freddie Mac selfish and uninformed. The mortgage agency, in turn, says the presidents are ungracious.

At issue are 100,000 shares of nonvoting stock in Freddie Mac that were issued to the 12 banks in 1970 for the mortgage agency's initial capitalization. Saying the original purpose of the issue has been served, Freddie Mac last week announced it would retire the stock – at the original price of $1,000 a share.

The 12 presidents claim the repurchase should reward their banks with some substantial price appreciation – though they do not specify how much.

Brendsel Cited

Thurman C. Connell, president of the Federal Home Loan Bank of Des Moines and head of the caucus of Home Loan bank presidents, took direct aim at Freddie Mac's chairman and chief executive.

"When Leland Brendsel, the newly elected board chairman, boasts that Freddie Mac has made enormous strides in 20 years, he neglects to state that his board has chosen to ignore the interests of the very Home Loan banks that gave birth to Freddie Mac," Mr. Connell said in a statement distributed on behalf of all the presidents.

A Freddie Mac spokeswoman said, "We take extreme exception to [the presidents' statements] – not only to their arguments, but to the tone." The statements, she added, are "extremely ungracious." □

Marine Midland Posts A $120 Million Loss

By GORDON MATTHEWS

NEW YORK — Marine Midland Banks Inc. posted a fourth-quarter loss of $119.9 million after more than doubling its provision for loan losses. For the full year, the company had net income of $13.9 million, down 91% from a year earlier.

Marine Midland's provision in the quarter was $263.3 million and included a $175 million special reserve against domestic loans. A bank spokesman declined to say what portion of this concerned highly leveraged transactions.

In the quarter a year ago, the provision totaled $102.6 million. That included an added reserve against foreign loans.

Move Is Explained

Marine called the move a "prudent step to insure that Marine's domestic loan-loss reserve remains appropriate in light of uncertainty in the economic outlook." Without the special charge to profits, net income would have been $43 million in the fourth quarter and $177 million for the full year.

Marine said the weak commercial real estate market was responsible for most of the $245 million increase in fourth-quarter nonperforming loans compared with last year's figure. The bank also said the higher level of fourth-quarter chargeoffs was primarily attributable to commercial real estate loans.

In both the quarter and the year, Marine said basic banking franchise posted strong gains, and that income from fees and services charges was higher while operating expense growth was moderate.

Marine is wholly owned by Hongkong and Shanghai Banking Corp. The $27 billion-asset company is the nation's largest foreign-owned banking subsidiary. □

MARINE MIDLAND BANKS INC.
New York
Dollar amounts in millions (except per share)

FOURTH QUARTER	**4Q '89**	**4Q '88**
Net income	($119.9)	$41.2
Per share	NA	NA
Net interest income (tax. equiv.)	242.4	315.0
Spread	3.84%	5.15%
ROA	(1.75%)	0.62%
ROE	(43.84%)	15.36%
Noninterest income	113.8	71.0
Noninterest expense	232.2	221.6
Loss provision	263.3	102.6
Net chargeoffs	185.9	56.9
FULL YEAR	**1989**	**1988**
Net income	$13.9	$160.5
Per share	NA	NA
Net interest income (tax. equiv.)	1,006.8	1,036.3
Spread	4.06%	4.31%
ROA	0.05%	0.61%
ROE	(0.05%)	16.35%
Noninterest income	393.0	313.6
Noninterest expense	940.9	901.8
BALANCE SHEET	**12/31/89**	**12/31/88**
Assets	$27,066.5	$25,964.1
Deposits	18,325.6	17,340.8
Loans	21,720.0	21,621.7
Shareholder equity	1,178.5	1,179.0
Loss reserve	952.6	928.3
Reserve/loans ratio	NA	NA
Nonperf. loans	1,203.4	958.2
Nonperf. loans/loans	5.31%	4.25%
Primary capital ratio	9.13%	9.39%

Corrections

Page one articles on Feb. 8 and Feb. 9 incorrectly reported how regulators are defining highly leveraged transactions. A loan must be classified as financing a leveraged transaction in two cases: when it pushes a company's liabilities higher than 75% of its assets, or when a company's total debt doubles as a result of the loan and its total debt exceeds 50% of assets.

■

A Feb. 9 article ("Fuji's Heller Taking Stake in Hungarian Merchant Bank," page 10) misstated the capital of a new Hungarian merchant bank in which Heller International Corp. will be taking a stake. The correct amount is $16 million. □

NEWS *briefs*

Iowa Gov. Branstad Signs Bill for Interstate Banking

CHICAGO — Iowa Gov. Terry Branstad signed a bill opening the state to interstate banking with neighboring states, his office said.

The law, which takes effect Jan. 1, 1991, allows banks in Missouri, Illinois, Wisconsin, Minnesota, South Dakota, and Nebraska to buy Iowa banks.

Fleet/Norstar Announces Trust Unit Consolidation

PROVIDENCE, R.I. — Fleet/Norstar Financial Group Inc. has consolidated trust and investment management activities of its eight New England and New York banks and trust affiliates, said J. Terrence Murray, chairman and chief executive.

Named to head the trust and investment line of business was Robert J. Higgins, a Fleet/Norstar executive vice president. He is also president and chief executive officer of Fleet National Bank, Providence, the company's largest banking unit.

All investment officers of the former Norstar Investment Advisory Services (Norvest), Rochester, N.Y., and of Fleet/Norstar's banks, have been named officers of Fleet/Norstar Investment Advisors Inc.

James A. Knauf Jr., who had been president of Norvest, was named president of the New York division of Fleet/Norstar Investment Advisors. Harold A. Mackinney Jr., executive vice president the trust and investment division of Fleet National Bank, was named president of the New England division.

Florida Bank Acquisition Completed, Synovus Says

COLUMBUS, Ga. — Synovus Financial Corp. announced that its acquisition of the $50 million-asset Bank of Pensacola, Fla., has been completed.

Synovus is a $2.4 billion-asset, multifinancial services company based in Columbus. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
American Continental 13
American Express 8
Arnold & Porter 1

B
Bank Leumi le-Israel 1
Bank of Boston 5
Bank of New England 6,13
Bank of New York 14
Bank of Nova Scotia 3
Bank of Tokyo 1
BankAmerica 14
Bankers Trust 3
Barclays 10
Barnett Banks 5
Bond Corp. Holdings 10

C
Canadian Imperial Bank
of Commerce 14
Capital Guaranty Insurance 16
Carteret Savings 1
Central Jersey Bank & Trust 5
Chase Manhattan 14
Citicorp 13,14
City Savings Bank 5
Connecticut Bank and Trust Co. 6
Copenhagen Handelsbank 14
Credit Lyonnais 14
Crestar Financial 5
Crossland Savings 16

D - F
D&N Savings 1
Dime Savings 1
Fairhaven Savings Bank 5
Federal Home Loan Mortgage Corp. 2
Federal Reserve Bank of Boston 5
Fidelity Management 3
First Fidelity 1
First Interstate Bancorp 3,16
First Union Corp. 2
Fleet/Norstar Financial Group 16
Florida National Bank 1

G
Georgia-Pacific 14
Great Northern Nekoosa 14
Greater New York Savings 16
Greenlining Coalition 6

H - I
Hiscock & Barclay 5
HomeFed Corp. 5
Hongkong and Shanghai Banking 2
Imperial Savings 16
Independent Bankers Assn. 8
Index Group 3
International Swap Dealers Assn. 1

J - L
J.P. Morgan 13,16
Jordan McGrath, Case & Taylor 6
Keefe, Bruyette & Woods 16
Kenneth Leventhal 13
KeyCorp 1,5
Kidder, Peabody 5
L.A. Gear 14
Lloyds Bank 10,14
Lotus Development 3

M
Marine Midland Banks 2
Mechanics & Farmers Bank 1
Merrill Lynch 1,6
Metropolitan Federal Savings 16
Midlantic 6
Moody's Investors Service 16

N
National Autralia Bank 10
National Council
of Savings Institutions 1
National Westminster Bank 10
Nederlandsche
Middenstandsbank 14
New York Bancorp 16
Nikko Securities 1
Nippon Credit Bank 14
Northeast Savings 16
Norwest 3

O - R
Old Stone 16
Perpetual Financial 16
Pioneer Savings 5
Poughkeepsie Savings Bank 5
Resolution Trust Corp. 1,5,8
Royal Bank of Canada 3,14
Royal Bank of Scotland 14

S
Sandler O'Neill & Partners 5
Security Pacific 6,13,14
SFFD 16
Shearson Lehman Hutton 2
Southeast Banking 5
State Street Bank 5,10

T - Z
Talhman Home Federal Savings 16
Teknekron Software Systems 3
U.S. League of Savings Institutions 1
Wells Fargo 10
Yasuda Trust and Banking 14
Yorkshire Bank 10

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 13

COMMENT/*By Paul S. Nadler*

Bankers Scorn Stock Shifts, But They Can't Ignore Them

As bankers follow the market prices of their companies' stocks every day, many must feel they are living in a horror movie.

Prices have tumbled so rapidly that some banks have seen their stocks drop by one-third in value in a couple of weeks – wiping out gains slowly built up over several years. And most bankers whose equities have been hit have every reason to ask: "Has our operation been so bad as to justify this debacle?"

To this observer, at least, the answer is a resounding "No."

Trampled by the Herd

Surely, some banks' loan losses and operating performance have justified their sharp declines in share price. But in far too many instances, the declines have simply resulted from the fact that the banks are in territories where other banks are in trouble.

What we have seen, then, is a vindication of the old adage: "When they raid the sporting house, they take the piano player, too."

Why?

What has to be remembered as we analyze today's bank stock market is that trading in most shares is extremely thin, making prices highly volatile. In some instances, buying or selling as little as $25,000 worth of the stock in a multibillion-dollar thrift or bank can move the share price 5% or more.

Market Makers Vulnerable

One can't blame the market makers. They can lose their shirts holding a thinly traded bank stock if demand for it dries up and sellers keep calling them.

'When they raid the sporting house, they take the piano player, too.'

Thus, they protect themselves by lowering the quote.

But other factors also make bank shares highly volatile, especially on the downside:

- Pension fund managers hate to admit they have held a loser. Thus, they dump those stocks before a statement date, no matter the price they get. (Often, they buy back the same stocks at higher prices as soon as the shares return to favor.)
- People take losses for tax purposes – a major factor in December's bank stock disaster.

- Short sellers then see profits in dumping bank shares they don't own – exacerbating the decline.
- Finally, brokerage firms and brokers urge sales once a stock goes "south" – because this gives them transactions to recommend that can generate sales and commissions.

Impact on Performance

What do these factors mean for a bank, its long-run viability, and performance?

Many top bank executives say stock movements mean nothing. In this regard, I remember a CEO who was glad when the local papers stopped quoting his stock's price in the era before NASDAQ; he got fewer complaints from shareholders when they could no longer follow the issue.

But acute bankers worry about declines in share prices for several reasons:

- They penalize shareholders who must sell and employees whose retirement income is based on share price at the time they close out their profit-sharing programs.
- They hurt employee morale and tarnish a bank's image in the minds of many in the community.
- They make some holders of large deposits – above the Federal Deposit Insurance Corp. insurance ceiling – become wary and withdraw funds.
- They make it almost impossible to raise new capital without serious dilution of shareholder equity – making it harder to meet regulatory capital requirements.
- And they make buying the bank more tempting to other banks and to nonbanks interested in tendering for the shares and capturing control.

What Can Be Done?

What can a CEO do about this problem? Most say, "Very little." Yet this can be when years of effort to build a solid base of shareholders truly pay off.

Unfortunately, hardly any banks set the stage for this payoff by explaining, while share prices are rising, that price movements are insignificant to their overall operations.

It is ironic that one of the most important points of public contact – the marketplace for a bank's shares – is virtually out of the banker's control. All he can do is follow his own stock in the paper and on the screen.

But while bankers would like to explain to the public that what happens to share prices really does not reflect the bank's long-range prospects, it is frequently hard to sell this to the public when stock prices fall. ☐

Mr. Nadler is a contributing editor and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

South Africa recently announced it would negotiate to free long-time political prisoner Nelson Mandela and lift a 30-year-old ban on the African National Congress in the hope of ending the country's status as an international pariah. Suzanne Christy, of the American Banker's feature's staff, asked:

Q How far must South Africa go in easing repression before the U.S. government should allow banks to resume lending there?

Mark Goebel
Director of Communications
Institute of International Bankers

Before the U.S. even considers lifting economic sanctions, South Africa has to incorporate and share power with the black constituency. Then they have to set out a clear plan on how they will make this happen. What we have so far are promises.

We shouldn't even be talking about lifting sanctions yet. Instead, the U.S. government should use further economic leverage as a carrot to encourage South Africa to set forth a concrete plan.

In certain aspects, the situation is similar to the one in Eastern Europe. Both have gotten over the hurdle of deciding that changes need to be made.

But superficial changes are not going to placate the world or get the sanctions lifted.

Donna Katzin
Director
South Africa Interfaith Center
on Corporate Responsibility

I don't see banks trying to reenter markets they have left. If anything, the situation is more volatile than ever before. We shouldn't even consider investment until a substantial move to nonracial democracy has been made.

There is some real question about the authenticity of the changes. Even if they release Nelson Mandela, that does not mean he can live as a free man, nor can any of the 28 million blacks.

The challenge is not to lift the sanctions, but to increase pressure in a meaningful way so South Africa is forced to move toward peaceful change. It is a delicate situation. If the abolition of apartheid is not forthcoming, there are no guarantees that the road will remain open to peaceful change.

We cannot let the South African regime get away with cosmetic or window-dressing type of changes.

A bill that would increase sanctions is now moving through [a] House Banking subcommittee, and would affect both overseas and U.S. banks and oblige banks to increase their pressures in a time-triggered fashion.

Even though there is no new lending permitted, U.S. banks play a key role in facilitating South African financial transactions. Banks that are creditors to South Africa can convert their short-term debt into 10-year loans, which they have been renegotiating. This postpones the action on apartheid by taking off the immediate pressures on Pretoria. We consider additional time to be the fundamental equivalent of new credit.

Salih Booker
Staff consultant
House Foreign Affairs
Subcommittee on Africa

The Anti-Apartheid Act of 1986, which included the prohibition of lending to the South African government, is very clear on the conditions that must be met to terminate the sanctions. Basically, there are five conditions: political prisoners must be released; the state of emergency must be lifted; political parties must be unbanned; the Group Area Act and Population Registration Act must be repealed; and an agreement must be reached to enter into good-faith negotiations without preconditions.

The President can also suspend or modify any or all of the conditions. Congress has 30 days to disapprove his actions.

But I don't see any pressure developing to lift sanctions even now.

Roger Wilkins
Professor and chair of history
George Mason University

We shouldn't even be thinking about lifting the economic sanctions. When they were first imposed, critics said they would harm those people we were trying to help. Well, they were obviously wrong. These sanctions have had great impact on forcing the South African government to the table on issues of political freedom.

While South Africa is not there yet, talking is better than shooting. The momentum is there, and we can't turn the clock back. If [President F.W.] de Klerk does not move ahead, there is bound to be even more bloodshed.

There is a new South Africa about to be born. And the American business community should want to end this uncertainty and see South Africa settle down and normalize as soon as possible. If I were an American businessperson, I wouldn't be in any hurry to lift the sanctions. ☐

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 25 Bank Holding Companies

Based on total assets at Dec. 31, 1989 (assets in billions, net income in millions)

Asset Rank 1989	Asset Rank 1988		Total Assets 12/31/89	Total Assets 12/31/88	Pct. Change	Net Income 1989	Net Income 1988	Pct. Change	Net Income Rank 1988
1	1	**Citicorp, New York**	$230.6[1]	$211.7[2]	+ 8.9	498.0[3]	1,698.0	-70.7	1
2	2	**Chase Manhattan Corp., New York**	107.4	97.5	+10.2	(665.0)[4]	1,059.0	NM	2
3	3	**BankAmerica Corp., San Francisco**	98.8	94.6	+ 4.3	820.0[5]	547.0[5]	+49.9	8
4	4	**J.P. Morgan & Co., Inc., New York**	89.0	83.9	+ 6.1	(1,275.0)[6]	1,001.8	NM	3
5	5	**Security Pacific Corp., Los Angeles**	83.9	77.9	+ 7.8	740.6	638.9	+15.9	7
6	6	**Chemical Banking Corp., New York**	71.5	67.3	+ 6.2	(482.2)[5 7]	753.6[5]	NM	4
7	18	**NCNB Corp., Charlotte, N.C. (a)**	66.2	29.8	+121.8	447.1	252.5	+77.1	19
8	7	**Manufacturers Hanover Corp., New York**	60.5	66.7	- 9.3	(588.0)[5 8]	766.0[5]	NM	5
9	8	**First Interstate Bancorp., Los Angeles**	59.1	58.2	+ 1.5	(124.5)[9]	102.4	NM	42
10	9	**Bankers Trust New York Corp.**	55.7	57.9	- 3.8	(979.9)[10]	647.7	NM	6
11	10	**Bank of New York Co., Inc.**	48.9	47.4	+ 3.1	50.7[11]	213.0	-76.2	27
12	11	**Wells Fargo & Co., San Francisco**	48.7	46.6	+ 4.5	601.1	512.5	+17.3	10
13	12	**First Chicago Corp.**	47.9	44.4	+ 7.8	358.7	513.1	-30.1	9
14	13	**PNC Financial Corp., Pittsburgh**	45.7	40.8	+12.0	377.4	442.7	-14.8	11
15	14	**Bank of Boston Corp.**	39.2	36.1	+ 8.6	70.4[12]	322.3	-78.2	14
16	21	**Fleet/Norstar Financial Group, Inc., Providence, R.I.**	33.4	29.1	+14.8	371.3	335.8	+10.6	13
17	22	**First Union Corp., Charlotte, N.C.**	32.1	29.0	+10.7	256.2	296.9	-13.7	17
18	16	**Mellon Bank Corp., Pittsburgh**	31.5	31.2	+ 1.0	181.0	(65.0)	+378.5	...
19	20	**SunTrust Banks Inc., Atlanta**	31.0	29.2	+ 6.2	337.3	308.7	+9.3	16
20	19	**First Fidelity Bancorp., Newark N.J.**	30.7	29.8	+ 3.0	159.5	33.9	+370.5	105
21	17	**Continental Bank Corp., Chicago**	29.5	30.6	- 3.6	147.0	315.8	-53.5	15
22	25	**Barnett Banks Inc., Jacksonville, Fla.**	29.0	25.7	+12.8	256.7	226.4	+13.4	25
23	17	**Bank of New England Corp., Boston**	29.0‡	32.2	- 9.9	(1,050.0)‡[13]	281.7	NM	18
24	23	**Shawmut National Corp., Hartford, Conn.**	28.1	28.4	- 1.1	201.7	242.5	-16.8	22
25	24	**Marine Midland Banks, Inc., Buffalo, N.Y.**	27.1	26.0	+4.2	(1.1)[5 14]	115.4[5]	-88.0	37
		TOTALS FOR THE TOP	1,481.1	1,377.5	+ 7.5	1,071.9	11,902.8	-91.0%	
		PRO FORMA RANK-MERGER PENDING							
12	13	**Avantor Financial Corp.[15]**	48.8	43.6	+11.9	507.2	449.4	+12.9	11

Data Sources: Banks' yearend earnings releases and statements. **Net income** is income after taxes and minority interest, but before preferred dividends, extraordinary items, and significant transactions. Excluded is income from discontinued operations. Data for 1988 are as reported in 1989 and have not been restated for mergers or changes in accounting practices, unless otherwise noted. **(a)**— Asset gain is attributable to the merger of NCNB Texas National Bank, Dallas, in Aug. 1989. **(1)**— Adopted securities industry accounting practices for its for its trading account assets in the fourth quarter of 1989. **(2)**— Restated for accounting practices change that went into effect in the fourth quarter of 1989. **(3)**— Includes fourth quarter provisions of $1 billion for possible LDC credit losses. **(4)**— Includes the third quarter special charges of $1.26 billion. **(5)**— Excludes tax benefits from utilization of loss carryforward. **(6)**— Includes a third quarter provision for credit losses of $2 billion related to the portfolio of outstandings to restructuring countries. **(7)**— Includes $810 million in special provisions recorded in the third quarter. **(8)**— Includes $1.1 billion added to the refinancing country portion of its reserve for possible loan losses last year. **(9)**— Includes additional fourth quarter loan provisions of $225 million and $100 million at its Texas affiliate and in consolidation, respectively; and the third quarter provision of $350 million at the First Interstate Bank of Arizona. **(10)**— Includes third quarter provisions for refinancing country credit losses of $1.652 billion. **(11)**— Includes a special addition in the third quarter of $600 million to the allowance for loan losses. **(12)**— includes $280 million provision for credit loses in the fourth quarter. **(13)**— Expects to make an estimated $1.5 billion provision for credit losses in the fourth quarter. **(14)**— Includes a special addition to the fourth quarter provision for loan losses of $175 million for domestic loans. **(15)**— On 9/26/89, Citizens and Southern Corp., Atlanta, and Sovran Financial Corp., Norfolk, Va., announced a definitive agreement to merge. Shareholders approved the merger on Feb. 2. The transaction is expected to be completed in the second quarter. **( )**— Indicates net loss for the year. **(‡)**— Estimated. **NM**— not meaningful.

Compiled by American Banker, Copyright 1990

Big Bank Profits Hurt by Provisions

By L. MICHAEL CACACE

NEW YORK — Net income of the nation's 25 largest bank holding companies plunged 91% last year, as many of these banks took special loan-loss provisions in the third and fourth quarters to offset loans to restructuring countries and troubled domestic real estate loans, according to an *American Banker* survey.

As a group, the top 25 banking companies earned $1.1 billion in 1989, compared with $11.9 billion in 1988. Twelve of the top 25 reported special loan-loss provisions totaling $11.1 billion. Of the 12, eight reported losses for the year.

J.P. Morgan, the nation's fourth-largest banking company, posted the the largest loss, $1.275 billion for 1989. This loss included a $2 billion third-quarter provision for losses on lesser-developed-country debt.

The troubled Bank of New England Corp., Boston, with an estimated loss for 1989 of $1.05 billion, posted the second-largest loss last year. The company expects to make a $1.5 billion loan-loss provision in the fourth quarter.

Security Pacific Corp., Los Angeles, was the top earner last year, with net income of $740.6 million, up 15.9% from the year before, when it ranked seventh.

The nation's top earner in 1988, Citicorp, saw earnings plunge 71% to $498 million last year. The decline was attributable to its $1 billion fourth-quarter writedown of LDC debt.

Citicorp remains the largest U.S. banking company, with assets of $230.6 billion at year-end 1989, up 8.9% from a restated $211.7 billion the year before.

As a group, the top 25 bank companies posted a rise in assets of 7.5% last year, to $1.39 trillion. The group's net income for the first quarter totaled $3 billion, up 7.9% from the comparable period in 1988.

Bogus Land Sales Cited in Hearings On Lincoln S&L

By BILL ATKINSON

WASHINGTON — The third round of court hearings began Friday in the highly charged case between Lincoln Savings and Loan Association and the Office of Thrift Supervision with testimony that Lincoln used numerous real estate transactions to generate earnings through alleged sham sales of land.

Testimony is expected to be heard well into this week as Lincoln, which is based in Irvine, Calif., brings in a platoon of expert witnesses to rebut charges that the S&L used shady accounting methods in 15 major real estate transactions.

The failed thrift, a subsidiary of American Continental Corp., Phoenix, went into conservatorship last April and a month later sued the thrift office and its former chairman, M. Danny Wall, in U.S. District Court in Washington, charging that the takeover damaged Lincoln and reduced its net worth.

On Friday, Roger A. Johnson, a partner in Kenneth Leventhal & Co., which conducted a review of the 15 real estate deals, reiterated previous assertions that Lincoln used the transactions to generate earnings through alleged land flips and sham sales. Mr. Johnson testified before Judge Stanley Sporkin at the U.S. District Court for the District of Columbia. □

Rival Thrift Trade Groups Discuss Merger

Continued from *page* **1**

"We should be moving into a time when there's a greater opportunity to merge than before."

Mr. Sullivan of the National Council, in confirming the meeting for merger talks, cautioned that it is not necessarily "an indication of any merger."

Informal Discussions

In addition to Mr. Sullivan, who is president of Mechanics & Farmers Bank, Bridgeport, Conn., the informal meeting this week will include Robert B. O'Brien, chairman and chief executive officer of Carteret Savings Bank, Morristown, N.J., and Harry W. Albright Jr., chairman and chief executive of Dime Savings Bank of New York, Garden City.

The Dime, like several other sizable thrifts, belongs to both groups. Mr. O'Brien, vice chairman of the U.S. League, is past president of the National Savings and Loan League, a predecessor of the National Council.

Mr. Seaton, the U.S. League chairman who is also chairman and chief executive of D&N Savings Bank, Hancock, Mich., said the consolidation idea had come up in "informal discussions" in recent years. Executives who are active in both associations acted as liaison between the leadership groups, he said.

Split on Thrifts' Edge

On legislative issues, the U.S. League has generally supported preservation of a distinct thrift industry, but the National Council has advocated rules that put thrifts on a more equal footing with banks and other financial institutions.

Calling for unity, Mr. Seaton said, "the perception is still there that we were beat up" by last year's thrift-reform legislation.

The industry's shrinkage – with some members seized by regulators or merging out of existence – may put an end to the thrift trade groups' longstanding fragmentation. Before formation of the National Council in 1983, the industry had three associations.

The U.S. League, older and bigger of the two survivors, suffered a 10% drop in membership last year. Another 179 institutions have notified the league that they will not renew their memberships this year, and the total is expected to go higher.

"Membership is declining, and we planned and budgeted for that decline," said James Grohl, senior vice president at the U.S. League. The group also reduced its staff by 50, to 450.

The National Council, which is dominated by northeastern institutions from the former National Association of Mutual Savings Banks, has lost 120 members this year and gained nine. The council, with a current staff of 55, recently laid off 13 workers and decided not to fill eight other vacancies. □

Inflation Fears Put the Fed in a Bind

Continued from *page* **1**

flation." Mr. Trainer, a former economist at the Federal Reserve Bank of New York, said the fed funds rate, now targeted by the Fed at 8.25%, will be stuck there for at least another six weeks – unless dramatic signs emerge of a decline in the domestic economy.

Indeed, not all FOMC members are eager to ease. According to the minutes released Friday of its Dec. 18-19 meeting, Fed Governor Wayne Angell and Federal Reserve Bank of St. Louis President Thomas Melzer dissented from the majority and insisted that the Fed not ease its policies.

Analysts noted hopefully that rising rates in the U.S. may have plateaued. Last week's successful quarterly refunding by the Treasury attracted a participation rate by foreign investors of only 23% – the lowest in two years. This signals that although global investors are shopping for rates, U.S. investors were satisfied with Treasury rates. □

Bank Helps Nail Laundering Ring

Continued from *page* **1**

N.Y., which touched off a further investigation.

The attempted deposit came to the bank in an Express Mail package with the return address of the laundering ring's alleged central figure, Julio Montes Cardona of Piscataway, N.J. When Mr. Cardona called Key Bank in June 1989, seeking return of the funds, the bank refused to send them back.

Ms. DeQuintero later authorized Key Bank, a subsidiary of Albany-based KeyCorp, to return the money. The bank issued Mr. Cardona a check for the account's $16,331.18 balance, but the IRS seized the $73,000 in checks and money orders.

The arrests last week were the result of a nine-month undercover investigation into a complex scheme involving millions of dollars in illicit drug profits laundered through banks in New Jersey and Florida. The money orders and cashier's checks obtained in the investigation were in amounts less than $10,000, the threshold that requires reporting of cash transactions to the IRS.

Money was allegedly laundered through Miami offices of Florida National Bank, Bank Leumi le-Israel, and Chase Bank International, along with several banks in New Jersey that prosecutors did not name. None of those banks is believed to have conspired with the defendants. □

800

C0175-1

AMERICAN BA

VOL. CLV NO. 30

Tuesday, February 13, 1990

year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

No Big Changes Expected at RTC After Kearney

By BARBARA A. REHM

WASHINGTON — Daniel P. Kearney's resignation from the Resolution Trust Corp. Oversight Board last week may have spurred a wave of criticism over how the thrift bailout is being handled, but it is not likely to prompt significant changes.

Congressional hearings questioning the need for an Oversight Board are not likely to materialize, and efforts to streamline the maze of agencies handling the bailout will probably also fail, according to observers on Capitol Hill.

ANALYSIS: *Follow-up on the news*

Rep. Bruce F. Vento, D-Minn., and Rep. Doug Barnard Jr., D-Ga., announced on Friday that they would invite Mr. Kearney, the board's former president and chief executive officer, to discuss what caused him to quit.

But Mr. Kearney has not yet taken advantage of opportunities to retaliate against Treasury Department officials who, he claims, kept him on a tight leash. In fact, Mr. Kearney took off for Mexico over the weekend without granting any interviews to reporters. People who know him say he does not plan to spill his guts at a congressional hearing – unless he is subpoenaed. Congressional staffers say the lawmakers are unlikely to go that far.

"We wanted to get Kearney's perspective," said an aide to Mr. Vento. "If he's not going to testify, I'm not sure what we'll do."

Treasury Stands Pat

As for Treasury, it appears undaunted and as convinced as ever that it has an obligation to keep close tabs on the Overisght Board's operation.

"The Oversight Board was put there to be the oversight to the RTC. That's what we expected it to be in the past, and that's what we expect it to be in future," said Treasury spokeswoman Desiree Tucker-Sorini.

Tensions should be smoothed a bit by the appointment of acting president and chief executive officer William Taylor, the Federal Reserve Board's director of bank supervision. He helped set up the Oversight Board after the bailout law was enacted last August.

"I was getting ready to go home [Friday]," Mr. Taylor said in an interview on Monday. "Instead I came up here and I've been here ever since." (See story on page 2.)

Mr. Taylor is a savvy career

See **NO** page 8

INSIDE NEWS

CONSUMER

MELLON BANK and Pittsburgh National are one-upping each other with packaged accounts aimed at consumers willing to keep a big balance in exchange for various services. *Page 6*

INTERNATIONAL

BANK OF NEW YORK agreed to sever its correspondent ties to South Africa, according to the Interfaith Center on Corporate Responsibility. *Page 10*

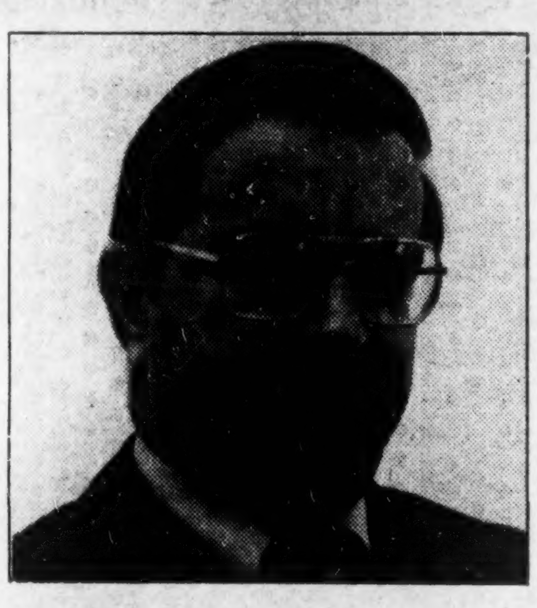
FINANCE

BRANCH SALES, the only capital-raising option for many troubled thrifts, have been hurt by a glut on the market and lack of interest. *Page 16*

REAL ESTATE

YASUDA TRUST & Banking has been able to profit from the misfortunes of U.S. banks, offering top developers terms that can't be beat. *Page 9*

PEOPLE



WILLIAM TAYLOR, director of bank supervision at the Fed, lost no time in taking over the reins at the RTC Oversight Board after Daniel Kearney's abrupt departure. *Page 2*

TECHNOLOGY

SECURITY PACIFIC is going all out to institute a high-speed global communications system linking all branches. *Page 3*

COMMENT

DETERIORATING credit quality always signals a lack of diversification, writes Sanford Rose. *Page 4*

INDEX

People in the News 2
News Briefs 2
Company Index 2
Crime Blotter 4
Executive Changes 5
Classified Advertising 12
Bank and Thrift Stocks 15

Salomon Executive Urges End To Industry Barriers

By JAMES R. KRAUS

NEW YORK — In one of the most far-reaching calls to date for a revamping of the U.S. financial system, Salomon Brothers president Thomas W. Strauss on Monday called for the removal of all barriers separating commercial and investment banks. He said the removal would allow U.S. financial institutions to better compete in the world marketplace.

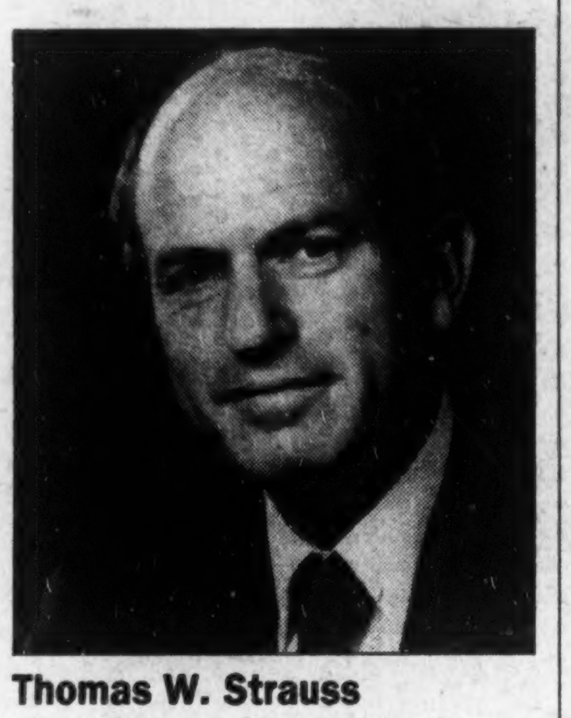
"This means repeal of Glass-Steagall, McFadden, and the Bank Holding Company Act," Mr. Strauss said in a luncheon address to the Institute of International Bankers.

"[These acts] have led to an inability to diversify risks."

The Glass-Steagall Act separates investment banking from commercial banking, the McFadden Act restricts branching across state lines, and the Bank Holding Company Act separates ownership of financial institutions from commercial institutions.

Beyond SIA Proposals

Mr. Strauss' call for a dismantling of all barriers separating banks and securities firms goes beyond proposals advanced by the Securities Industry Association in December. That group advocated a repeal of the Glass-Steagall Act for noninsured bank units in return for access to the Fed's discount window by securities firms.



Thomas W. Strauss
President, Salomon Brothers

Although the trade association has gradually eased its opposition to giving commercial banks securities powers, it has not gone so far as to call for a outright repeal of the Glass-Steagall Act.

An SIA spokesman declined to comment on Mr. Strauss' address. Salomon Brothers is a member of the association.

Mr. Strauss called for simple functional regulation, whereby

See **SALOMON** page 14

Comptroller Warns Banks To Clean Up Realty Loans

By ROBERT TRIGAUX

WASHINGTON — The Comptroller of the Currency has warned the banks it supervises to tighten up their real estate lending practices. Those that do not comply could face lending restrictions and higher capital requirements.

In an advisory letter sent late last week to nationally chartered banks, Comptroller Robert L. Clarke called for immediate attention to "fundamental deficiencies" and "negative trends in national bank lending." The Comptroller last issued a formal warning to national banks about real estate problems in December 1988.

Regulators said the letter reflects growing agency concern that some national banks are sacrificing good lending habits in the face of strong competition for real estate deals.

Agreements at Two Banks

In the troubled New England market, where real estate values have plummeted, the Comptrol-

See **BANKS** page 8

1989 Results Show Rebound In Southwest

By STEVE KLINKERMAN

DALLAS — Improved fourth-quarter earnings capped a turnaround year for most big Southwest banks and set the region's banking industry solidly on the road to recovery.

The rejuvenation ended five years in which energy and real estate nosedives crunched the economy and bank earnings, causing most big Texas banks to fail. Though they won't soon be star performers, most Southwest survivors can expect further progress in 1990.

"The worst is over for Southwest banks," said Frank Anderson, a senior analyst with Stephens Inc., a brokerage in Little Rock, Ark.

Cleanups Take Hold

In Texas, two big banks that were products of late-1980s rescues reported solid profits last year and even some loan growth. A third big bank cleaned house in 1989 and is expected to report profits in 1990, but a fourth big bank stumbled badly.

Meanwhile, the two biggest

See **SOUTHWEST** page 11

Maneuver by Arbitragers Sends Chase's Shares to a 52-Week Low

By JOHN EVANS

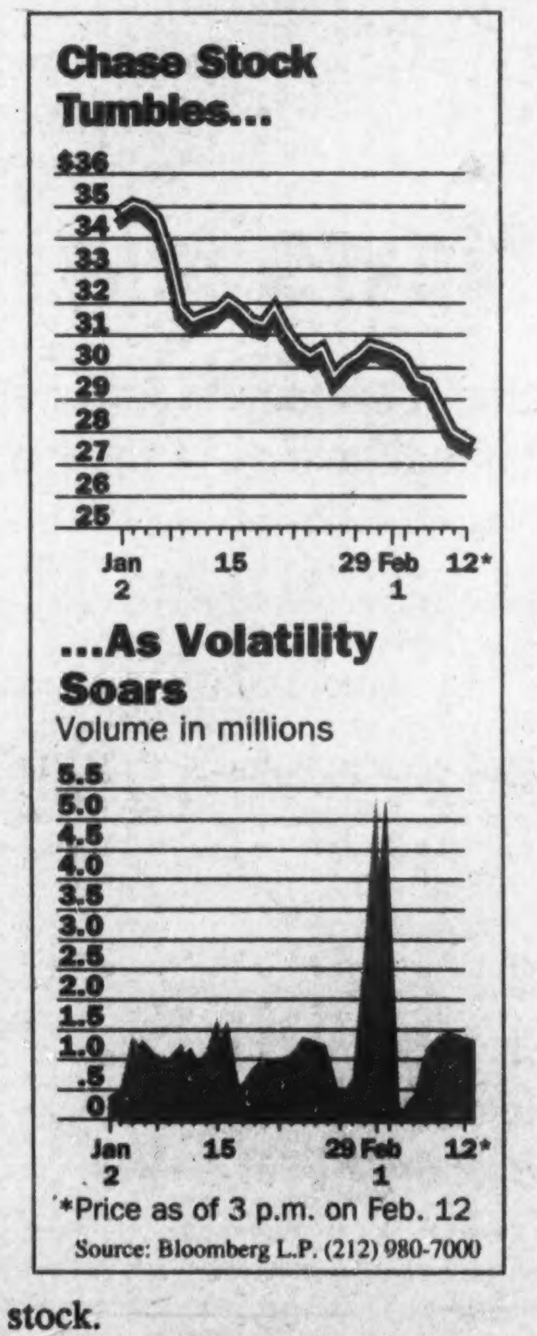
Like the stocks of most big banking companies, Chase Manhattan Corp. shares are tumbling these days. But in addition to bearish investors, Chase must contend with an unlikely foe – Wall Street arbitragers.

The arbitragers, analysts say, are selling Chase's shares short and have become a factor in the stock's sharp decline, to a 52-week low of 27⅞ late Monday afternoon. And to add insult to injury, they are covering their short positions by purchasing stock from Chase at a 5% discount to the market.

The arbitragers can do this because, if they own even a few shares of Chase stock, they are entitled to buy additional shares once a month at the 5% discount under a dividend reinvestment program introduced in the 1989 fourth quarter.

Chase Volume Soars

And arbitragers' selling has sent volume in Chase's shares soaring during the five trading days each month when the shares' average price is tabulated to establish the price at which Chase offers the discounted stock.



*Price as of 3 p.m. on Feb. 12

Source: Bloomberg L.P. (212) 980-7000

This month's tabulation period began Thursday and ends

See **MANEUVER** page 14

PEOPLE *in the news*

Taylor Plunges In as CEO Of RTC Oversight Board

By BARBARA A. REHM

Bill Taylor was getting ready to go home for the weekend last Friday when his phone rang. Instead of hopping in his Chevette and heading for the Virginia suburbs, the Federal Reserve Board's director of bank supervision grabbed a cab for the Resolution Trust Corp. Oversight Board's offices on Connecticut Avenue.

He was there all weekend.

William Taylor, 50, got the call to take over the thrift-bailout agency after its first president and chief executive, Daniel P. Kearney, abruptly resigned Friday.

Mr. Taylor was named acting president and CEO of the board, and it is not clear how long he will remain in the job. But he said in an interview Monday that "I'm going to run this as if it's not" temporary.

William Taylor

"I told them my basic plan is to put our heads down and go to work," he said, referring to the agency's 40-member staff.

It is clear that Mr. Taylor would like to avoid the controversy that enveloped Mr. Kearney's exit.

Mr. Kearney left after just four months because he felt Treasury officials were preventing him from doing his job with nitpicking interference.

Mr. Taylor is no stranger to the intricacies and politics of the administration's thrift cleanup. Last August, after the bailout law was enacted, he took a leave from the Fed to help set up the Oversight Board. And his name briefly surfaced as a possible successor to M. Danny Wall as director of the Office of Thrift Supervision.

Treasury Secretary Nicholas F. Brady is chairman of the RTC Oversight Board; Fed Chairman Alan Greenspan and Housing and Urban Development Secretary Jack Kemp are members. The board was established to set policy for and monitor the RTC.

The latter agency, which shares the Federal Deposit Insurance Corp.'s board, is selling or liquidating the nation's hundreds of insolvent thrifts.

Mr. Taylor is optimistic but realistic about his relationship with Treasury officials and the complicated cleanup structure's suitability for the job.

"I see this as a very straightforward thing," he said. "Brady is the chairman, and Kemp and Greenspan are members of the board, and I work for them." He called the organization "unique" but insisted: "I don't see any reason why it can't work."

Mr. Taylor's installation is likely to shore up confidence in the fledgling agency. He is viewed on Capitol Hill, in the agencies, and throughout the banking and thrift industries as a no-nonsense regulator who does not try to paper over a bad situation with polite talk.

Not counting a 1970s sabbatical in the private sector, Mr. Taylor has spent his life working for the Fed and is regarded as a man with unquestionable integrity.

RTC Chairman L. William Seidman said of Mr. Taylor yesterday: "We think he'll be doing his usual excellent job. He is a fine public servant, and we look forward to working with him." ☐

NEWS *briefs*

Utah Company to Acquire United Savings of Oregon

Stockholders of United Savings Bank, Salem, Ore., have approved a merger with First Security Corp., Salt Lake City.

M.J. Burford, United Savings Bank's president and chief executive officer, announced that the merger had been approved by more than 77% of the shareholders and would close on March 2.

Regulatory authorities have already approved the merger.

First Security has assets of $5.8 billion.

Moody's Downgrades Midlantic Debt Issues

NEW YORK — Moody's Investors Service said it has downgraded Midlantic Corp.'s ratings, as well as that of its subsidiaries, affecting about $700 million of debt.

Moody's said the downgrades were based on the continuing deterioration in asset quality for Midlantic's member banks, especially in the real estate loan portfolio.

— Reuters

2 Massachusetts Banks Plan 'Merger of Equals'

Andover Bancorp and First Essex Bancorp said they had signed a definitive agreement under which the companies will merge into a single holding company in a tax-free exchange of stock.

The combination is expected to create the seventh-largest savings institution in Massachusetts, they said.

The new company, to be named Andover-Essex Bancorp, will have assets of about $1.3 billion and 20 banking offices in Massachusetts and New Hampshire, they said.

The two companies said the transaction was structured as a "merger of equals."

— Reuters

Wells Goes Fishing in Boston Harbor

Top Developers Wooed as Region's Banks Pull Back

By SAM ZUCKERMAN

SAN FRANCISCO — With New England's big banks making few new loans on the region's depressed commercial real estate, Wells Fargo Bank may open a Boston loan production office.

As part of an aggressive effort to increase business with the area's top developers, the San Francisco-based bank has hired the Boston consulting firm Morris & Morse to study the feasibility of opening such an office.

Meanwhile, the bank in recent months began "calling on the best developers in that area," said vice chairman David M. Petrone, its top real estate official. It hopes to lure customers who traditionally have borrowed from such financially troubled institutions as Bank of New England and Bank of Boston, he said.

Wells Woos Builder on BNE Board

The Wells Fargo & Co. subsidiary is "talking on an intense basis" with The Flatley Co., one of the largest commercial developers in Massachusetts, about assuming mortgages on existing properties, said a source familiar with the talks.

Wells contacted Flatley more than six months ago, before big real estate losses at New England banks had been announced, the source said.

Flatley's main bank lender has been Bank of New England, and its president, Thomas J. Flatley, is on the bank's board of directors. A Flatley official refused to comment.

Although Wells' retail banking operations are concentrated in California, it is a national commercial real estate lender. Wells Fargo Realty Advisors, its principal real estate lending arm, has nine offices outside California, including in Chicago, Atlanta, and Washington.

Washington Office Now Covers Northeast

Customers in the Northeast, including New England, are served from Washington. About 30% of the bank's $4.6 billion in real estate construction loans were made outside California.

Most New England banks have virtually stopped new commercial real estate lending due either to losses on their existing portfolios or to pressure from bank regulators, according to bankers and developers in the region.

"It is very difficult to get any type of financing right now. Most Boston banks are pretty much are out of commission," said David A. Neskey, chief financial officer of Spaulding & Slye, a major Boston developer that has borrowed from Wells Fargo for five years.

Few institutions from outside the region appear to have moved in. "We have not seen any increased activity from non-Northeastern banks," said Gary D. Smith, vice president for commercial real estate at Fleet/Norstar Financial Group, Providence, R.I.

Wells Fargo is the exception, Mr. Neskey said. ☐

Bank ATMs to Be Allowed in Post Offices

By YVETTE D. KANTROW

NEW YORK — The U.S. Postal Service on Wednesday will formally invite banks to rent space in post office lobbies to install automated teller machines.

The announcement was originally scheduled next Sunday at an American Bankers Association meeting in Scottsdale, Ariz. But the Postal Service moved up the date when a report on the plan appeared in *Bank Letter*, a newsletter published by *Institutional Investor* in New York.

According to *Bank Letter*, the Postal Service is seeking contracts to place ATMs in 700 post offices. The contracts are expected to generate about $2 million in revenue by September, the newsletter said.

A spokesman for the Postal Service said Monday the service was still working on the final details of the request for proposals from banks.

The Postal Service has been piloting an ATM program for several months with BankAmerica Corp.'s Seattle-First National Bank. According to Richard P. Yanak, a longtime executive in the electronic banking industry, an ATM appeared in a Seattle post office in 1974.

"This is not a terribly new idea," said Mr. Yanak, who is now president of New England Network Inc., which operates the Yankee24 regional ATM network. "They're just getting around to spreading it around the country."

Mr. Yanak said he doubts that the program will result in a massive number of ATMs in post office. "The only way you can make any sense of installing an ATM is to have volume," he said. "And people just don't visit the post office as often as they do supermarkets," where ATMs are already common.

To turn a profit, an ATM located away from a bank branch must handle approximately 6,000 transactions a month, he said. Many urban areas already have enough ATMs installed in banks, supermarkets, and convenience stores. Therefore, banks may not want to spend additional money to rent space in post offices.

> **The Postal Service is seeking to place ATMs in 700 post offices.**

"Post office people will have no responsibility for these machines," Mr. Yanak added. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Adler & Shaykin ... 16
American Bankers Association ... 2,6
American Continental Corp. ... 8
American Express ... 10
Anchor Savings Bank ... 8
Atlantic Financial Federal ... 16
AT&T ... 3

B
Bank of Boston ... 1
Bank of New England ... 1,16
Bank of New York ... 10,16
Bank of Nova Scotia ... 16
Bank of Pennsylvania ... 5
Bank of Tokyo ... 10
BankAmerica ... 2,3,10
Bankers Trust New York ... 10,16
Banks of Mid-America ... 1
Berryhill, Benjamin, Cage & North ... 4
Broadway National Bank ... 5

C
Centrust Savings ... 16
Chase Manhattan ... 1,3
Chemical Banking ... 1,10,16
Citicorp ... 10,16
City Federal ... 16
Collins Development ... 9
Colorado National ... 1
Crazy Eddie ... 4
Credit Lyonnais ... 16
Credit Union National Association ... 6

D - E
Dauphin Deposit Bank and Trust ... 5
Drexel Burnham Lambert ... 1,16
Dun & Bradstreet ... 5
Eastern Financial Federal ... 6
Empire of America ... 16

F
Federal Express ... 9
Federal Home Loan Mortgage Corp. ... 8
Federal National Mortgage Assn. ... 8
First City Bancorporation of Texas ... 1
First City National Bank ... 9
First Colonial Bankshares ... 5
First Commerce ... 1
First Fidelity ... 16
First Interstate ... 1
First National Bank of Boston ... 9
First Northern Savings ... 4
First Valley Bank ... 5
Flatley Co. ... 2
Fleet/Norstar Financial Group ... 2
Frost & Sullivan ... 3

G - I
General Electric ... 8
General Motors ... 8
Great Western Bank ... 16
Hibernia ... 1
Holiday ... 16
Howard Savings Bank ... 5
Hudson Valley National Bank ... 5
Hughes Aircraft ... 3

K - M
Kaplan Smith & Associates ... 16
Keefe, Bruyette & Woods ... 1,9
Long Term Credit Bank of Japan ... 16
Manufacturers Hanover ... 10,16
Marine Midland ... 3
MCI ... 3
Mellon Bank ... 6,16
Meritor Financial ... 16
Morris & Morse ... 2
Mosler ... 16

N - S
NCNB ... 1,3,9
Overseas Telecommunications ... 3
Pacific Bell ... 3
PNC Financial ... 6
Power Corp. PLC ... 9
Promus Companies ... 16
Rauscher Pierce Refsnes ... 1
Republic New York ... 10
Resolution Trust Corp. ... 1,2,9,16
Ryan Beck ... 16
Salomon Brothers ... 1,8
Secor Bank ... 5
Security Pacific ... 3,10
Sovran Bank ... 4
Spaulding & Slye ... 2
Standard & Poor's ... 16
Stephens ... 1
Sumitomo Banking ... 16
Sunwest Financial Services ... 1

T - Z
Tucson Federal ... 6
United Banks of Colorado ... 1
United New Mexico Financial ... 1
U.S. League of Savings Institutions ... 6
U.S. Sprint ... 3
Vermont Financial Services ... 5
Wells Fargo ... 2
Worthen Banking ... 1
Yasuda Trust & Banking ... 9

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 16

COMMENT/*By Sanford Rose*

Revisiting Diversification

Whatever the ultimate cause of bank failure, it is clear that the proximate cause is deteriorating credit quality. Large banks fail when loan losses so erode earnings that uninsured creditors become frightened and refuse to roll over deposit and nondeposit funds. Small banks fail when rising loan losses cause regulators to declare them insolvent.

In turn, deteriorating credit quality always – yes, always – betokens inadequate diversification. Continental Illinois Bank (now Continental Bank) failed in 1984 because it made the mistake of lending to a group of middle-market borrowers whose business fortunes were too closely intertwined (energy companies). It thus ignored a basic principle of risk spreading.

The Texas banks obviously failed for much the same reasons. BankAmerica nearly failed in the mid-'80s because it lent too much to a group of borrowers – principally agricultural and real estate – who shared a common vulnerability to the threat of disinflation. And many Northeast banks are today imperiled because of overconcentrated real estate portfolios.

The risk in a portfolio of loan assets depends on three factors: (1) the risk of each individual loan asset; (2) the share of the portfolio devoted to each loan asset; and (3) the correlation among loan assets – that is, the extent to which borrower fortunes tend to move together or covary.

Bankers spend a great deal of time assessing individual loan risks through analysis of borrower balance sheets. But they usually devote scant attention to the other two components of risk.

Trouble Is Unexpected

Balance-sheet analysis will reveal the average or expected probability of loan default. But the true riskiness of a portfolio depends on the unexpected losses – the chances that, in any given year, losses will diverge substantially from their mean probability.

This magnitude is measured by the standard deviation – the square root of the variance of losses from their mean. And the standard deviation of loan losses – the likelihood of unpleasant yearly variations in loan-loss experience – is crucially affected by the extent of portfolio diversification.

The general principle is that as the number of its borrowers increases, a bank reduces overall risks by diminishing its exposure, as a percentage of the total portfolio, to any particular source of potential loss. Hence the variability of losses declines – that is, actual losses deviate less from their expected or mean value. And to the extent that losses become more predictable, it is increasingly possible to offset their impact by prior adjustments in loan pricing.

Changing the Mix

Just as the bank can lower its risk by reaching out to more borrowers, it can also do so by lending to a group of borrowers who are less interdependent and therefore less likely to default simultaneously.

A bank that not only enlarges the customer base but also changes the customer mix so as to lower, even very slightly, the correlation among borrowers – their mutual dependence on the state of the economy – can often achieve a quite dramatic decline in its standard deviation of loan losses.

Many bankers profess a knowledge of these principles of diversification. Yet few apparently act on this knowledge. For example, while it is admittedly quite difficult for banks to measure the degree of interdependence or correlation in their borrower populations, only a handful of banks make formal efforts to do so, relying instead on such comforting bromides as "we try to avoid undue loan concentrations" or "we lend to a great variety of customers in our service areas."

Such approaches to diversification are patently inadequate. There is no substitute for an attempt, however arduous, to measure the extent to which borrower business destinies are interrelated. And because the fortunes of borrowers in any given region of the country tend to be much more interdependent than those of borrowers selected from different regions, banks usually cannot achieve the requisite degree of diversification by concentration on only one service area.

Perverse Results

What's more, the fact that banks do no quantitative analysis means that their national loan purchase and sales activities, which are in part designed as a vehicle for improved diversification, may also fall short of achieving the desired objective. Lacking data, banks quite conceivably will sell off loans whose returns are minimally correlated with the other loans in their portfolios and buy loans whose returns are more closely correlated, thereby increasing rather than reducing their risks.

Some years ago, an attempt was made to improve bank diversification by organizing pools of commercial loans. The idea was to link the benefits of loan specialization with those of diversification.

Banks typically argue, with much justice, that their forte is specialization, by which they achieve economies of scale in credit evaluation. But banks can specialize without the need to retain overconcentrated loan portfolios.

Individual banks can originate loans only to companies in industries and in areas about which they have the greatest knowledge. Then they can put these disparate loans into central pools that mirror the national distribution of commercial credits. In turn, they can take back certificates of participation, or proportional shares, in these pools,

This type of pooling is probably the most efficient method of minimizing the degree of borrower interdependence in bank portfolios. It can thus greatly reduce the variability of loan losses.

See **BANKERS** *page* **11**

CRIME BLOTTER/*By Tom Leander*

Thrift Agency Brings Charge in Colorado

The Office of Thrift Supervision has filed a complaint against Thomas Rapp of Greeley, Colo., and 11 members of his family for violations of the Change in Bank Control Act.

The OTS charges that the defendants violated the law in acquiring more than 40% of the common stock of First Northern Savings and Loan Association in Greeley in 1985, without giving 60 days' prior written notice.

The OTS complaint alleges that Mr. Rapp made misrepresentations about the extent of his and his family's stockholdings in the thrift when state and federal regulatory agencies inquired into the matter in 1986.

The OTS is seeking a permanent injunction that would require the defendants to sell their First Northern Savings stock.

Mr. Rapp could not be reached for comment. His lawyer, James Cage, a partner at the Denver law firm of Berryhill, Benjamin, Cage & North, said, "The Rapps have attempted throughout their dealings with the OTS and with [the OTS's] predecessor to cooperate fully." Mr. Cage said Mr. Rapps would file an answer to the complaint in federal court on Feb. 19.

The Change in Bank Control Act defines the control of a bank holding company as the power to vote 25% of any class of voting stock of an insured institution.

The complaint, based on evidence obtained by the OTS in cooperation with the Colorado state regulators, alleges that in July 1985, Mr. Rapp and members of his family acquired 53,500 shares of First Northern Savings voting stock.

That, combined with earlier acquisitions, brought the family's holdings to 89,500 shares, representing 45% of the company's total outstanding shares.

* * *

Fugitive in a Fraud To Return to U.S.

A 27-year-old Kansas City businessman, currently in jail in Hong Kong for carrying a false passport, will be returned to this country to face bank fraud charges, officials of the Federal Bureau of Investigation said.

David Riggs was charged by a federal grand jury last April with 29 counts of defrauding five Kansas City, Mo., banks by obtaining loans for fictitious purchases of audio and visual equipment.

Mr. Riggs allegedly carried out his scam by submitting false invoices to buy the equipment from a dummy company between 1985 and 1987. Neither the company nor the equipment actually existed. The FBI did not disclose how much money Mr. Riggs allegedly defrauded from the banks.

Mr. Riggs fled to the Cayman Islands in June 1987. He was arrested in Hong Kong in January 1989, for using a false Australian passport.

* * *

Cash to Be Returned In Crazy Eddie Case

Rejecting an argument that repatriation of assets from a foreign bank account will violate the Fifth Amendment right that protects against self-incrimination, a New York federal judge has ordered Eddie Antar, the owner of the defunct Crazy Eddie electronics chain, to return $52 million to the United States.

Mr. Antar, under investigation by the Securities and Exchange Commission for allegedly inflating the stock of his former company, last year transferred the $52 million to Bank Leumi in Israel. U.S. District Judge Nicolas Politan ordered the return of the money pending the outcome of the SEC investigation.

Mr. Antar's lawyer, Justin Feldman, argued that the repatriation of Mr. Antar's assets, which would involve disclosing to the government details of his Bank Leumi account, would violate his Fifth Amendment rights that protect citizens from being forced to testify against themselves. He said that the government has not presented proof that Mr. Antar was involved in fraud.

But Judge Politan rejected the argument, and said that the "bizarre" way Mr. Antar transferred his assets to Israel indictated he would be likely to "pick up and run, and the lord knows where," if he loses the case. The judge said Mr. Antar cleaned out his New York accounts by buying treasurer's checks in "bizarre amounts" such as $2,000,896.66.

* * *

Sovran Branch Is Hit 3 Times by One Man

An unidentified man robbed the same Sovran Bank branch in Washington three times in three weeks last month.

Detective Robert Flatley of the Washington police said that during each heist, the man, wearing a pair of sunglasses and a wool cap, walked into the Sovran branch on Martin Luther King Jr. Avenue, warned a teller that he had a gun, and demanded money. After each heist, he fled on foot. The bank would not disclose the amount of cash that the repeat offender glommed. Police are still looking for suspects, police said. □

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

CAPITAL

S&L Bailout Seen Hurting Branch Sales

By GORDON MATTHEWS

NEW YORK — Sales of branch offices, one of the few capital-raising avenues open to many thrift institutions, have been hurt by the thrift law, and even more pain could be on the way, observers say.

"The law created a glut of branch sellers, and few buyers because of the capital restraints on goodwill," said Linda Farrell, senior vice president of Kaplan Smith & Associates, a consulting company in Glendale, Calif., that is active in branch sales.

"Premiums at mediocre or low-quality branches are down," she said, but top premiums of up to 7% of deposits can still be fetched for large, well-located branches in growing areas.

"Not many desirable branches have been offered by federal regulators, and prices on the best offices are still what I would have expected six months or a year ago," she noted.

But that could change. Since yearend, regulators have seized some major institutions with large branch networks representing sizable slices in their markets. Sales of those branches, or even the waiting period before they are sold, could affect all other branch sales.

Bearers of Glad Tidings

While not a panacea, branch sales can bring a double helping of good news for thrifts trying to meet the stricter capital requirements under the thrift law, known formally as the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

With limited capital market access, many thrifts are shrinking themselves through sales of assets as part of their capital adequacy plans. And for many thrifts, branch networks are the biggest and best assets available.

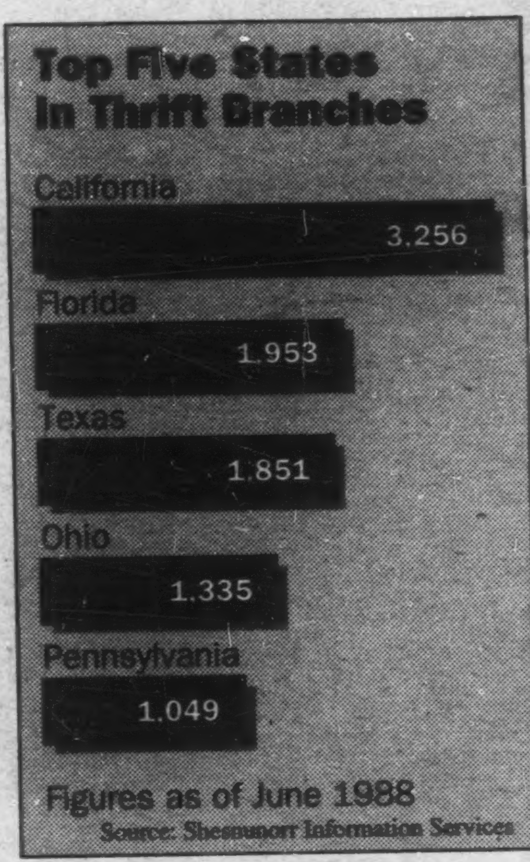
There are fears that all branch prices could be depressed by the sale of branches owned by such major institutions as Centrust Savings Bank, Miami; City Federal Savings Bank, Bedminster, N.J.; Empire of America Federal Savings Bank, Buffalo; and Atlantic Financial Federal, Bala-Cynwyd, Pa.

All have been seized by regulators since December and placed in the hands of the Resolution Trust Corp..

RTC Imposes Uncertainties

Centrust, Florida's largest thrift, was to have sold 2.4 billion of deposits in 63 branches to Great Western Bank, Los Angeles. But the RTC takeover has made that deal uncertain.

The largest thrift in New Jersey, City Federal, has a statewide, 77-branch network. It is one of the state's largest branch systems and includes many desirable locations. If potential bidders decide to wait for the sale of this franchise, other branch sales could be depressed.



Figures as of June 1988
Source: Sheshunoff Information Services

"Our experience is that we haven't yet seen a decline in thrift branch premiums, but everyone expects an impact from the City Federal situation," said Michael M. Horn, a former New Jersey state banking commissioner who is now executive vice president of Ryan, Beck & Co.

Empire of America has 125 branches in New York, California, Florida, Michigan, and Texas. Three of those states are among the top five in thrift branches.

Branch sales in the Northeast could be large in number, but the economic slowdown there is adding to troubles of banks as well as thrifts. Bank of New England Corp., Boston, has been trying to market some branches as part of a program to improve its capital position.

Premiums paid for branches vary widely. The normal range in most cases is a 4% to 6% premium on deposits being acquired, Mr. Horn said.

The largest branch deal so far has been the sale of $5.2 billion of deposits in 54 branches by Meritor Financial, Philadelphia, to Mellon Bank Corp., Pittsburgh. In that $3.55 million deal, Meritor received a healthy 6.5% premium for some of its best branches.

* * *

Rumblings from Drexel

The credit markets were roiled Monday with rumors that Drexel Burnham Lambert Group had lost its bank financing and may be filing for bankruptcy. At least one lender may have withdrawn bank lines used to back the Wall Street firm's commercial paper, sources said, and pulled other short-term funding.

"I assume that we have the normal banking lines regarding that paper," said Drexel spokesman Stephen Anreder, adding that he does not comment on rumors. In a prepared statement, Drexel announced its intent to find a "major investor or merger partner for the firm."

In December, shortly after Standard & Poor's Corp. lowered the credit rating on Drexel's commercial paper, the firm had about 2% of its total debt, or $500 million, of outstanding paper. The rest of its borrowings came from bank loans, repos, and long-term debt, Mr. Anreder said at the time.

— Jed Horowitz

DEALS

Bank Group Full for Holiday Unit

By LISABETH WEINER

Hard-fought efforts to arrange bank financing for Promus Companies Inc., a subsidiary newly spun off from Holiday Corp., were finally completed over the weekend when Citibank, Bankers Trust, and Credit Lyonnais said they would join Sumitomo Banking Ltd. in providing $1.01 billion to the company.

Commercial banking sources said the units of Citicorp and Bankers Trust New York Corp. started negotiating for a spot on the deal last week. Each of the banks will assume one-quarter of the deal – about $252 million – and each of the banks will carry the title of managing agent.

Sumitomo holds $400 million in letters of credit for the company that will be assumed by the new credit. Since December, Sumitomo had been billed as the lead on the deal. Although negotiations with other banks had been intense and dragged on for some time, no final deal could ever be structured.

Banking sources familiar with the deal believe that Promus asked Citibank and Bankers Trust to join the negotiations last week because time was running short. The company needs the money to pay a $30-a-share dividend on Feb. 22.

"I think, after a while Promus said, 'Listen, we need to have this money. Who is capable of doing it? Citibank and Bankers Trust are two players who can move quickly and have the strongest syndication capability,' " said one commercial banking source close to the transaction.

Sumitomo apparently ran into problems negotiating with other banks because it had promised the company a cheap transaction. For instance, Sumitomo had the deal priced early on at prime plus 75 basis points. Up-front fees were initially set at 1.5% to 1.75%. The deal now bears interest at prime plus 150 basis points or the London interbank offered rate plus 250 basis points. Although the company did not disclose the up-front fees, sources believe they are now in the neighborhood of 2.25% to 2.5%.

The apparent losers in the contest are Bank of New York and Bank of Nova Scotia, which were known to be in serious discussions with Sumitomo for a position in the deal since last December.

At any event, commercial bankers are confident this will be a very successful selldown.

"Given the emptiness of the market, this will go O.K.," said the banker.

The deal consists of a $400 million letter of credit that supports outstanding bonds, a $410 million seven-year reducing term loan, and a $200 million five-year revolving credit/term loan facility. Promus will pay an annual letter-of-credit fee of 2.5% for the existing $400 million letter of credit and an annual commitment fee of 0.5% on the unused portion of the term loan and revolving credit facilities.

* * *

Bankers Trust Organizes Mosler Recap Syndicate

Bankers Trust is looking to assemble a syndicate to aid in providing an $80 million loan for the recapitalization of Mosler Inc., a manufacturer of safes and security devices.

Commercial banking sources said the unit of Bankers Trust New York Corp. could easily have provided the entire loan itself. But given today's uncertain markets and the disdain toward debt, no bank is anxious to finance a transaction alone, especially when it's for a highly leveraged deal.

The $80 million term loan will be replaced by a $90 million permanent facility that will comprise an $80 million term loan and a $10 million revolving credit agreement.

Pricing on the deal is at the prime lending rate plus 150 basis points or the London interbank offered rate plus 250 basis points. The company will pay a commitment fee of 0.5% on the unused portion of the financing.

Along with the bank debt, the deal includes the assumption of $80 million of senior subordinated debt that was used in 1986 for the company's leveraged buyout, the issuance of $20 million of junior subordinated pay-in-kind notes, and $10.4 million for the assumption of an employee stock ownership plan.

In addition, $25 million of equity will be kicked into the deal; $14 million of this sum will come Kelso Investment Associates, one of the owners of the company; $8 million from management; and $3 million from an ESOP.

— Lisabeth Weiner

* * *

Adler & Shaykin LBO Fund Draws Bank Investments

Commercial banks are still putting money into leveraged buyout funds, even though the market for buyouts has hit a lull.

The latest buyout fund raised by Adler & Shaykin, the $178.35 million Adler & Shaykin Fund II LP, got investments from five banks, according to Leonard Shaykin, managing partner. Two of the banks, Manufacturers Hanover Trust Co. and First Fidelity Bank, have invested in previous funds. And the New York buyout firm added three new investors – Long Term Credit Bank of Japan and the banking units of Chemical Banking Corp. and Mellon Bank Corp.

Commercial banks invest in buyout funds partly for the returns, which have historically been over 30%, but more for the opportunity to participate as senior lenders in deals. Often banks that invest in a firm's fund get the right to a first look at deals from that firm.

Mellon put between $5 million and $10 million into five different funds, according to Jamie Stewart, an executive vice president, and is not looking for any more such investments.

"We picked five funds that we thought were compatible with the type of deals that we want to do," Mr. Stewart said.

— David Neustadt

Bank Of Nova Scotia Top Foreign Bank In U.S. Loan Participations

July 1, 1988, to June 30, 1989; dollars in billions

Rank	Bank	$ Volume[1]	# Deals	Percentage of Deals[2]
1	Bank of Nova Scotia	$126.675	158	39.2%
2	Bank of Tokyo Ltd.	115.428	107	35.7
3	Mitsubishi Bank Ltd.	113.371	102	35.1
4	Fuji Bank Ltd.	113.275	100	35.1
5	Sanwa Bank Ltd.	107.701	80	33.3
6	Toronto Dominion Bank	105.785	123	32.7
7	Industrial Bank of Japan	102.342	94	31.7
8	Bank of Montreal	99.892	117	30.9
9	Societe Generale	97.996	85	30.3
10	Credit Lyonnais	96.110	76	29.7

[1] Each bank credited with the full amount of each deal.
[2] Percentage of all deals by volume collected by Loan Pricing Corp.

Source: Loan Pricing Corp.

C0175-1

AMERICAN B

NEWSPAPER 1553890000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 31 *Wednesday, February 14, 1990* *155th year*

Real Estate Woes Open Door for Other Lenders

By DAVID NEUSTADT

NEW YORK — Regulatory warnings about the dangers of real estate lending have clearly put a crimp in the market, but some institutions see that as a chance to gain business.

The latest caution came last week, when the Comptroller of the Currency told nationally chartered banks to tighten up on real estate loans. That came on the heels of highly publicized loan woes at a number of banks, particularly in New England.

ANALYSIS: *Follow-up on the news*

The warnings and losses have had a sobering effect on lenders, bankers said. "Right now, real estate lending in general as an activity is in disarray, especially construction lending," said Robert Mueller, an executive vice president at Bank of New York.

But while many banks have slowed lending or withdrawn from the market completely, some institutions are stepping in, albeit gingerly.

"We see very few players out there – it is a tremendous opportunity," said William Evans, a first vice president at Swiss Bank. "We will never completely replace U.S. banks, but we can make substantial inroads in this period."

Foreign Banks Hiring

Japanese, Canadian, and European banks are hiring some experienced real estate lenders, according to Edward Dellon, a managing partner at Dellon & Taras Partners, a New York executive search firm that specializes in real estate.

The new players are not rushing in to fill the void, however. Some Japanese banks, especially the trust banks, already have a great deal of Japanese real estate loans on their books. Indeed, three Japanese trust banks were recently downgraded because of their real estate exposure in their home country. That is expected to limit their willingness to take on similar loans here.

Japanese Less Aggressive

"Japanese banks have been more aggressive in the past but will be less aggressive this year," a Japanese banker said.

And the weak market will restrain everyone.

"There is a flight to quality," said Mr. Evans of Swiss Bank. "Only the better deals are getting done, and even those require higher pricing and tougher covenants."

"There are people looking for opportunities, but they are do-

See **REAL** *page* **11**

INSIDE NEWS

INTERNATIONAL

SPECULATION IS mounting that Hongkong and Shanghai Banking Corp. will merge with Midland Bank PLC to form the largest non-Japanese bank in the world. *Page 18*

CONSUMER

BANK OF AMERICA is launching a program designed to boost auto loans by helping consumers shop for the best car deals and avoid unpleasant haggling with salespeople. *Page 8*

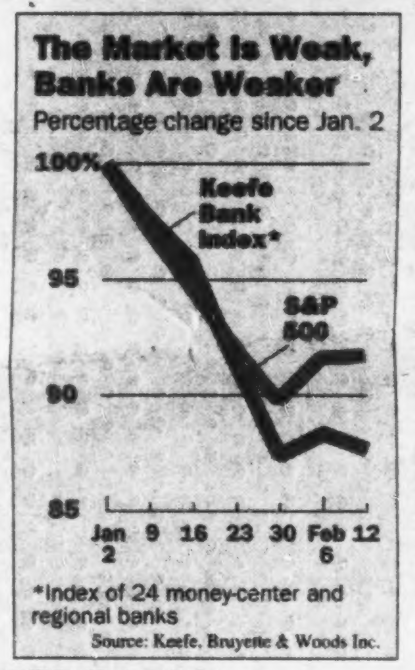
TECHNOLOGY

TRUST DEPARTMENTS are beefing up computer systems to adapt to clients who are demanding more information more often, and getting it through PCs. *Page 14*

FINANCE

The Market Is Weak, Banks Are Weaker

Percentage change since Jan. 2



*Index of 24 money-center and regional banks

Source: Keefe, Bruyette & Woods Inc.

AFTER BADLY underperforming the stock market in January, share prices of banks are continuing to drift lower. *Page 24*

COMMENT

EMPLOYEES MIRROR the attitudes of their managers and the culture in which they work, write Michael E. Volpe and Ronald L. Koprowski. *Page 4*

OTHER NEWS

BANKS IN THE WEST generally posted good earnings gains in the fourth quarter, thanks to strong loan volume and stable interest margins. *Page 2*

THE FDIC will hold a rare public hearing March 14 on its proposal to cap deposit insurance at $100,000 for all deferred compensation plans. *Page 2*

INDEX

People in the News 2
Grapevine 2
Executive Changes 12
Classified Advertising 20
Bank and Thrift Stocks 23

Public Prefers Check Copies To Originals, Survey Finds

By KAREN GULLO

NEW YORK — Most consumers would prefer copies of checks produced by imaging systems to the original checks that are returned with monthly statements, an opinion survey by Trans Data Corp. found.

The survey, done in November and December, also found that many consumers would be willing to pay for the check-image option. And many people who prefer return of the original checks would accept images if they were less costly.

The study is one of the first to gauge consumer reaction to the emerging technology, in which electronically reproduced images substitute for canceled checks and similar documents.

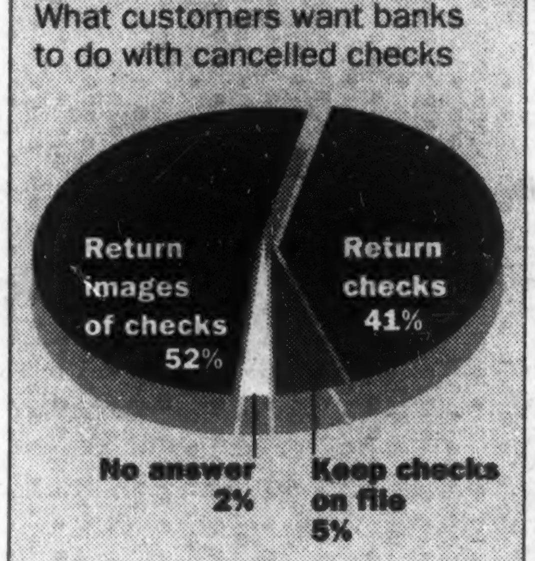
Path to Competitive Edge?

Most previous studies have established only that image processing can substantially reduce back-office costs. The Trans Data findings indicate financial institutions that move quickly into image processing could also gain a competitive edge in consumer marketing.

Trans Data, a research affiliate of the *American Banker*, found that 52% of consumers preferred to get copies of check images, while 41% preferred return of the actual checks.

The Allure of Images

What customers want banks to do with cancelled checks



Source: Trans Data Corp.

Only 5% preferred a safekeeping service, in which banks would hold onto the checks and send the customers a document listing check numbers and amounts. Expressing no preference were 1% of the respondents, and 1% said they didn't know.

Fee-Income Opportunity

The apparent preference for images suggests that these systems can "create new fee-income opportunity and carry significant market share implications" in addition to cost-saving benefits, said Steven Matzke, research associate at Trans Data in Wayne, Pa.

See **SURVEY** *page* **3**

Bank Squeeze Forced Hand Of Faltering Drexel Parent

By LISABETH WEINER
and JED HOROWITZ

A refusal by commercial banks to lend money to the holding company of Drexel Burnham Lambert Inc. precipitated Drexel's decision to consider filing for bankruptcy protection, bankers said Tuesday.

They said that Drexel met with them late Monday evening, pleading for funds to pay off commercial paper that was coming due. But the bankers did not want to increase their exposure to the Drexel holding company, whose portfolio of stocks and bonds is less creditworthy than that of its broker-dealer.

"Why would we lend money to the holding company?" one money-center executive asked. "It has no cash-generating capability."

With the exception of Citibank – which has a $100 million exposure to Drexel Burnham Lambert Group, the holding company – banks lend primarily to the broker-dealer subsidiary. Their cumulative loans are

See **CREDIT** *page* **16**

The Last Days of Danny Wall

By JIM McTAGUE

WASHINGTON — Danny Wall is going out with a whimper.

Vilified by fellow regulators, denounced by members of Congress, and taunted by the press for his handling of the savings and loan crisis, the nation's departing thrift regulator still refuses to strike back.

Finger-pointing goes against his style, a somber and reflective Mr. Wall said during a recent interview.

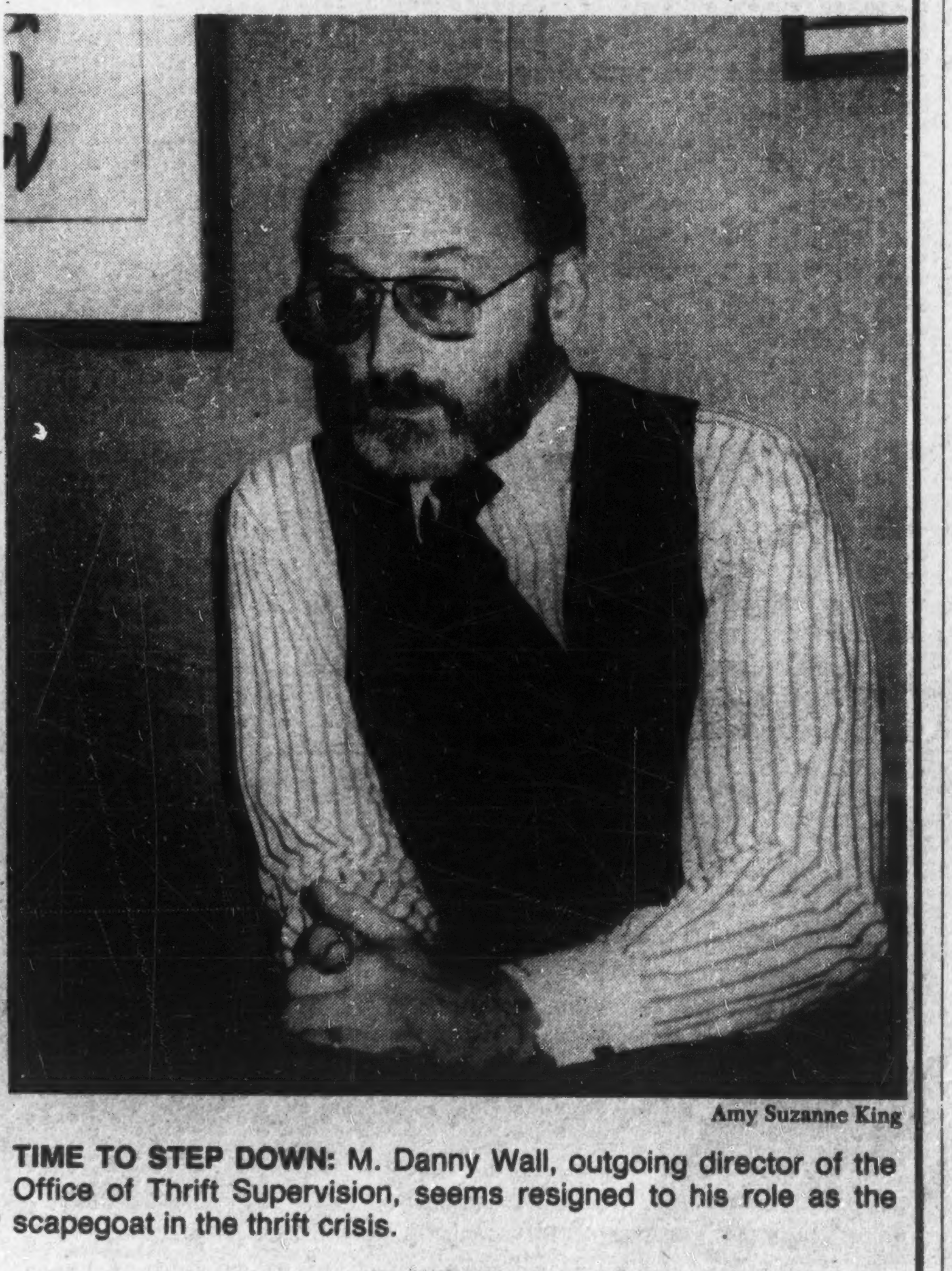
"I don't believe in bringing other people down," he said. "Part of it's my Midwest upbringing. And part of it is my religion."

"Dan is the G. Gordon Liddy of the thrift crisis," said one industry insider. "He's willing to hold his hand to the fire rather than say anything."

The Office of Thrift Supervision is in the midst of a high-profile investigation of the role played by Neil Bush, the President's son, as the director of a Denver thrift that failed.

But Mr. Wall insisted it is not motivated by revenge against the President for failing to defend him. "I haven't

See **LAST DAYS** *page* **10**



Amy Suzanne King

TIME TO STEP DOWN: M. Danny Wall, outgoing director of the Office of Thrift Supervision, seems resigned to his role as the scapegoat in the thrift crisis.

PEOPLE *in the news*

Securities Industry Group Losing Its Chief Lobbyist

By BARBARA A. REHM

WASHINGTON — After 14 years with the Securities Industry Association, Don Crawford is moving on.

Mr. Crawford resigned as the group's top lobbyist here last week. SIA's official release explains that Mr. Crawford resigned his post as senior vice president and director of government relations "to avoid potential conflict while considering certain job offers in Washington."

In an interview Tuesday, Mr. Crawford said he did not think he had much of a future at the SIA. "I'm obviously not going to be president of this association any time soon," he said. "I don't even think that if Ed were to leave tomorrow they would offer me the job."

Edward I. O'Brien is president of the New York-based SIA. He could not be reached for comment.

In a major policy shift for the SIA, the trade group in December said it would no longer oppose the dismantling of the Glass-Steagall Act, which separates commercial and investment banking. Washington sources suggested the policy change had spurred the trade group to seek new leadership in its lobbying. "The powers that be, after pushing through their restructuring plan, simply wanted a change," said one Senate staffer.

Mr. Crawford said he had been considering for a year whether to leave the trade group to become a partner with a law firm here. "I'm turning 50, we have a new chairman, and the time had come," he said.

"I've had some preliminary conversations, but I really didn't want to engage much until I put these people on notice. Maybe I'm old fashioned," he said of his job search to date.

No successor has been named and Mr. Crawford plans to continue working for SIA for a couple months to "provide an orderly transition."

Mr. Crawford said it was unlikely that any of the three lobbyists working for him – Steve Small on taxation, John Paret on securities, and Jack O'Rourke on banking – would be promoted to take his place.

"The current thinking is that they will be looking outside the SIA," he said. "There is probably a desire to bring in a high-profile lobbyist."

The SIA does a large amount of its lobbying through several law firms here, including Royer, Mehle, and Babyak, and O'Connor & Hannan.

Mr. Crawford is well-regarded here. "I think he is a real good guy," said J. Denis O'Toole, a lobbyist with the U.S. League of Savings Institutions. "I guess things are changing in the SIA as they are in the rest of the financial markets."

Upon hearing the news, John Betar, a lobbyist with the Association of Bank Holding Companies, said: "That's bad because I think Don's a top notch guy."

Mr. Crawford, 49, joined SIA in 1976 as vice president of regulatory relations and moved up to director of the government relations division in 1979.

Before joining the SIA, Mr. Crawford was assistant general counsel from 1972 to 1976 for Shearson Hayden Stone Inc., a predecessor of the present Shearson Lehman Hutton. He had been a member of the Hayden Stone staff. He is a graduate of Villanova University and holds a law degree from the University of Maryland.

Strickland, SunTrust Banks CEO, Taps James Williams as Successor

Robert Strickland, chairman and chief executive of SunTrust Banks Inc., said Tuesday that he would recommend to the board that James. B. Williams be elected president and chief executive following the company's annual meeting in April.

Mr. Williams, 56, is currently vice chairman.

Mr. Strickland, who will be 63 in May, said the elevation of Mr. Williams to CEO was intended to insure "a smooth transition of responsibilities to our senior management." The company's bylaws require that Mr. Strickland retire in June, 1992.

As part of that transition, Mr. Strickland said he would recommend that SunTrust's president, Joel R. Wells, Jr., 61, be elected chairman.

Mr. Strickland, who will remain chairman of the executive committee, said he planned to continue "as an active member of the senior management group" until he retires.

Mr. Strickland, Mr. Wells, and Mr. Williams have held their current positions since the company was established in 1984 following the merger of Sun Banks Inc. and Trust Company of Georgia in 1984.

After graduating from Emory University with a bachelor's degree, Mr. Williams joined Trust Company of Georgia in 1957 as a member of the bank's management training program.

Mr. Wells, who holds a law degree from the University of Florida, was a lawyer in Orlando for several years. □

Western Banks Post Strong Gains

Heavy Loan Demand, Stable Interest Margins Cited

By SAM ZUCKERMAN

SAN FRANCISCO — Fueled by strong loan volume and stable interest margins, healthy profit gains were reported by leading banking companies in most of the West.

But analysts say a slowdown in the economy and rising commercial vacancy rates may signal an end to boom times this year.

Banking giants BankAmerica Corp., Wells Fargo & Co. and Security Pacific Corp. reported record profits in the fourth quarter, as did various small and medium-size institutions, including U.S. Bancorp, Portland, Ore., and Union Bank, San Francisco.

Trouble in Arizona

Indeed, the only major trouble spot was Arizona, where banks are still reeling from the collapse of the state's real estate market.

Interest margins stayed relatively stable for most western banks in the fourth quarter, compared with a big falloff the previous quarter. Analysts noted that many banks waited to lower their prime lending rate until after the new year, suggesting that a renewed margin squeeze is possible in the first quarter of 1990.

Although the expected crash in California real estate prices – a major Wall Street concern at the end of 1989 – failed to materialize, analysts cautioned that

See **STRONG** *page* 11

4th-Quarter Earnings in the West

Assets in billions, net income in millions

	Assets 12/31/89	Assets 12/31/88	Net income 4Q '89	Net income 4Q '88	Percent change
BankAmerica	$96.8	$94.6	$270	$265	1.9%
Security Pacific	83.9	77.4	[illegible]	[illegible]	[illegible]
First Interstate	59.1	58.2	(344.3)	144.0	NA
Wells Fargo	48.7	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Bancorp	17.0	14.4	38.6	34.9	10.5
Union Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Valley National	10.5	11.8	(12.8)	18.7	NA
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Company reports

Insurance Issue Spurs Rare FDIC Hearing

By BARBARA A. REHM

WASHINGTON — Under pressure from thrifts that stand to lose as much as $4 billion of deposits, the Federal Deposit Insurance Corp. took the unusual step Tuesday of scheduling a public hearing for March 14 on its plan to cap deposit insurance at $100,000 for all deferred compensation plans.

The thrift-bailout law put the FDIC in charge of both the bank and thrift insurance funds. Because each fund offered slightly different coverage, the FDIC in December proposed regulations to standardize the coverage.

One part of those regulations would scale back insurance that thrifts currently offer to employees of state and local governments and certain nonprofit, tax-exempt organizations that save for their retirement through deferred compensation plans.

Banks may insure these plans only up to $100,000, but thrifts may insure each participant in the plan up to $100,000. As a result, the banking industry has little of the $20 billion worth of deposits in deferred compensation plans, while the thrift industry has about 20% of the market, according to thrift industry estimates.

The FDIC says it is not sure of the size of the market for these plans, but it is responding to the outcry it has heard from thrifts that hold deposits from deferred compensation plans and from the state and local governments that sponsor them.

The hearing will be the agency's first since July 12, 1985, when it held one on a regulation to permit banks into real estate development and insurance underwriting. That plan was later withdrawn.

The thrift industry is hoping for a similar victory. The industry needs all the deposits it can get, and these plans – called "457 plans" after the section in the tax code that established deferred compensation plans – offer a stable source of funds.

"There is no doubt this is a growing business," said Gary G. Gilbert, director of banking agencies liaison at the U.S. League of Savings Institutions. "These days how many sources of real stable deposits can you rely on?"

In addition to scheduling the hearing, the FDIC on Tuesday postponed the deadline for commenting on the plan to March 23. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Amalgamated Bank of New York 12
AmeriFirst 9
American Bankers Association 9,24
American Express 1
American Institute of CPAs 24
American Savings 17
AT&T 14

B
Banc One 12,24
Banco de Espana 18
Banco Exterior de Espana 18
Bancorp Hawaii 2
Bank of New York 1
BankAmerica 2,3,8
Bankers Trust 3,4,12,14
Bateman Eichler, Hill Richards 2
Business Research Group 14

C
California Federal 4
Canadian Imperial Bank 12,22
Centrust 17
Chase Manhatten 14
Chemical Banking 22
Chrysler 22
Citicorp 1,4,24
Citizens & Southern 8,12
City National 2
Cleary Gottlieb Steen & Hamilton 1
College Savings Bank 6
Columbia Savings 17
Comerica 24
ComFed 12
Continental Illinois 7
CoreStates Financial 14,24
Credit Agricole 18
Credit Union National Association 8
Crestar Financial 8
CS First Boston 12

D - E
Dellon & Taras 1
Deloitte & Touche 9
Digital Equipment 3
Drexel Burnham Lambert 1,17,24
Earle M. Jorgenson 22
Ernst & Young 9

F
Federal Deposit Insurance Corp. 1
Financial Accounting Standards Bd. 24
Financial Guaranty Insurance 4
First Fidelity Bank 22
First Interstate 1,24
First Interstate Corp. of Wisconsin 6
First Kentucky National 12
First National Corp. (N.D.) 24
First Wachovia 24
First Wisconsin National 12
Ford Motor 4,6
Forstmann Little 22
Fourth Financial 12

G - L
GE Capital 4
General Motors 7
Gulfstream Aerospace 22
Hongkong and Shanghai 4,18
Houston Clearing House Assn. 12
IBM 14
Imperial Savings 17
Index Group 14
Integrated Resources 22
Keefe, Bruyette & Woods 17,24
Kelso 22
Kilsby-Roberts 22
KPMG Peat Marwick 1
Lincoln Savings 1

M - N
Manufacturers Hanover Trust 22
Marine Midland Banks 14
Mellon 3,14,22
Meridien Consulting Group 12
Metrobank for Savings 12
Micrognosis 3
Midland Bank 18
Midlantic 24
Mitsubishi Bank 3
J.P. Morgan 24
Moses & Singer 12
National Westminster 14
NCNB 24
Northeast Savings 17
Northern Trust 14
Nynex 14

O - S
Old Stone Bank 12
PaineWebber 24
Peat Marwick Main 17
Primerica 1
Prudential-Bache Securities 24
Resolution Trust Corp. 1,17
Royer, Mehle, and Babyak 2
Securities Industry Association 2
Securities Investors Protection 1
Security Pacific 2,22,24
SEI 14
Shawmut National 24
Shearson Lehman Hutton 24
Sheshunoff 17
Silverado Banking 1
Silicon Valley Bancshares 2
Smith New Court 18
Society for Savings 12
Sovran Financial 8
Standard & Poor's 24
State Street Boston 24
Suburban 7
Sun Microsystems 3
SunTrust Banks 2
Swiss Bank 1

T - Z
Talman Home 12
Thompson, Siegel & Walmsley 8
Trans Data 1
Trust Bankers of Virginia 8
U.S. Bancorp 2
U.S. League 1,2
Union Bank 2
Valley National 2
Vernon Savings 7
Virginia Bankers Association 8
Wells Fargo 2

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 3, 4, 14,

17

Postal ATM Plan Defended

By YVETTE D. KANTROW

NEW YORK — A U.S. Postal Service official said Tuesday that, contrary to some bankers' assumptions, post offices attract enough customers to provide ample demand for automated teller machines.

The Postal Service this week is requesting proposals from financial institutions interested in installing ATMs in 700 post office lobbies.

"More than 6 million transactions are conducted every day nationwide in postal lobbies," Gordon Morison, an assistant postmaster general, said in a telephone interview. "Almost every household has a member that makes a visit to a postal lobby on a monthly basis."

Doubts on Volume

As news of the ATM plan spread this week through the electronic banking industry, some bankers said that post office ATMs may not be able to generate enough transaction volume to make the machines cost-effective.

But Mr. Morison said a Postal Service pilot program with BankAmerica Corp.'s Seattle-First National Bank – now in its sixth month – has demonstrated a demand for post office ATMs.

Seattle-Area Transactions

"Transactions have been growing, and we've had inquiries from other banks," he said. Transaction totals for the Seattle-area test have not been disclosed.

The Seafirst pilot program will be expanded this year to test the ATM dispensing of "plastic stamps." The stamps were designed specifically for ATMs, Mr. Morison said. They will have a self-adhesive backing and be printed in sheets of 12 that have the same dimensions as dollar bills. □

Survey Gives Check Imaging a Boost

Continued from *page* **1**

Few companies use images in customer statements because the technology is so new. Among those that do are First Interstate Bank of Washington, a unit of First Interstate Bancorp, and American Express Travel Related Services Co., which sends images of sales drafts with monthly account statements.

American Express positioned its service as a customer benefit by calling it "enhanced country-club billing."

1,024 Consumers Took Part

Since image technology is new to the public, Trans Data sent a sample statement with check images to 1,024 randomly selected consumers who had previously been screened and agreed to participate.

More than half the consumers who preferred copies of check images said they would pay more to get such bank statements. Most also specified they would pay $2 or more a month extra.

Of consumers who preferred to get original checks with their statements, 34% said they would be willing to accept copies of check images if it cost them less than regular statements.

The survey strongly indicated that banks not installing image-based check processing could lose customers to banks that do.

Many Potential Switchers

A "significant portion" of consumers in the study said they would switch to another bank if their bank did not offer copies of checks produced by imaging systems. Under an agreement with the study's sponsor, Trans Data could not divulge the actual proportion of potential switchers. □

U.S.-Built Trading System in Tokyo

By JEANNE IIDA

NEW YORK — Mitsubishi Bank has installed a trading-floor system in Tokyo designed by Sun Microsystems Inc. and Micrognosis Inc. that the companies say improves traders' ability to manage risk and identify trading opportunities.

In a major sale of high-powered financial-workstation technology developed in the United States, Mitsubishi bought more than 300 Sun workstations equipped with trading software from Micrognosis.

The development is similar to one announced last week by Bankers Trust New York Corp. and Digital Equipment Corp. While the 250-terminal Bankers Trust system in London can receive information in a digital format only, the system at Mitsubishi receives information in both the digital format and in the more common video format. Both the Bankers Trust and Mitsubishi systems have been online since December, and details are only now becoming public as competition among trading-floor vendors heats up.

Need to Manipulate Data

Many banks want systems that are capable of receiving digital information that is easily manipulated and analyzed on a workstation, said James L. Williams, vice president of marketing for Micrognosis. Video information can only be displayed.

But banks are reluctant to switch entirely to digital format, because only a handful of market-data feeds – such as Telerate and Reuters – are now available in digital form, Mr. Williams said.

"Micrognosis is providing an environment where customers can slowly migrate to a digital environment," said Jordan Graham, financial services marketing manager for Sun.

The workstations are multitasking, meaning that the computer can perform several functions at once, with some taking place off the screen. Traders can display information from several external data sources at once, and from programs running on computers within the bank. At the same time, the workstation can perform analytical calculations on data extracted from one of the sources.

The systems range in price from $15,000 to $40,000, Mr. Graham said. □

Mellon Launches Check-Issuing Service

By JEANNE IIDA

NEW YORK — Mellon Bank has introduced a payment service that takes over a company's check printing and mailing process and provides a link to a financial electronic data interchange.

It generates and mails all the check payments a company makes, regardless of which bank the check is drawn upon.

The service is aimed at companies that are trying to streamline paper-based accounts-payable systems, the company said.

Mellon's cash-management group is offering the product, called the Check Issuance Service. The service generates and mails all the check payments a company must make, regardless of which bank the check is drawn upon.

Companies frequently need to maintain numerous check-issuing locations or store various check stocks in a central location, according to Mellon. The new service simplifies that process and improves security, the bank said. The service can be used to handle regional payrolls, dividends, or general accounts payable.

Out of the Check-Writing Mode

"We view this as a major transitionary product," said James Stasik, senior vice president and group head of global cash management for Mellon Bank.

"This gets companies out of the check-writing mode," he said. "One step is to stop generating paper internally," as the check-issuance service does. "The next step is to stop generating paper externally," using the electronic data interchange, which automates the company-to-company exchange of trade documents and payment information.

Link to Remedi

Mellon can generate checks drawn on its own account or on another bank's account. If the checks are drawn on Mellon's account, however, customers can also access information about issued, paid, and stopped checks via Telecash, Mellon's information-reporting and transaction system.

The service can also be linked to Mellon's financial EDI service, called Remedi.

Mellon will transmit the check register in a format the customer wants, either electronically or on paper. □

HIGH FIBER

Financial institutions across the country are strengthening targeted areas of their operations with software from SSI. They're purchasing healthy, fat-free products for electronic funds transfer, check processing, securities recordkeeping, lease accounting, charged-off loan recovery, plus mortgage loan production, secondary marketing and servicing. They're gaining powerful, efficient solutions to their specific needs. To find out how SSI can help energize **your** operation, call or write us today!

SSI

(404) 441-3387

4411 East Jones Bridge Rd., Norcross, GA 30092

Computrol Banking Systems Will Dramatically Cut Your Organization's Costs.

Computrol systems easily adapt to the ever-changing banking environment. Your bank becomes much more responsive, at far less cost. For more information, call 1-800-458-8327.

COMPUTROL

COMMENT/ *By Michael E. Volpe and Ronald L. Koprowski*

Managers Must Set Example In Treatment of Employees

A branch employee gets an idea to increase the number of new accounts. He wants to photocopy some hokey, generic certificate that entitles the bearer to three months of free checking or share drafts if he or she opens a new account. Each teller would then give the certificates indiscriminately, while asking the customer to "tell a friend about us." You're the branch or district manager in charge: What do you do?

Most managers would thank the employee for the idea but suggest that the marketing department handle it. Some managers would deprecate the idea as "beneath our image." What actually happened? (This is a true incident.)

In the institution where this occurred – one of the largest banks in America – the employee was empowered to make this decision for himself. He photocopied 1,200 of these hokey certificates and gave them out. Result: 600 new accounts were opened. So much for "our image."

Key Is Management Attitude

What is the point to this? It is not that this was a good idea. In some other place, at some other time, this idea may have not worked at all.

But it does show that when employees have the confidence of their managers, they can and will relate to the customers with improved service and attention and thus higher productivity. The key is not the certificates but management's attitude toward workers.

Thomas Horton, in the *San Francisco Chronicle,* has reported the results of academic studies at major universities. They can be summarized very succinctly, thus: Staff members treat customers the same way management treats them as employees.

Don't Disregard the Obvious

This result should not surprise us (it sounds very similar to the Golden Rule, doesn't it?), but its obviousness is often disregarded by managers. If managers, however, learn to use this principle every day, they can dramatically increase the productivity of their staff.

A typical case involves a company committed to protecting the integrity of its credit procedures. As a result management had developed, and staff were commanded to follow, systematic procedures to eliminate the 5% of routine customer abuses.

Customers who requested a correction to their accounts needed to comply fully with the procedures. If they did not, delays would occur. Does this seem like a reasonable management practice? It is certainly responsible in terms of protecting the institution.

'Employees mirror the attitudes of their managers and the 'culture' in which they work.'

From the customers' perspective, this approach was a disaster. The problem was simple: 95% of the decent, honest customers were being treated as if they were part of the 5% of troublemakers.

The true harm of this policy was felt when the institution tried to change to a "user friendly" credit procedure. The employees were reluctant to adopt the new system because they still believed that management would punish them when credit problems were discovered.

Here was a case where management's initial success at stopping credit abuses led to later difficulties in correcting poor service problems. Management ultimately realized that over the long haul the restrictive procedures reduced employee productivity and profitability.

Employees Mirror Managers

Employees do in fact mirror the attitudes of their managers and the "culture" in which they work. They do not necessarily mirror their managers' policies. "Do as I say, not as I do" doesn't fly in the workplace.

Too often when we experience incidents of poor customer service, we fail to recognize that often the employee is mirroring the work habits of a larger organizational culture. Since poor service is the red flag of low productivity, every occurrence can be expensive to the company.

An outrageous but true example occurred several years ago when a shopper approached a new accounts person whose desk was buried in piles of unfinished work and inquired about some of the institution's accounts. The service representative responded, "I'm much too busy. Why don't you go across the street to the competitor and open the account over there, because they have a very competitive account."

Not an Isolated Example

It would be easy to dismiss this case as an isolated example – it is certainly an extreme one – but that would not be wise. The representative felt that he was being more helpful in sending the prospective customer away.

To the outside consultant this was one of many symptoms of a management culture that was insensitive to employee concerns. Management was, in effect, unconsciously training its staff to be counterproductive. If this employee had not felt considerable pressure to put a higher priority on the "work" on the desk rather than the new prospect, he might well have opened a new account.

As consultants, we see examples of this mirroring effect every day. One of our colleagues has an insurance client who lets customer claim forms pile up in cardboard boxes when the paper flow gets too intense.

Round File Method

They manage this pile in a very interesting way. They don't process the claims; they throw them out after six months. . . . After all, they rationalize, in six months most customers either

See **TREATMENT** *page* **15**

Mr. Volpe is a communications consultant and trainer based in New York. Mr. Koprowski is a vice president and Northeast regional manager at Omega Consultants to Bank Management.

GRAPEVINE/ *By Jed Horowitz*

Trading Whiz Slows Down. Jay Pomrenze, a Bankers Trust *wunderkind* who manages its worldwide trading activities, is winding down his activities and may leave the bank by summer, sources say.

Mr. Pomrenze, who is an ordained rabbi, plans to take a leave of absence to spend time with his family in Israel, according to sources, and will not formally resign. He was promoted to head all trading in 1988 after Bankers Trust reported a record gain in the foreign currency unit he headed. Mr. Pomrenze, 39, joined Bankers Trust in 1973, fresh from graduate school at New York University.

"Jay is a frenetic human being," speculated a former colleague, "and he may just want to slow down."

At an analyst's presentation last year, global markets chief Eugene B. Shanks pointed to Mr. Pomrenze to illustrate that "quality, tenured staff" is Banker Trust's greatest strength in managing its trading risk.

* * *

Fury at the Fed. Staffers at the Federal Reserve Bank of New York say a furious E. Gerald Corrigan has imposed a temporary job freeze and a 10% cut in travel plans after reviewing their budgets for 1990.

Mr. Corrigan, the bank's president, summoned senior managers late on a Friday afternoon last month to announce the austerity plan after discovering they had exceeded his $275 million budget target by $3 million.

One source says Mr. Corrigan, a career Fed employee, is considering a run for public office and wants to show that he can tightly manage a 3,900-person business.

Nonsense, replies Fed spokesman Peter Bakstansky. "He's an apolitical guy who loves what he does and is proud of his sound internal management skills."

The spokesman confirms that Mr. Corrigan has imposed a three-month hiring freeze and travel cutbacks. That's because Federal Reserve banks try to live within strictures of the budget-trimming Gramm-Rudman law, though they are not technically subject to it, Mr. Bakstansky said.

* * *

No Ford in Its Future. About a dozen senior managers of American Residential Mortgage Corp., First Nationwide Bank's large mortgage-banking unit, are moving to buy the 44-branch company, say industry sources.

First Nationwide, the thrift unit of Ford Motor Co., bought American Residential just two years ago. It wants to shed it as part of a broad strategic refocusing, sources say.

American Residential, which originates about $3.5 billion of mortgages a year, was put on the block around September. An unidentified venture capital concern is working with senior managers, sources say.

John M. Robbins Jr., president of American Residential, declined to comment.

* * *

Civil Banking Wars. Last week's fracas about possible capital-rule infractions at the AMBAC mortgage insurance subsidiary of Citicorp was instigated by Sen. Steve Symms, R-Idaho, who sits on no banking committee. What piqued the senator's interest?

"The capital question was called to our attention by a constituent bank in Idaho," says Joseph Cobb, a Symms staffer. "It's a small bank," which fears that evasion of capital rules "could cause another S&L problem." He would not identify the institution.

A Manhattan public relations firm released correspondence between the senator and banking regulators that indicates Citicorp and other bank owners of insurers must beef up capital to maintain their units under new risk-based capital requirements.

Financial Guaranty Insurance Corp., an AMBAC competitor, first raised the issue last year but denies any tie to Mr. Symms. Until last year, J.P. Morgan & Co. controlled about 20% of FGIC but sold its stake to a unit of GE Capital Corp. A Morgan spokesman said the sale was unrelated to the risk-based capital rules. Citicorp officials insist they will keep AMBAC and remain in compliance with capital rules.

* * *

Coast-to-Coast Cuts. California Federal Bank, the nation's fourth-largest thrift, laid off about 120 data processing and administrative employees in the past two weeks, a spokesman for the California thrift says.

He flatly denied a market rumor that up to 600 people had been axed in a cost-cutting move.

On the East Coast, Marine Midland Banks' radical restructuring puts the kibosh on any money-center aspirations it once harbored. The New York institution, owned by Hongkong and Shanghai Banking Corp., is phasing out various corporate lending units – including its leveraged transaction units – and focusing on community and middle-market banking, a spokesman says. He would not reveal the number of employees being fired.

Phil Roosevelt contributed to this column.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

PC Usage Alters Customer Relationships with Trust Banks

By RICHARD LAYNE

NEW YORK — A boom in global investing is changing the way banks provide custody service to their big institutional clients. Customers armed with personal computers are demanding more information more often, and big banks are pouring millions of dollars into their computer systems to rev up a technologically sleepy business.

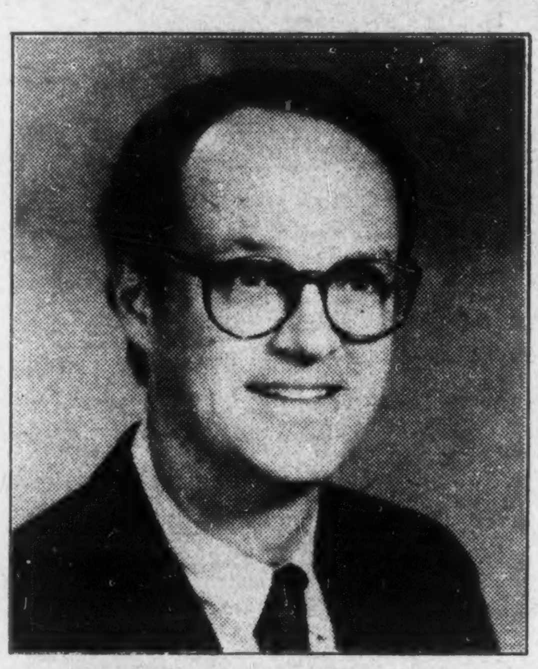
Northern Trust Co., one of the 10 biggest trust banks, is testing a new computer system in its London office. The system will be installed over the next six months. Chase Manhattan Bank, which leads U.S. banks with $90 billion in foreign-based assets under custody, is part way through a complete overhaul of its system.

Independent processors, such as SEI Corp., Wayne, Pa., which provides global custody service for more than 30 of the 100 largest banks, are also adding more reporting features to their software.

"We are changing our view of this business," said Marshall N. Carter, senior vice president at Chase. "This used to be mainframe transaction processing type of business. It is rapidly becoming an information business, providing investors with information on their portfolio." Chase, SEI, Bankers Trust Co. and others are encouraging their customers to use personal computers to tap into the trust systems.

Customers Focus on Data

Trust service providers will continue to perform the transactions that are at the core of the business, recording the sale or purchase of a security. But customers have come to focus on the information around that transaction, from reconciling dividends to managing cash positions. Banks are redoing or building custody systems that allow daily updates – rather than monthly reports that have been the norm – about the status of transactions and the cash position. That information can help a fund manager decide what holdings to buy or sell. Increasingly, those trading decisions involve foreign-issued securities.


Marshall N. Carter
Chase Manhattan

Before 1980, less than 1% of an institutional investor's portfolio was in foreign-issued securities. But a move toward diversification has increased that considerably, although domestic investment still accounts for more than 95% of both public and private fund portfolios, according to Northern Trust. In 1989, U.S. pension funds had $200 billion invested abroad. Bankers predict that figure will reach $500 billion by 1993. Some large funds have as much as 10% of their investments in foreign-issued securities.

Globalization and Growth

"Globalization on the part of our domestic clients is what has drawn us into the business and has provided a large part of our growth in the past couple of years in master trust and master custody," said Jeffrey F. Ruzicka, senior vice president at Northern Trust, which derives nearly half its operating income from fees for trust and other services. The Chicago-based company has $17 billion in foreign-issued assets under custody, almost 10% of its overall $220 billion in custody assets.

That increase in global custody business warranted an investment in the supporting computer systems, which have not provided the as much on-line information as domestic custody systems. "We have to offer a common level of service no matter where a client has its assets," said Jon E. Socolofsky, senior vice president at Northern Trust.

Project with Nynex Unit

Northern Trust's new system, which has been a two-year joint development project with BIS, a unit of Nynex that specializes in software for international business, is designed to let customers find out more information on the value of portfolios via a desktop personal computer. The new system allows an improved, daily reporting of foreign currency positions – critical for funds managers evaluating potential risk due to monetary fluctuations.

Customers with personal computers are demanding more information more often.

Last March, Chase Manhattan started to allow its mutual fund and pension fund customers to use personal computers to check the status of their portfolios daily. More than half of their customers can now use a personal computer to look at their asset holdings, dividends, and failed trades on a daily basis. The bank also upgraded its multicurrency accounting process, enabling customers to get daily reports rather than wait for a monthly review.

Chase plans to make other aspects of global custody processing available electronically to its customers, including tax reclamation and notices of corporate actions. "This type of service is a logical progression," said Peter Derrenbacher, vice president at Chase. "If you call up the phone company, they hit a button and get your history on line."

Last year, SEI offered customers access to its Invest 3000 system via personal computer. James R. Spencer, senior vice president of the Wayne, Pa.-based company, said that he is currently working on making the trust information available through a user-friendly overlay called Windows, a software program with graphic capabilities sold by Microsoft Inc. ☐

STRATEGIES

Private-Banking Clients Attracted By Access to PCs

The demand for readily available information on investment porfolios is not limited to institutions and fund managers. As part of private-banking services, some banks are letting customers monitor their investment portfolios the way big pension funds do.

Northern Trust Corp. is one of the custody service providers that let select private banking customers access trust accounting systems via personal computer. Smaller trust operations, such as Marine Midland Banks, also offer this service to high-net-worth individuals. Units of CoreStates Financial Corp. plan to offer a similar service.

As providers of custody services, these banks safekeep securities and perform the necessary record keeping, cash management, tax reclamation, and corporate actions. Banks may also as a trust managers for private-banking individuals, investing and managing their assets. Typically, institutional investors use outside money managers for investment advice and depend on banks to do the record keeping regarding the sale and purchase of assets.

Marine Midland which uses Wayne, Pa.-based SEI Corp. to provide custody processing, began offering institutional and private-banking clients access from personal computers 18 months ago.

Several high-net-worth individuals – along with 20 institutional investors and other funds – now check their portfolios, under bank custody, via personal computers, according to SEI.

CoreStates, another SEI client, plans a similar service for high-net-worth individuals, although CoreStates bankers said there is no set date for the introduction. CoreStates said that adding such a service is technologically easy, but it must be bundled with other banking services.

Northern Trust has a slightly more exclusive approach. The bank offers this service only to individuals whose assets and use of money managers are akin to an endowment or a pension fund, said Jon E. Socolofsky, senior vice president at the Chicago-based bank company.

"They want a package of services that looks like a pension plan or an endowment," Mr. Socolofsky said. Typically, those individuals may use several money managers to invest their assets.

For those high-net-worth individuals, the electronic delivery of information is part of a package of services offered by the bank. "That is not the normal service to provide or be asked for by the majority of our personal banking clients," Mr. Socolofsky said.

— **Richard Layne**

ISSUES

Big Network Management Purchases Set

By KAREN GULLO

NEW YORK — Financial institutions are planning major purchases this year of computer systems that manage communications networks.

These network management systems are key to banks and other companies whose very survival depends on the reliability of both voice and data communications. An hour of network downtime could cost a bank hundreds of thousands of dollars.

Senior information-systems managers at banks, financial institutions, and other corporations ranked network management as the No. 1 emerging computer technology in a recent survey by the Index Group, a Boston consulting firm.

50% Spending Rise Planned

Banks plan to increase spending for network management products by an average of nearly 50%, according to a separate survey by Business Research Group, Newton, Mass.

And banks are paying their network management executives more, too. The average salary of a network manager in the financial services industry rose 7.2% in 1989, to $56,954, from $52,322 in 1988, according to a survey by *Network World*, a trade publication.

Popular Vendors

Networks bankers would consider buying

IBM	62%[1]
AT&T	32
DEC	28
Cincom Netmaster	15
MCI	13
Hewlett Packard	4
Sprint	4
Other	6

Source: Business Research Group, Newton, Mass.

[1] Percentages total more than 100 because some bankers are considering more than one system.

Banks are particularly interested in acquiring products that consolidate management of various network levels under a single umbrella. Integrated network management systems simplify the monitoring of network behavior and performance by automating many reporting functions now done manually.

Nynex System Installed

Just last week, National Westminster Bank USA installed an integrated network system from Nynex Corp. in its Melville, N.Y., network control center. The system will simplify management by consolidating information from 10 systems. A key component is artificial intelligence software that alerts bank managers to network problems.

Network management systems carry a high price tag, so bankers, most of whom are buying these systems for the first time, are cautious.

"Everyone is doing a lot of looking," said Patricia A. Farwid, vice president of the information processing group at Mellon Bank, the Mellon Corp. subsidiary. "The prices range from a quarter of a million to $800,000."

Mellon Considers AT&T

Ms. Farwig said Mellon has evaluated a network management system from American Telephone & Telegraph Co. "It has the best design in terms of future direction but still has a hefty price tag," she said. "And the product is not complete, so you'd be buying into what's to come." The system costs $300,000 or more, depending on the configuration.

The AT&T system is among bankers' leading choices, according to the Business Research Group survey. Of the 47% of surveyed banks that said they planned to install an integrated network management system, 32% said they were considering AT&T (see chart).

But 62% of the banks are considering the NetView system from IBM Corp. ☐

With Drexel Hurt, Risk May Rise for S&Ls

By BILL ATKINSON

WASHINGTON — Stunned by news of the financial problems at Drexel Burnham Lambert Group, financial analysts warned that large junk bond holders in the thrift industry could take a financial beating at the end of this quarter when they report the value of their holdings.

Nearly 200 thrifts held junk bonds worth about $13 billion in their investment portfolios as of Sept. 30, said thrift regulators. And the Resolution Trust Corp., the government's conservator of seized thrifts, recently has seen its junk bond holdings swell to $2.6 billion. Analysts say RTC holdings include some of the weakest portfolios in the junk bond industry.

Drexel Needs Billions

Drexel, the Wall Street firm that embraced the market for high-risk, high-yield bonds, said it would need hundreds of millions of dollars in financing to pay off short-term borrowings. The announcement could hurt S&Ls, which under the 1989 thrift-bailout law are required to dispose of all junk bonds by 1994 or put them into a separate subsidiary.

S&Ls recently began marking-to-market their junk bond portfolios, and if the current declines persist in values registered by junk bonds, S&Ls could suffer losses, said Bert Ely, a thrift consultant.

"If that market doesn't come back by the end of March, we are going to see some institutions taking some hits on this," Mr. Ely said.

Additional Market Pressure

"If Drexel is experiencing problems in its role of making a secondary market in junk bonds, it could put additional pressure on junk bond markets," said Steven Roberts, a principal with Peat Marwick Main & Co. If the problems are corrected in a short period of time, there may be no lasting effect, he suggested.

"There are going to be some hurts out there," Mr. Ely said. "One of the problems right now is that the market has lost a lot of its liquidity. It is going to be a while before the market loosens up and starts to return to a normal condition."

One thrift in particular that Mr. Ely is concerned with is Beverly Hills, Calif.-based Columbia Savings and Loan, which at the end of September had 35.4% of its assets tied up in a $4.1 billion junk bond portfolio, according to Sheshunoff & Co. of Austin, Tex. Columbia officials could not be reached for comment before press time.

Besides Columbia, other large junk bond holders include California's Imperial Savings and Loan of San Diego, with a $1.3 billion portfolio; American Savings Bank of Stockton, with a $493 million portfolio; and Miami-based Centrust Bank, with $714 million portfolio.

Centrust recently failed and could pose a problem for the RTC. According to Kenneth H. Thomas, a Miami bank and thrift consultant who follows the junk bond market, 90% of Centrust's portfolio is made up of Drexel junk bonds. He said they are particularly risky because "most of Drexel's junk bonds did not syndicate out to other houses."

"I'm not at all optimistic for the short- or long-term prospects of the junk bond market. Everything that has happened to date has happened when the economy has remained fairly strong," he said."

Mr. Thomas said the RTC has a $2.6 billion junk bond portfolio and missed an opportunity between last March and June to sell much of it. "I have some serious questions of what the overall strategy of the RTC is."

Henry Peltz, an analyst with Keefe, Bruyette & Woods, said some institutions are already bailing out of the junk bond market. Northeast Savings' portfolio dropped to $25.7 million at the end of 1989, compared to $379.6 million at the end of 1988, Mr. Peltz said.

Mr. Peltz called Drexel's announcement "sinister," saying that confidence in junk bonds may continue to erode and corporations may have more problems attaining capital to pay off debts.

There is some hope for a recovery, however, Mr. Ely said. "We have a serious emergency situation, but it will bounce back some."

Mr. Ely expects that S&Ls will hold on to their junk bonds until the market corrects itself. "People are not going to be dumping this stuff in a panic," he said. ☐

Top Thrifts in Holdings of Junk Bonds

Totals as of Sept. 30, 1989 (dollars in millions)

		Percent of total assets
1. **Columbia Savings & Loan,** Beverly Hills, Calif.	$4.114	35.41%
2. **Imperial Savings Assn.,** San Diego	1.316	11.96
3. **Centrust Bank,*** Miami	0.922	10.28
4. **Cityfed Savings,*** Bedminster, N.J.	0.715	7.28
5. **Far West Savings & Loan,** Newport Beach, Calif.	0.667	13.99
6. **American Savings Bank,** Stockton, Calif.	0.494	3.09
7. **First Gibraltar Bank,** Houston	0.457	4.66
8. **American Savings & Loan of Florida,** Miami	0.449	8.95
9. **Lincoln Savings & Loan,*** Irvine, Calif.	0.339	9.19
10. **United Savings Assn. of Texas,** Houston	0.253	7.07

* Thrifts in the conservatorship program of the Resolution Trust Corp.

Source: SNL Securities

Through the eye of the fiduciary.

When it comes to trust investments, it's Federated's only line of sight.

Your ability to execute your fiduciary responsibility in an ever-changing financial marketplace and complex regulatory climate requires a special vision—and an investment approach aligned with that vision.

That's how *we* see it.

Many mutual fund companies offer trust departments the same generic funds that they distribute to the general public. Not Federated. Our *MultiTrust*® Systems of investment products and services are designed to meet the focused investment needs of the fiduciary...so you can allocate assets efficiently, and concentrate on new business development.

Spanning market sectors and maturity ranges, MultiTrust portfolios are managed by teams of experts who apply structured, highly disciplined methodologies to every decision.

We back these investments with value-added services that can make the critical difference in your success.

We'll keep you up to date on regulatory issues.

Provide practical marketing support.

Connect you to user-friendly technology for up-to-the-minute trading, information, and recordkeeping.

And, for the highest level of personal attention, we'll service your account with a regional team of dedicated specialists.

To learn more about how Federated investment products line up with your department's vision, call a Federated representative toll-free 1-800-245-5040.

Through the eye of the fiduciary. It's our only perspective.

FEDERATED SECURITIES CORP.
Distributor

A wholly owned subsidiary of FEDERATED INVESTORS

For more complete information on the funds, including charges and expenses, send for current prospectuses by contacting Federated Securities Corp. Read the prospectuses carefully before investing or sending money.

800

C0175-1

AMERICAN BANKER

VOL. CLV NO. 32 Thursday, February 15, 1990 year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Imaging May Do Double Duty If Appeal Is Real

By KAREN GULLO

ANALYSIS: Follow-up on the news

NEW YORK — As bankers investigate – and in a few cases begin installing – image-processing systems to cut operating costs, it is becoming apparent that this technological advance is no longer an issue only for technologists.

Most attention to date has been on reducing or eliminating paper documents in banks' back-office operations. But research is beginning to show that image processing has widespread marketing appeal that can have an impact on the entire industry, and not just on the big banks that have already found uses for the technology in operations hidden from public view.

"Every bank is going to have to look at justifying the technology in areas other than cost cutting," said Charles McDonough, a partner with Andersen Consulting, Detroit.

One intriguing possibility is that consumers would be drawn to a service in which canceled checks, normally returned with monthly bank statements, would be replaced by miniaturized copies that are easier to handle and file.

More than half of consumers responding to a survey late last year by Trans Data Corp. said they would prefer images to canceled checks, and many said they would switch banks to get such a service.

In another survey by Trans Data, an affiliate of the *American Banker*, 30% of responding bankers said they are interested in implementing imaging systems for check processing, remittance/lockbox, and mortgage loan applications within the next five years. One of the long-term benefits of the technology, the bankers said, will be in the area of printing statements from stored images.

Cost-Saving Benefit

But the short-term business case for image technology at most banks is weighted heavily on the side of reduced administrative costs – and for good reason.

"We're implementing it just on the business case that it will save us $65 million in operating costs, without even looking at the marketing aspects," said Jack A. Brown, first vice president at Security Pacific Automation Co. "But in the long term, we will have to leverage the technology everywhere we can."

See **IMAGING** page 3

INSIDE NEWS

FINANCE

NORTHEAST BANCORP and Citytrust Bancorp have regained lost ground in the stock market, thanks to Connecticut's new consensus on interstate banking. Both companies are viewed as takeover targets. *Page 20*

CONSUMER

MASTERCARD will extend to its business cardholders the same purchase protection available on its gold cards. *Page 6*

TECHNOLOGY

NCR CORP. announced a line of software that will allow its computers to work with computer systems and software from other suppliers. *Page 3*

INTERNATIONAL

CHEMICAL BANKING Corp., the most profitable foreign bank in asset management in Japan, expects to post another banner year there. *Page 12*

MANAGEMENT

SUSAN J. STEHLIK, vice president and personnel manager of Nippon Credit, recruits American talent to fill the middle-management void in the U.S. operations of the Japanese bank. *Page 8*

COMMENT

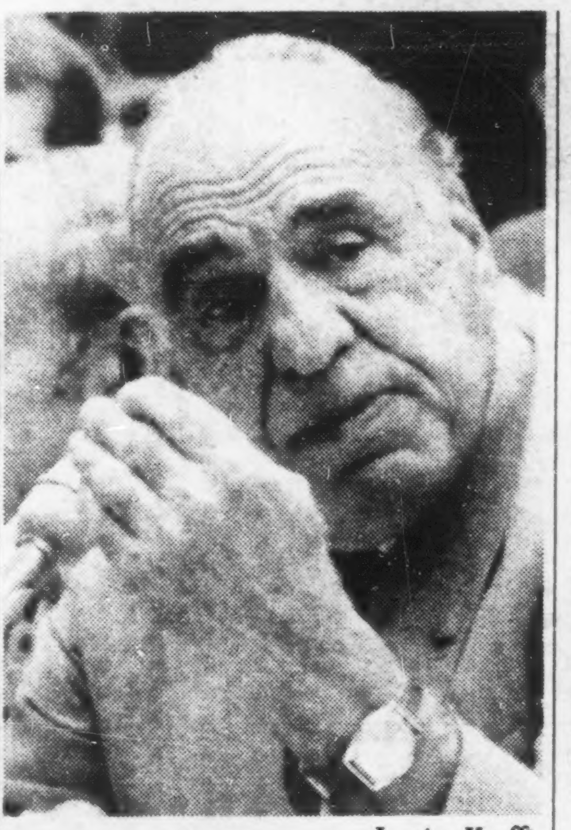
THE MESSAGE from the markets is that the economy may be in for a harder than expected landing, writes Stephen H. Axilrod. *Page 4*

OTHER NEWS

MIDWESTERN BANKS posted profit gains of 3% to 4% after taking writedowns and adding to loan-loss provisions. *Page 2*

INDEX

People in the News 2
News Briefs 2
Lobbyists 4
Executive Changes 10
Classified Advertising 16
Bank and Thrift Stocks 19



Louise Krafft

Henry B. Gonzalez
House Banking Committee

Gonzalez Says $100,000 Ceiling Favors Affluent

By ROBERT M. GARSSON

WASHINGTON — Henry B. Gonzalez, chairman of the House Banking Committee, jumped into the deposit insurance debate Wednesday, charging that the present $100,000 coverage amounts to "government guarantees for the most affluent in the society." He has scheduled hearings on deposit insurance to start Feb. 21.

Taking direct aim at an issue that strikes an emotional chord among bankers, especially those from community institutions, the populist Texas Democrat said banks and their customers have no "divine right" to coverage of $100,000 per account.

Community banks, however,

See **INSURANCE** page 5

First Interstate Sells 40% of Issue to KKR

By SAM ZUCKERMAN

SAN FRANCISCO — In a move that could make it a takeover target, First Interstate Bancorp announced Wednesday that a partnership affiliated with the leveraged buyout firm Kohlberg Kravis Roberts & Co. has bought about 40% of the troubled company's 8.6 million-share public stock offering.

The KKR group's agreement to buy 3.5 million shares for $115 million gave First Interstate the boost it needed to successfully complete the stock offering, which allowed the company to raise $276 million. The company plans to use most of the money to shore up its troubled Texas unit.

However, an adviser to First Interstate acknowledged that the massive investment by a group connected to one of the country's most renowned acquisition specialists could put the company into play.

"That's a risk," said the adviser, who asked not to be identified.

With stocks of banks across the country down as much 25% to 30% in the past four months, some observers say that the banking industry may now experience a surge of takeover speculation.

"For speculators and arbitragers, the pieces may be worth more than the whole," said Michael J. Conover, a Los Angeles investment banker. "They might feel comfortable that they could make some money."

Former Treasury Secretary William E. Simon and his merchant banking partners, for example, stand to more than double a $60 million investment in First Interstate Bank of Hawaii made one year ago if a planned sale of the bank to First Hawaiian Bancorp goes through.

'For Investment Purposes Only'

A First Interstate spokesman denied the Los Angeles-based company is a takeover target. And KKR, which has reaped millions of dollars in profits by orchestrating corporate restructurings, indicated its purchase

See **FIRST** page 7

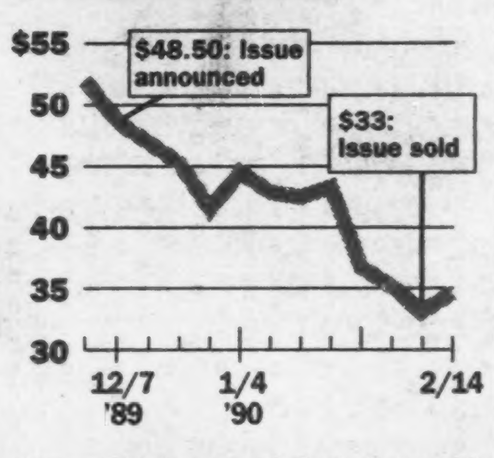
KKR's Big Investment In First Interstate...

Largest shareholders*

Sanford C. Bernstein & Co.	12.1%
Kohlberg Kravis Roberts	9.9
Wellington Management	6.1
First Interstate	4.8
Citicorp	3.5

*As of Sept. 30, except KKR

...Cost Less Because Of Stock's Slide



Sources: CDA Investment Technologies Inc. and DB Technologies

The Aftermath of Drexel's Collapse

Regulators Not Likely to Treat A Big Bank Failure Same Way

By ROBERT M. GARSSON

WASHINGTON — Despite the spectacular collapse of Wall Street giant Drexel Burnham Lambert Group Inc., the doctrine that some commercial banks are too big to fail appears to have survived intact.

Regulators, representatives from the financial services industry, and congressional aides all seem to agree that the differences between broker-dealers and insured commercial banks are too great for the Drexel bankruptcy to affect the future handling of big bank failures.

"I just don't see that there's much relationship between the failure of a firm like Drexel and that of a big bank," said Lyle Gramley, a former member of the Federal Reserve Board and now chief economist for the Mortgage Bankers Association.

Federal Deposit Insurance Corp. Chairman L. William Seidman reiterated Wednesday that the too-big-to-fail doctrine was a fact of life,

See **DREXEL** page 7

12 Banks Still Lending to Broker After Parent's Bankruptcy Filing

By JED HOROWITZ

NEW YORK — Although Drexel Burnham Lambert Group Inc. filed for bankruptcy Tuesday, about a dozen banks continue to provide several hundred million dollars in overnight loans to the company's broker-dealer subsidiary as it seeks an orderly liquidation, bankers said Wednesday.

Funding is continuing "at approximately the same levels" at which Drexel borrowed last week, the head of broker lending at a New York money-center bank said. Neither he nor Drexel would put a number to the borrowing, but the firm is known to have sought at least $250 million Monday to replace commercial paper and other lost sources of funding.

The banker said regulators have not pressured banks to continue lending.

Despite fears that the broker-dealer could plunge into insolvency as rapidly as its parent, the banks have strategic and business interests

See **BROKER** page 14

PEOPLE *in the news*

Citibank Hires GE Executive Known for Urban School Aid

By FRANKLIN SMITH

Paul M. Ostergard is not an educator by training, but his experience organizing educational programs for inner-city students brought him to the attention of the nation's largest bank. This week, Mr. Ostergard becomes vice president of corporate contributions for Citibank, where he will supervise $22 million in annual donations for education, human services, and the arts.

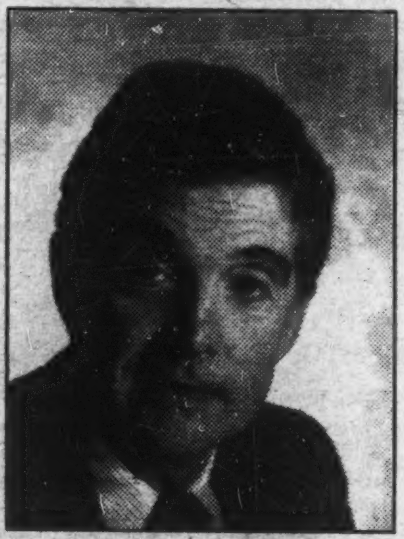
Mr. Ostergard, 50, spent 16 years with General Electric Co., Fairfield, Conn., most recently as head of its contributions program and president of the GE Foundation. There he pioneered the notion of business partnerships with poorly funded or inner-city schools to prepare students for college.

He said that at New York-based Citibank he expects to continue seeking ways to improve access to higher education.

"There is a need to put more emphasis on looking at every youngster in our school systems to see if they are capable of doing work beyond the high school level," Mr. Ostergard said. "We need to make sure the students are adequately prepared for the college or university level."

Citibank and its parent, Citicorp, recently committed almost $11 million in grants to help improve student achievement at needy public schools.

"I was reponsible for overseeing contributions to some 35 inner-city schools across the country in a major effort by GE to help turn these schools around," Mr. Ostergard said. "GE volunteers, mentors, and tutors all worked together to help build the students' self-esteem."


Paul M. Ostergard

As concern grows about the quality of the work force, education has become a major beneficiary of corporate giving. Nationally, corporate aid to education was $2.1 billion in 1988, or 44% of all charitable contributions by corporations, according to the *Chronicle of Philanthropy*, based in Washington. Of that aid, 65% went to colleges and universities, 9% to precollege institutions, and 22% to other programs.

"There are new ways to approach the inner-city school problems showing concern about the students' welfare and education," Mr. Ostergard said. "We can encourage human services organizations to bring programs to the schools to help in the educational process, along with helping prepare the students for colleges and the work force."

A 1961 graduate of Case Western Reserve University, Mr. Ostergard received a law degree from the University of Michigan and a master in public administration from Harvard University. Before joining GE, he was counsel to the Pennsylvania Co. and Trans World Air Lines, and served in the Air Force in Vietnam.

"I felt I had made my contribution to GE and wanted to make a change," Mr. Ostergard said. "Citibank interested me because of its new emphasis on education, and I want to sharpen its corporate contributions and advance its commitment to this area."

Mr. Ostergard reports to Sandra Meyer, senior officer for corporate affairs. □

Midwest Bank Earnings Edge Up

Most Institutions Do Well, but Writeoffs Cut Gains

By NANINE ALEXANDER

CHICAGO — Midwest banks posted modest profits in the fourth quarter as many institutions opted to clean up their balance sheets with writedowns and increases in provisions for sour loans.

"With a few exceptions, the performance of midwestern banks is generally still good," said Steven R. Schroll, managing director of research at Piper, Jaffray & Hopwood Inc. "But the economy has softened and the Midwest is not immune."

Earnings gains on average were in the 3% to 4% range, in line with analysts' expectations. However, some analysts said they were surprised - and concerned - by the scope of the writedowns and the loan provisions taken.

Eye on Problem Loans

"Any increase in problem loans is something that must be watched at this stage in the business cycle," said Harriet Hancock, an analyst at Chicago Corp.

Despite their concerns, analysts said the fourth quarter was an opportune time to take writedowns and increase provisions. "In a slowdown, asset quality suffers, so it makes sense to build reserves before that," Kenneth F. Puglisi, senior vice president for research at Keefe, Bruyette & Woods Inc.

Mellon Bank Corp. and PNC Financial Corp. reported huge declines related to big loan-loss provisions for Third World loans. Mellon's profit dropped 87.5% to $6 million because of a $100 million provision.

PNC Profits Plunge

PNC Financial's earnings plunged 98.7% to $1.5 million after it took a $180 million provision. Both institutions are based in Pittsburgh.

At Michigan National Corp., profits rose 3.4% to $24.2 million despite a $24 million addition to its loan-loss reserve. Mr. Puglisi said the provision was about three times greater than he had expected.

Vernon L. Patterson, a vice president at Farmington Hills-based Michigan National, said the company took the move because it wanted to do "everything we could to strengthen the balance sheet."

First Bank Still Weak

First Bank System Inc. continued to be the region's most troubled bank. The Minneapolis-based bank company reported a $107 million loss after increasing its provisions for credit losses to $175 million, compared with $23.9 million a year earlier. Total provisions for the year were $253.5 million, up from $76.0 million in 1988.

First Chicago Corp. increased its loan-loss provisions 50% to $75 million, a move that contributed to a 10% drop in earnings to $122.9 million, or $1.77 a share. The company's nonperforming assets increased to $1.1 billion, or 3.8% of the company's total loan portfolio, from $876 million, or 3.1% of its portfolio, at the end of 1988.

Continental Bank Corp., which reported a $58 million

See **MOST** *page* 16

4th-Quarter Earnings at Top Midwest Banks

Assets in billions, net income in millions

	Assets 12/31/89	Assets 12/31/88	Net Income 4Q '89	Net Income 4Q '88	Percent change
First Chicago Corp.	$47.9	$44.4	$122.9	$137.3	(10.0)
PNC Financial Corp.	45.7	40.8	1.5	119.1	(98.7)
Mellon Bank Corp.	30.6	30.2	6.0	48.0	(87.5)
Continental Bank Corp.	29.5	30.6	(58.0)	114.0	NA
Banc One Corp.	26.6	25.3	92.6	87.5	5.8
NBD Bancorp	25.8	24.2	66.6	61.6	8.1
Norwest Corp.	24.3	21.8	61.1	55.9	9.3
National City Corp.	23.0	21.6	68.8	66.5	3.0
First Bank System Inc.	20.8	24.2	(107.0)	(427.4)	NA
Boatmen's Bancshares	14.5	14.7	33.2	(11.8)	NA

Source: Company reports

Corrections

Citibank has provided further details of its relationship to Prospect Street Investment Management Co., as described in a Feb. 9 article, "2 Bank Funds Bravely Target Leveraged Loans" (page 1). Citibank says it acted as investment banker, placement agent, and helped structure Prospect Street Senior Portfolio LP, but put no equity into the deal.

The fund is capitalized with 80% senior debt and 20% subordinated debt and equity. Citibank says the rating agencies base their evaluation of the paper on the rating of the company that issues the surety bond, not on the degree of overcollateralization.

■

A Feb. 12 article ("Big Bank Profits Hurt by Provisions," page 12) incorrectly identified the top banking industry earner for 1989. It was BankAmericaCorp., with net income of $820 million.

NEWS *briefs*

BFS Bancorp Sues Suitor, Alleging Legal Violations

NEW YORK — BFS Bancorp said it filed suit against First Capital Group Inc. in U.S. District Court in Delaware, alleging violations of federal securities and banking laws and proxy solicitation rules.

Actions disclosed by First Capital in an amended 13D filing with the Securities and Exchange Commission prompted the lawsuit, said Bristol, Conn.-based BFS. The Office of Thrift Supervision is also reviewing the matter, according to the company.

Last month, BFS rejected a $16-a-share acquisition offer from First Capital.

2 Japanese Banks' Issues Given New Ratings by S&P

NEW YORK — Standard & Poor's Corp. said it downgraded Mitsui Bank Ltd.'s senior debt and long-term letter-of-credit-supported issues to A-plus from AA-minus.

The rating agency affirmed the A1-plus rating of the bank's commercial paper, certificates of deposit, and short-term letter-of-credit-backed issues, as well as the same rating on Mitsui Bank Canada's certificates of deposit and the global commercial paper program of Mitsui Finance International.

The rating on Taiyo Kobe Bank's commercial paper, certificates of deposit, and letter-of-credit-backed issues was raised to A1-plus from A1.

Bank of New England Sale

BOSTON — Bank of New England Corp. said it completed the sale for $100 million of the Canadian portion of its McCullagh Leasing unit to General Electric Co. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Amalgamated Bank of New York 10
Ameritrust 2
American Bankers Association 4,20
American Continental 5
American Express 6,17
Andersen Consulting 1
Apple Bank for Savings 10

B
Banc One 2
BanCal Tri-State 10
BankAmerica 2
Bank of New England 2
Bank of New York 8,20
Bankers Trust 6,8,12
Barclays 12
BFS Bancorp 2
Boatmen's Bancshares 2

C
Canadian Imperial Bank 10
Chase Manhattan 1,6,10,12
Chemical Banking 12
Chicago Corp. 2
Citicorp 1,2,8,12
Citytrust 20
Commercial Bank of New York 6
Continental Bank 2
Credit Suisse 12
CSSP Technologies 6

D - F
Digital Equipment 3
Drexel Burnham Lambert 1,5
Egon Zehnder International 8
Exxon 8
Federal Home Loan Mortgage Corp. 10
Fifth Third Bancorp 2
First Albany 20
First American 10
First Bank System 2
First Capital Group 2
First Chicago 1,2,20
First Federal of South Carolina 10
First Hawaiian Bancorp 1
First Interstate 1,20
First Interstate Bank of Hawaii 1
First RepublicBank 1
First Security 17
Firstar 2

G - L
E.C. Garcia 5
General Electric 2
IBM 1,3
IDC Financial Publishing 20
Independent Insurance Agents of Am. 4
Independent Bankers Association 1
J.P. Morgan 8,12
Keefe, Bruyette & Woods 2
Kohlberg Kravis Roberts 1
Legg Mason, Wood Walker 20
Legislative Liaison Advisory Council 4
Lehigh Valley Bank 10
Long-Term Credit Bank of Japan 12
Lord Day 8

M
Management Technologies 3
Manufacturers Hanover Trust 1,8,12
Maritime Bank & Trust 10
Marshall & Ilsley 2
MasterCard 1,6
Mellon 1,2,10
Memorex 5
Merchants National 4
Mercury Savings 10
Merrill Lynch 12
Michigan National 2
Mitsui Bank 2,8
MNC Financial 20
Mortgage Bankers Association 1
Mutual of New York 10

N - R
National Australia Bank 12
NBD Bancorp 2
NCNB Texas 10
NCR 3
New Brunswick Savings 10
Nikko Securities 8
Nippon Credit Bank 8
Nynex 1
Northeast 20
Office of Thrift Supervision 5
Peat Marwick 8
Piper, Jaffray & Hopwood 2
PNC Financial 2
Riggs National 10

S
Scudder, Stevens and Clark 12
Security Pacific 1
Societe Generale 12
Society Corp. 10
Southeast Banking 4
Sovran Financial 10
Standard & Poor's 2
Stratus Computer 3
Sumitomo Bank 12
Sungard Data Systems 3

T - Z
Taiyo Kobe Bank 2
Trans Data 1
Union Bank of Switzerland 12
Unisys 1
United Savings 17
U.S. League of Savings Institutions 4
U.S. Trust 6
Visa 6
Warrington Financial Systems 3
Watson, Farley, and Williams 8
Wells Fargo 17
Westpac Banking 12

Imaging Could Bring Big Payoff

Continued from *page* **1**

That means using it to generate fees for the bank by charging for image statements and other image-based services. The Trans Data consumer survey showed that not only would customers prefer to receive copies of checks produced by imaging systems rather than the original documents, but many are willing to pay for the option.

Appeal Must Be There

This presents tremendous fee-generating opportunities for banks, but bank marketers must first be convinced that image-enhanced services truly have mass appeal.

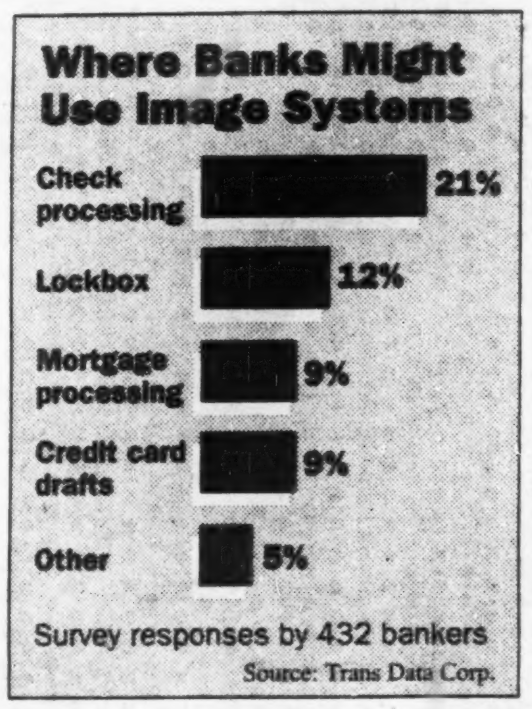
"Usually, you have the marketing people asking the operations people to develop systems to help them do something," said Steven Matzke, research associate with Trans Data in Wayne, Pa. "In this case, the operations people have had the technology for two years and haven't told the marketing people it exists."

Most of the emphasis to date has been on document processing and filing. In one common application, loan documents are converted into electronic images and stored in computer files, allowing banks to eliminate paper and streamline data communications.

Images are also useful in transmitting documents across long distances. MasterCard International has instituted a system allowing banks to obtain images of original credit card drafts within a few days. It typically takes 20 days to retrieve and send actual copies through the mail.

The shorter-term focus on cost-cutting opportunities has been a natural outgrowth of the wave of mergers, consolidations, and other profit-enhancing strategies.

"Companies are in general struggling to cost-justify their information systems," said Jane Stanhope, senior analyst at Cap International, a Norwell, Mass., subsidiary of Nynex Corp. "You can quantify cost savings in operations easier than you can quantify the benefits of increased customer services."



Survey responses by 432 bankers

Source: Trans Data Corp.

Equipment Is Costly

Image processing equipment is expensive, and many large banks that are implementing the technology want to justify the expense first and look at the marketing applications later.

"It's so new that you have to make it work before you can do too much 'blue sky,' " said Gilbert Arbuckle, senior vice president in the information management and research department at Mellon Bank, which is implementing image systems in its wholesale loan and check processing areas.

"It would be very difficult to make a business case to pay for equipment based on customer service benefits," said Mr. Arbuckle. "The equipment doesn't come cheap."

Ms. Stanhope said the major suppliers of image technology, including such as companies as International Business Machines Corp., Unisys Corp., and NCR Corp. have yet to supply complete systems that will allow banks to take full advantage of the technology's potential in marketing and customer service.

NCR Software to Work with Other Brands

By KAREN GULLO

NEW YORK — NCR Corp. this week introduced a line of software that will allow the company's computers to work with computer systems and software from other suppliers.

The software is based on the concept of "open, cooperative computing," meaning that different computers and software can operate together and that computing tasks can be shared among systems in a corporation.

For instance, information inside IBM or Digital Equipment Corp. computers at a bank headquarters can be shared with and computed by NCR systems at branches. Programs that operate under IBM's Operating System/2 and other standard computing platforms will also run on NCR systems.

Glibert P. Williamson, president of Dayton, Ohio-based NCR, said the company will begin selling the software, called Cooperation, in the second half of this year. A new set of financial software for the banking industry developed under the Cooperation concept will be introduced in the third quarter.

"Most banks have four or five different mainframes doing different things – ATM processing, customer information, or trust applications – and different people would have different terminals to access these mainframes," said Mr. Williamson.

"Cooperation will allow the branches to tap into data bases on those mainframes and provide the information to allow selling at the platform level," he said.

Cooperation costs from $30,000 to $90,000 for a system accommodating 16 users, and $90,000 to $180,000 for 64-user system.

Cooperation consists of basic computing components such as software management, security, and communications, plus a set of services for retrieving, managing, editing, and sending information among a variety of computers.

NCR will continue to support customers' existing software, but all new computer systems, including imaging systems for document and item processing due late this year, will operate under the Cooperation umbrella.

The new software is compatible with existing software, but some programs in use at banks will have to be changed to run in the Cooperation framework. ☐

MTI to Buy Trade Services Software Unit

By JEANNE IIDA

NEW YORK — Management Technologies Inc., a New York software vendor specializing in international banking programs, has agreed to acquire the Trade Services System division of Warrington Financial Systems Inc.

MTI will add to its product line the Warrington unit's letter of credit and collection software. MTI plans to buy all of Warrington's outstanding shares for a sum to be determined at the closing Feb. 28.

Sungard Pays $65.3 Million

Early last month, Sungard Data Systems Inc., Wayne, Pa., announced it would pay $65.3 million for all of Warrington except the trade services division. The bulk of Warrington's revenue comes from securities-related back-office software. Sungard provides backup computer services in addition to securities processing systems.

Warrington's trade services division, based in Cambridge, Mass., will become a wholly owned subsidiary of MTI.

Integrated Product Line

MTI offers systems for international banking areas, including commercial lending, foreign exchange, electronic funds transfer, money market trading, and wholesale demand deposit accounting. It plans to integrate the Warrington software into its product line to make it easier for bankers to keep track of their risk levels.

MTI also offers an integrated back-office system that runs on IBM and IBM-compatible mainframe computers. A version runs on fault-tolerant machines from Stratus Computer Corp. that are also marketed by IBM as the System/88.

The version for Stratus also has a trading-room system for foreign exchange and money market dealing, as well as back-office processing.

Useful to Regional Banks

MTI said the Warrington products, in conjunction with the rest of its offerings, could also be used by regional banks to enhance cash management reports to corporate customers.

"There's a trend away from giving the same DDA [demand deposit accounting] system to retail as to corporate clients," said Barrington J. Fludgate, chairman of MTI. He said his company's software can handle the large-volume transactions of corporate accounts and can break down information into greater detail than is required for retail customers. ☐

ULTIMATE
WEAPON AGAINST
CONSUMER
CREDIT FRAUD

HAWK™ was developed by Trans Union to detect potentially fraudulent credit applications. Relying on the industry's largest file of fraud information, it is the most effective and cost-efficient fraud-alert system credit grantors can use to help keep costly frauds off their books.

Write or call
Trans Union, 111 W. Jackson
Blvd., Chicago, IL 60604,
(312) 431-5100.

HAWK™ A service of

TRANS UNION
Leading the way.

"Citicorp's Comprehensive Banking System helped us grow from $200 million to $600 million. Now we're counting on it for the next leap forward."

"We selected the Comprehensive Banking System software because we expected it to keep us competitive," recalls Thomas J. O'Shane, president of First Western Bancorp of New Castle, Pennsylvania. "It has."

"With CBS we can originate or enhance new products quickly, keeping us ahead of our competition. With the stability, flexibility and growth capacity of CBS, our founding bank, First National Bank of Western Pennsylvania, has grown from $200 million in assets to $350 million.

"Beyond that, the Comprehensive Banking System software easily absorbed the additional load experienced with our acquisition of Beaver Trust Company. That acquisition nearly doubled our assets to $600 million.

"We are currently negotiating another acquisition which will bring us to over $1 billion in assets. We anticipate that the IBM AS/400 hardware and Comprehensive Banking System software will take the merger in stride.

"As far as we're concerned, CBS and IBM are the unbeatable data processing combination."

If you would like to know more about the flexibility and reliability of Comprehensive Banking System software or to talk with other bankers using the system, contact Joan Skimmons, Citicorp Information Resources, Four Stamford Forum, Stamford, Connecticut 06901, Telephone (800) 243-4222 or (203) 351-4900.

Thomas J. O'Shane,
President, First Western Bancorp

® IBM Application System/400 and AS/400 are registered trademarks of International Business Machines Corporation

CITICORP® INFORMATION RESOURCES
A CITICORP COMPANY

Copyright Citicorp Information Resources, 1990. All rights reserved.

COMMENT/*By Stephen H. Axilrod*

Message from the Markets

The U.S. credit markets have just weathered a very difficult period. The worst is probably over, but skies are far from clear and the wind direction is best described as variable.

The markets had to absorb a large supply of Treasury and related issues, including long-term offerings at the time of the recent regular quarterly refunding and an unusually long 40-year issue from the Resolution Funding Corp. to finance the bailout of thrifts. It took an extraordinary backup in market rates from the lows of late last year to make these financings go.

There were good reasons for the backup, apart from the weight of new supply. The Fed had come to a pause in the easing process, and it began to look – from policymakers' comments if not from the flow of data – as if the pause would be prolonged. Moreover, interest rates had risen sharply in key markets abroad. And a few basis points can be added from the decision to offer something so novel and risky as a 40-year RFC bond in a market environment that was uncertain at best.

A market movement such as we have witnessed in bonds generally also has deeper roots – recognizable only later as they spread more widely. For instance, the October 1987 stock market crash had many proximate causes – program trading, unusually high price-earnings ratios, a feared breakdown in international cooperation – all of which have been tortuously analyzed.

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

End of a Speculative Era

But in a deeper sense the crash marked the end of a long period of speculative wealth creation, in large part debt-financed, and a shift toward more conservative attitudes in markets. The collapse of the junk bond business accelerated. Acquisitions, leveraged buyouts, and the like became less easy to promote and finance, and real estate prices weakened more broadly around the country.

A shift toward more conservative attitudes was basically good for bonds, but only for relatively safe ones, Treasuries in particular. That shift supported the bond market for some time, and still does to a degree.

However, the bond market got carried away with the idea that the economy was weak and it would be simple for the Federal Reserve to control inflation. The economy probably is on the weak side, but the bond market now realizes that it will not be simple for the Fed to control inflation. That's the underlying message from the yield backup since the beginning of the year.

It won't be simple because more inflation than the Fed apparently will tolerate now seems to be embedded in the economy. The basic problem lies with labor costs.

After rising at a very moderate pace for several years, unit labor costs ratcheted up to about a 4.5% rate of gain last year. That happened partly because a number of years had passed without further progress in reducing price inflation, and during the past two years inflation had actually crept up.

Thus, with the economy near full employment and real income threatening to deteriorate, wage pressures were bound to become stronger. The wonder is that they have remained fairly well contained even so.

Monetary policy is now in a vise. It cannot ease significantly without building more inflation than it wants into the economy. It cannot tighten significantly without putting even more downward pressure on corporate profits and precipitating a deeper recession than it would like to see. Bonds have been priced to better reflect the dilemma and risks inherent in that situation.

Reaction from Abroad

The constraints faced by domestic monetary policy in the United States were made even clearer by actions taken abroad. Interest rates have risen sharply in Germany and Japan, as those countries decided to curb their own inflation potential. Inflation rates there are less than in the United States, but the value of their currencies had been declining on exchange markets and threatening even more inflation.

Their actions signal that the United States can no longer expect foreign countries readily to support spending here. In effect, it has now become more expensive for the United States to attract funds from abroad. Actions taken abroad have effectively tightened monetary policy here even while the Federal Reserve has, by its own lights, maintained an unchanged stance.

Whatever type of landing is ultimately made by the U.S. economy as it adjusts to lower inflation, the markets have told us that it will not be as soft as seemed probable a few months ago. Indeed, the landing of the U.S. economy could get particularly hard if efforts are made – either directly here or indirectly as a result of actions abroad – to reduce inflation too rapidly. Some progress in fighting inflation must finally be made, but the various fragilities in U.S. markets – with the Drexel Burnham situation only the latest indicator – all argue for making progress slowly. ☐

THE LOBBYISTS/*By Barbara A. Rehm*

ABA Fights Insurers

Banking industry lobbyists are waging a counteroffensive against the insurance lobby's campaign to convince Congress that states should not be permitted to let banks enter the insurance business.

It's not clear which side is winning, but House Banking's financial institutions subcommittee has scheduled hearings for April 4-5 on the matter.

The furor began late last year when a federal appeals court cleared the way for **Merchants National Corp.** to sell insurance through two state bank subsidiaries in Indiana. Indiana law, unlike federal law, permits banks to sell insurance.

Philip S. Corwin

In January, the **Independent Insurance Agents of America** papered Capitol Hill with warnings that the decision opened the door for states to grant all sorts of new powers to banks.

This month a coalition of bank trade groups led by the **American Bankers Association** responded with its own letter to lawmakers.

Ten House Banking Committee staffers on Monday viewed a videotape produced by the ABA that explains the benefits of letting banks into the insurance business, namely, greater competition and lower prices for consumers.

"There is no substantive objection," from the staffers claims **Philip S. Corwin**, the ABA's director of operations and retail banking. "In fact, there is a lot of agreement that consumers would be better off."

If the insurers push for a bill to ban banks from insurance, Mr. Corwin says, "That is something the industry is completely unified in fighting . . . I think that would be the biggest battle since the powers moratorium." In 1987, Congress barred regulators from expanding bank powers for a year.

* * *

Consumer Legislation Is Lilac's Prime Target

Fifty banking lobbyists are in Boca Raton, Fla., this week for the annual meeting of the **Legislative Liaison Advisory Council**, or Lilac, as the group is called.

"This meeting has, over the years, grown to be a fairly important meeting," said **Edward L. Yingling**, executive director government relations at the **American Bankers Association.** "It's a real opportunity to get together, learn, build team spirit, and lay out the strategy for the coming year."

Charles J. Zwick, chairman and chief executive officer of **Southeast Banking Corp.**, Miami, is the keynote speaker. Mr. Yingling said the lobbyists usually invite a banker to give them an overview of the industry.

These lobbyists' No. 1 goal is fending off consumer interest legislation, such as measures that require banks to cash government checks or provide lifeline checking. But they are also interested in battling attempts to use banks in the war on drugs. Of special interest right now is a bill being contemplated by Sen. John Kerry, D-Mass., which would revoke a bank's charter if it was caught laundering money.

Lawmakers addressing the group include: **Sen. Ernest F. Hollings**, D-S.C.; **Sen. John Breaux**, D-La.; and **Sen. Bob Graham**, D-Fla.; **Rep John Hiler**, R-Ind.; **Rep. Bill McCollum**, R-Fla.; and **Rep. Joe Moakley**, D-Mass.

* * *

Hohlt to Quit League

Controversial S&L lobbyist **Richard F. Hohlt** is leaving the **U.S. League of Savings Institutions** staff. Soon after March 16, his 10-year anniversary with the trade association, Mr. Hohlt will become an industry consultant.

Mr. Hohlt is likely to hook up with an existing consulting firm, but plans to devote half of his time to a contract with the league.

Richard Hohlt

"He is going to go out on his own, bottom line, but I have asked him to stay on as a consultant with 50% of his time," says league president **Frederick L. Webber.**

The league has gone through a spectacular metamorphosis in the past few years, from lobbying powerhouse to lobbying pussycat.

Mr. Webber admits that since he took over in November 1988, he has tried to recast the league's image as a trade group ready to work with – not against – the government.

Mr. Hohlt, 41, is part of the old guard at the league. He is alternately credited and blamed with persuading lawmakers back in 1987 to keep the recapitalization of the insolvent Federal Savings and Loan Insurance Corp. to $10 billion, a sum that turned out to be a fraction of what was needed.

A second bailout followed – $50 billion last August – but this time things didn't turn out so well for the industry. The law imposes tough capital requirements and numerous operating restrictions on thrifts. Thus the industry is divided into those institutions that can survive the federal bailout and those that are doomed by it.

This division is making it tough for the league to represent the industry.

Mr. Webber insists that Mr. Hohlt is leaving mainly because he has salted away 10 years with the association and is ready for new challenges.

"I don't think Rick is a victim," he says. "He has a strong constituency in my membership. With this we get the best of both worlds."

Mr. Hohlt refused to answer questions about his future. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 3, 4, 18

DEALS

Guarantor Grows Wary of Junk-Bond-Backed Note Issues

By CAREN CHESLER-MARSH

Securitization of leveraged-buyout loans and junk bonds may be in for a slowdown because Financial Security Assurance, the guarantor that made many of these deals possible, is temporarily curtailing its activity in this market.

FSA will cease to guarantee floating-rate note issues in Europe, where many of these deals have been done, until the outstanding issues begin to trade better, according to Peter Hoey, managing director at FSA.

Earlier last year these deals – typically 10-year floating-rate note issues – were trading at spreads of 20 to 25 basis points over the London interbank offered rate. They are now trading closer to 35 basis points over Libor.

Most market officials attribute that drop in price to oversupply in the market and the perception that many more deals will follow. In the fourth quarter alone, five transactions totaling $789 million in new deals were launched that carried FSA guarantees. All but one were backed by junk bonds. The other deal was collateralized with bank loans to highly leveraged companies.

"That busy period of activity caused the market to be apprehensive that they would be looking at about $3 billion [in new deals] a year," Mr. Hoey said. "That was a mistaken assumption on the market's part. Nevertheless, we felt it necessary to ensure the market that we would exhibit discipline."

Mr. Hoey points to one deal in particular that he believes pushed the market to the limit: a $625 million deal structured by Banque Nationale de Paris that was backed by 30 LBO loans. "That particular transaction really resulted in the congestion. Prior to that, we had a much more orderly flow," Mr. Hoey said.

The investor base was limited by two major factors, he explained. The deal was subject to withholding tax in certain countries, and it was offered as registered securities – whereas most Eurobonds are in bearer form.

When demand for any issue is limited, the available buyers can charge a premium for the securities. And at $625 million, it was much larger than the previous deals.

Participants in that transaction, however, do not believe it was their deal that moved the market. "Trading levels started deteriorating back in July and August," one source said, causing spreads on FSA paper to widen.

While tax considerations may have limited the investor base somewhat, the deal is nearly all sold and is scheduled to close today, according to Adam Lerrick, managing director of Greenwich, Conn.-based Voute Coats Stuart & O'Grady LP, which helped structure the deal.

Other monoline insurers, such as Capital Markets Assurance Corp., are trying to break into the credit-enhancement market.

Barclays Tops Foreign Banks as Load Agent In U.S. Loan Syndications

For 12 months ended June 30, 1989 (dollars in billions)

	Agent/Coagent	Volume[1]	No. of deals
1.	Barclays Bank PLC	$8.85	16
2.	Algemene Bank Nederland	6.598	7
3.	Long Term Credit Bank of Japan	6.48	5
4.	National Westminster Bank PLC	5.484	36
5.	Sumitomo Bank Ltd.	5.467	13
6.	Canad. Imper. Bank of Commerce	5.156	30
7.	Toronto Dominion Bank	4.889	17
8.	Samuel Montagu & Co.	4.859	10
9.	Bank of Nova Scotia	4.369	22
10.	Bank of Montreal	4.109	18

[1]Each bank credited with the full amount of each deal.

Source: Loan Pricing Corp.

Pilgrim Bank Loan Fund Reaches $1 Billion Limit

The Pilgrim Prime Rate Trust, the first mutual fund to invest in bank loans, has reached $1 billion in assets.

The fund, which began in May of 1988, received approval from the Securities and Exchange Commission to grow to $1 billion from $500 million. By slowly taking in $3 million to $4.5 million in new capital a day, it has reached that limit.

Taking capital in slowly is one of the reasons Pilgrim is unique among the bank loan funds. Many of them, such as Merrill Lynch Prime Fund Inc. and Eaton Vance Prime Rate Reserves, have raised most of their funds in one lump sum.

"We have the leisure to sit and study the credits," because the money trickles in slowly, said Palomba Weingarten, chairman and chief executive officer of the Pilgrim Group Inc., which manages the fund.

Pilgrim's slower approach to raising capital is more efficient, Ms. Weingarten said, because it has meant that nearly all of the capital is now invested in bank loans.

Merrill's $1.7 billion fund, and Eaton Vance's $1.75 billion fund, for instance, are not fully invested in bank loans yet – although Eaton is 85% invested. The unused capital is invested in commercial paper.

Since commercial paper yields are typically lower than bank loan yields, that would ostensibly make it more difficult for those funds to hit their yield targets. But Ron Molloy, vice president and portfolio manager at Merrill Lynch's fund, says this process was accounted for when the fund was created. Investing in commercial paper as an intermediate device, "is the way it works," he said.

Pilgrim's fund now holds 72 credits, although Pilgrim's Ms. Weingarten declined to name any of the credits. It has held 95 different credits over its 20-month life. Some of these were sold by Pilgrim, others merely paid down. For instance, the fund once owned a $3 million loan participation to Campeau Corp., but that was paid down last summer when Allied Department Stores sold its Ann Taylor franchise.

While the fund will buy highly leveraged deals, it shies away from foreign commodity-based loans, high-technology loans, and loans to single-product companies. It prefers loans to manufacturing and service companies and holds major positions in the supermarket sector, Ms. Weingarten said.

— Caren Chesler-Marsh

* * *

Chemical Underwrites ESOP Private Placement

Chemical Banking Corp. recently beat out a Wall Street firm as private-placement agent on a $110 million ESOP plan by taking a page from Wall Street practice and underwriting the deal itself.

The employee stock ownership plan financing is for Southern New England Telephone Co. Usually with a private placement, the agent just finds investors. But in this case, Chemical is making the loan itself, and then assigning it to the permanent investors – six insurance companies.

Ironically, the Wall Street firm competing against Chemical was not willing to take that unusual approach for a private placement – even though underwriting, of course, is standard practice in the Street's public market corporate bond deals.

"We were anxious to get the ESOP in place," explained Lynn Carroll, a staff specialist at the company based in Hartford, Conn. The company wanted to set up its ESOP before the tax laws change again, she said.

Southern New England Telephone was planning to install an ESOP last year, but held off when legislation was introduced last summer changing the tax law. As a result, the company does not qualify for the old regulation that made ESOP debt partially tax-exempt.

"We didn't want to be caught again," Ms. Carroll said.

Demand was strong for the double-A-rated debt, which was priced at 95 basis points over six-year Treasury bonds, according to a market source.

Banks had an advantage in raising ESOP debt when it was tax-exempt. When the law changed, it was assumed that investment banks would win most of the business from highly rated public companies, since those companies were likely to tap the public debt market.

— David Neustadt

Button Gwinnett
SAVINGS BANK, FSB
NORCROSS, GEORGIA
HAS APPLIED TO THE
COMPTROLLER OF THE CURRENCY
TO BECOME A NATIONAL BANK
We The Undersigned
Assisted In The Application Process
T. STEPHEN JOHNSON & ASSOCIATES, INC.
ATLANTA, GA.
(404) 998-6491
FORT MYERS, FLA.
(813) 433-1313

RTC
Resolution Trust Corporation

Asset Review
Contracting Opportunities

Firms with expertise in the fields of accounting, auditing, real estate, and law are being sought to evaluate asset portfolios of savings associations operating under the direction of Resolution Trust Corporation conservators. The RTC currently has more than 300 savings associations with assets in excess of $125 billion under its supervision. These institutions vary in size and geographic location; therefore, proposals from national and local firms (or groups of firms) will be considered.

Documents explaining the potential opportunities will be available March 1, 1990. If you wish to receive a complete description of the services required, along with the requisite RTC Contractor Registration Forms, please respond in writing by that date to:

Karen Szymanski
Resolution Trust Corporation
550 17th St., NW
Washington, DC 20429

or

by FAX to (202) 416-2561

C0175-1

AMERICAN BANKER

VOL. CLV NO. 34 *Tuesday, February 20, 1990* *155th year*

Limited Value Seen in Power To Underwrite

By ROBERT M. GARSSON

WASHINGTON — By early summer, a handful of U.S. commercial banks could begin underwriting corporate stocks for the first time since the Depression. But that historic step may only mask the fact that the newest underwriting powers are of limited value for most of the banking industry.

ANALYSIS: *Follow-up on the news*

Commercial banks have already been given the green light by the Federal Reserve to underwrite corporate debt, commercial paper, municipal revenue bonds, and asset-backed securities – within strict limits. Now, J.P. Morgan & Co., Bankers Trust New York Corp., and Citicorp are likely to get the nod to underwrite common stock.

But the new powers "haven't been very important yet," said Ronald Mandle, a bank stock analyst with Sanford C. Bernstein & Co. "Some banks have gotten some incremental income. But it's not the kind of thing that's going to change anybody's return on equity or how we look at their stock price."

To many observers, the most important aspect of the new powers is that they have given banks an opportunity to become familiar with corporate debt and equity underwriting in anticipation of full-scale repeal of the Glass-Steagall Act.

And for a handful of big banks, the Fed's approval of common stock underwriting is expected to come just as corporate America shifts its emphasis from debt to equity.

A Curiosity

For most banks, new underwriting powers have been more a curiosity than a matter of strategic importance.

Starting in 1987, the Fed – seizing upon a loophole in Section 20 of the Glass-Steagall Act – began to authorize banks to underwrite securities that were previously out of bounds. The powers were accompanied by some tough restrictions.

Here's the Rub

First, revenues from the new activities cannot exceed 10% of the revenues from underwriting activities that are explicitly permitted banks, such as underwriting municipal revenue bonds. Second, banking concerns are required to erect firewalls designed to put some distance between the insured bank and its underwriting affiliate.

The percentage limitation has

See **FEW BANKS** *back page*

INSIDE NEWS

INTERNATIONAL

ALLEN WHEAT'S resignation from Bankers Trust International in London has prompted speculation that there will be more defections. *Page 10*

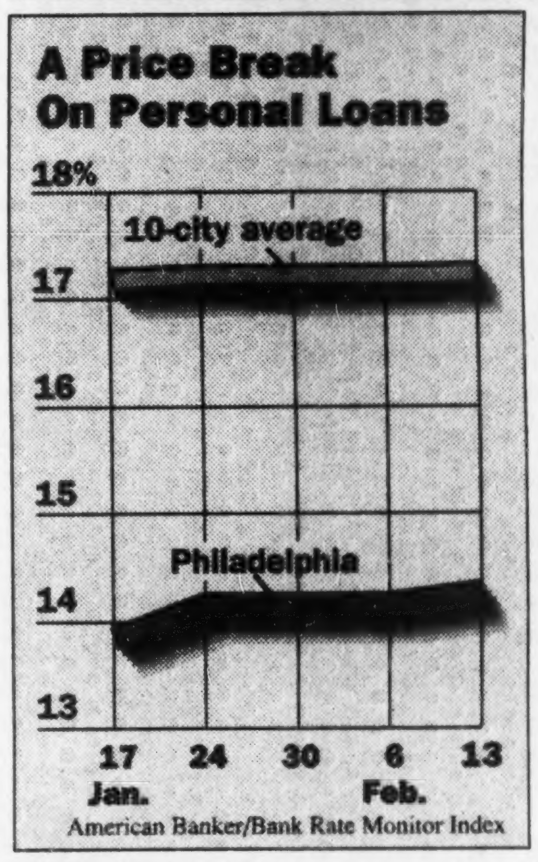
REAL ESTATE

THE RTC HOPES that loopholes in its ethics rules will help it hire the contractors it needs to dispose of bad thrift assets. *Page 8*

FINANCE

STOCK BUYBACK programs will probably not catch on at banks, despite announcements by Michigan National and MNC Financial last week. *Page 20*

CONSUMER



American Banker/Bank Rate Monitor Index

PHILADELPHIA consumers pay among the lowest rates in the country for personal loans, thanks to keen competition in that market. *Page 6*

TECHNOLOGY

PREMIER SYSTEMS, suffering its second major blow, failed to agree with Andersen Consulting on a joint venture to develop a trust system. *Page 3*

COMMENT

BANKS CAN improve prospective credit quality through retrospective analysis, writes Sanford Rose. *Page 4*

OTHER NEWS

FERGUSON & CO., a thrift consulting firm, announced it will acquire Cates Consulting Analysts Inc. *Page 7*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Executive Changes 5

Schumer Proposes a Twist On IRAs to Boost Savings

By ROBERT M. GARSSON

Charles E. Schumer
Democrat of New York

WASHINGTON — Dissatisfied with the administration's proposal for a tax-advantaged family savings account, Rep. Charles E. Schumer, D-N.Y., wants to reinvigorate the individual retirement account with a "deduct now, save later" plan.

Mr. Schumer's bill, which he said he plans to introduce shortly, is likely to add momentum to legislative efforts to beef up the U.S. rate of savings. Congress returns today from a weeklong break.

Deduction When Returns Filed

Mr. Schumer's bill would permit families to take a deduction at the time they file their tax returns. However, they would not have to contribute money to the plan until the next tax year.

That means the IRA can be funded with cash already returned by the government.

In addition, the senior House Banking Committee Democrat said he plans to propose a payroll deduction feature that would permit banks and other financial services providers to market IRAs to companies, as well as to individuals – much as 401(k) plans are marketed now.

"The lack of savings in this country is the greatest problem our economy faces," Mr. Schumer said in an interview last week.

The Bush proposal, he said, is welcome in that it spotlights the problem. But it doesn't go far enough.

"It was budget driven," he said. "The tax benefits are too far down the road" for the plan to attract most Americans.

See **SCHUMER** *page* **13**

Round One: Bankers Best Credit Unions In Colorado

By ELLEN MEMMELAAR

NEW YORK — In a bank-credit union skirmish that could reverberate nationally, bankers in Colorado won a victory in committee on legislation that would prevent state and local governments from subsidizing credit unions.

The bill, promoted by the Colorado Bankers Association as part of a broader offensive against credit unions, passed a legislative committee last week and could go to a vote in the state House of Representatives within a week.

Although the bill is expected to have minimal impact on existing credit union operations, its passage could indicate that credit unions are vulnerable to the attack that bankers are mounting against their tax-exempt status.

The Colorado legislation has already gone further than any

See **BANKS** *page* **7**

Scottish Bank Will Acquire BankWorcester

By TOM LEANDER
and JOHN EVANS

In a move to expand its New England presence, Royal Bank of Scotland Group announced Friday that its U.S. subsidiary has agreed to buy BankWorcester Corp., Worcester, Mass., for $149 million in cash.

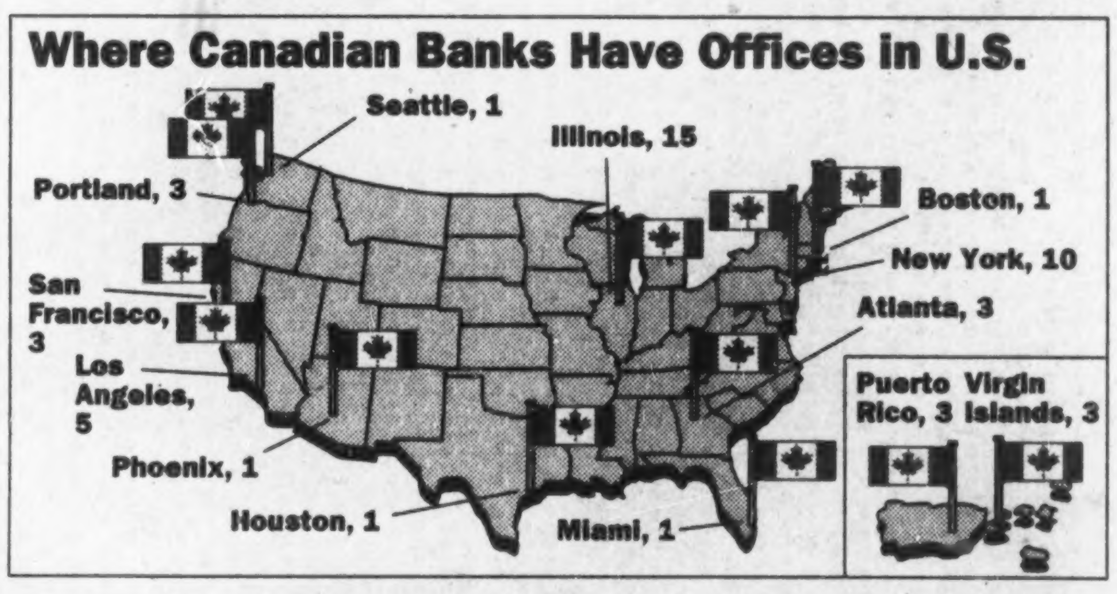
Royal Bank of Scotland already owns Citizens Financial Group Inc., a $3 billion-asset banking company based in Providence R.I. BankWorcester, parent of Worcester County Institution for Savings, is a profitable thrift with $1.2 billion in assets.

'Important New Market'

The acquisition will enable Citizens "to develop an important new market in Massachusetts and to increase" its customer base, said George Mathewson, Royal Bank's director of strategic planning. He said Royal also hopes to acquire banks or thrifts in Connecticut, but declined to disclose how large an presence it hopes to establish in the United States.

Although analysts said it was too early to predict whether Royal's purchase would usher in a wave of bank and thrift acqui-

See **ROYAL** *page* **15**



Big Canadian Banks Look South For Acquisition Opportunities

By JAMES R. KRAUS

NEW YORK — Stymied in their efforts to expand into Asia, Europe, and Latin America, three of Canada's big banks are launching a new push south of the border.

Last month, Bank of Montreal chairman Matthew W. Barrett told the bank's annual meeting in Montreal that he plans to double earnings from the United States, to 50% of the bank's profits, from about 25% now.

The bank's parent, Bankmont Financial Corp., already owns Harris Bankcorp Inc., a $12.1 billion-asset, Chicago-based banking company.

Acquisitions Likely

Royal Bank of Canada and Canadian Imperial Bank of Commerce, meanwhile, have publicly stated that they intend to increase their U.S. business, most likely through acquisitions.

Neither bank has set a growth target, but both have said they want to boost their U.S. presence by getting into retail banking and expanding lending to small and medium-size corporations.

Two other banks, Bank of Nova Scotia and Toronto Dominion Bank are for the moment refraining from expansion in the U.S. market. Bank of Nova Scotia, second-biggest Canadian lender in the United States after Bank of Montreal, is determined to retain an international presence, however. Toronto Dominion has ruled out acquisitions in the United States but has applied for limited securities underwriting powers.

See **BIG** *page* **14**

PEOPLE *in the news*

U.S. MasterCard Marketer Has a Handle on Audience

By YVETTE D. KANTROW

LOS ANGELES — Several weeks ago, Keith Kendrick went shopping for a diamond engagement ring. Although he was not getting married, the pressure was intense. The ring was to be a prop in a forthcoming MasterCard television commercial, and it had to appeal to what Mr. Kendrick calls Mainstream America.

"It couldn't cost more than $1,000," said Mr. Kendrick. Otherwise, he said, the commercial would just not be believable to the people that MasterCard most wants to reach.

As senior vice president in charge of marketing in the newly created U.S. credit card group at MasterCard International, Mr. Kendrick must make sure the association's advertising strikes the right chord in Middle America. The new campaign, created by the Lintas: New York ad agency and set for launch on March 19, will continue to use the "Master the Moment" theme. But in Mr. Kendrick's words, the updated ads feature "people who look like people you know doing things that the average American does.

"These are real people confronting real issues," he said, referring to an approach that he hopes will differentiate MasterCard from the more upscale, travel-oriented advertising of American Express and Visa.

Mr. Kendrick, 32, joined New York-based MasterCard in 1985 as an assistant to then-president Russell Hogg, working on planning projects. He had earned a master's degree at Northwestern University and came to MasterCard from Chemed Corp., Cincinnati.

Keith Kendrick

Mr. Kendrick was most recently vice president and business manager of the gold MasterCard, and takes credit for helping to turn that product into a leading premium card.

Logo Has Been Given Fresh Look

His new role involves responsibility for marketing all credit card products, and he reports to executive vice president Peter S.P. Dimsey. That job makes him an integral player in MasterCard president Alex W. Hart's plan to build on MasterCard's brand recognition, which some consumer research has shown to be as strong, and perhaps stronger than, Visa's.

It is a challenge that Mr. Kendrick seems more than ready to accept.

"American Express, Optima, and Discover – their IDs are very important," he said. "Our role is to have a strong brand that's easily recognizable as a high-value MasterCard." As part of that effort, the association at its annual meeting last week unveiled a more brightly colored logo using a more contemporary-looking type face.

Mr. Kendrick seems well-suited to lead MasterCard's quest for Middle America. Given his clean-cut appearance, it is easy to imagine Mr. Kendrick as the young man in one of MasterCard's new commercials who persuades his girlfriend not to leave town by presenting her with an engagement ring – the very one that Mr. Kendrick shopped for. ☐

Chemical Unit Imposes 20% Job Cut

By JED HOROWITZ

NEW YORK — Chemical Bank in the past two weeks cut 100 of 500 jobs in its New York City-based human resources department, bank spokesmen confirmed.

The layoffs are part of a continuing housecleaning at Chemical Banking Corp., the nation's sixth-largest banking company.

This year, Chemical has acknowledged cutting 80 jobs at an Ohio-based residential mortgage subsidiary, 20 marketing and administrative posts in the New York-area branch system, and another 20 in the leveraged leasing and product development areas of the capital markets group.

The latest round of pink slips affected employees ranging from vice presidents in compensation planning to clerks who process benefit statements, a spokesman said. Some slots had been vacant, he said, but he would not specify how many employees were let go.

The latest layoffs affect no one in line businesses, but selective trimming is occurring there as well, according to bank sources.

An outsider familiar with the human resources department said he was told that Chemical Bank – which employed 16,500 at yearend – is aiming for a 20% cost reduction in this year's first quarter. Cutbacks have included using two-color rather than four-color printing for internal employee publications.

The Chemical spokesman said he would not comment on speculation.

The holding company, which employs 29,000 people, includes workers in Chemical's Texas Commerce Bancshares and Chemical Bank New Jersey subsidiaries.

The company's noninterest expense rose 11.4% last year, to $2.73 billion, largely because of costs at the two subsidiaries. The spokesman would not comment on the extent of layoffs at those units. ☐

Federal Regulators Seize Franklin Savings

By BILL ATKINSON

WASHINGTON — Franklin Savings Association, an Ottawa, Kan., thrift that made heavy investments in mortgage securities, was placed into conservatorship on Friday by the Office of Thrift Supervision.

The seizure occurred just one day after Franklin's top management expressed optimism that an examination by thrift regulators into several accounting issues would have a favorable outcome.

The $11.4 billion-asset institution was the largest in Kansas and at midyear 1989 was 24th-largest in the thrift industry. After recognizing losses required by the OTS it will have a negative $44.3 million in tangible-core capital, said Marc Adams, a spokesman for the thrift regulator.

Franklin will maintain normal business hours and operations under the Resolution Trust Corp., which will run the institution until its assets can be sold or otherwise taken off the government's books. John Carr, former chief executive officer of Beverly Hills, Calif.-based Gibraltar Savings, was appointed the RTC's managing agent.

Last Thursday, the institution reported $3 million in income for the fourth quarter of 1989, reversing a $21.5 million loss in the year-earlier period. In disclosing its earnings, Franklin said that federal regulators were investigating several accounting issues, including treatment of $200 million of deferred losses on financial futures contracts used for hedging purposes.

Franklin grew rapidly from just $200 million in assets in 1981 through purchases of high-yield, high-risk mortgage securities and derivative products. ☐

Bank of New England Plans 11% Layoff

By DAVID NEUSTADT

NEW YORK — Bank of New England plans to lay off as many as 2,000 employees, about 11% of its 17,500 work force, according to a report from Reuters. A bank spokeswoman told the wire service that the layoffs would be in addition to reductions from attrition and sales of assets.

"Essentially we have a very preliminary number of approximately 2,000 layoffs across the company," the spokeswoman told Reuters. "It could be lower, but it it won't be higher."

Bank of New England chairman H. Ridgley Bullock had previously announced that layoffs were likely.

Cutting 2,000 employees could save the bank more than $60 million a year or about 50 cents a share, estimated J. Richard Fredericks, a bank analyst at Montgomery Securities in San Francisco.

Fourth-Quarter Loss Expected

Analysts are still waiting for the bank to announce its fourth-quarter results. The bank has said that it expects to post a loss of about $1 billion.

Meanwhile, the joint House-Senate banks committee of the Connecticut legislature passed a bill on Friday that would permit interstate banking, according to Preston King, president of the Connecticut Bankers Association. Mr. King said he expects to see the bill signed into law before the end of March.

The bill would allow Bank of New England to sell Connecticut Bank & Trust Co. to a bank from outside New England. Citicorp, Chase Manhattan Corp., and Fleet/Northstar Financial Group are mentioned as the most likely buyers.

In its current form, the bill would also allow out-of-state banks to set up new banks in Connecticut after three years. But that part of the bill is very controversial and may not make it through the Legislature, Mr. King said. ☐

Drexel Brokers Charged in Scam

By ROBERT M. GARSSON

WASHINGTON — The Federal Deposit Insurance Corp. charged last week that employees of Drexel Burnham Lambert Inc. and the former E.F. Hutton & Co. schemed to divert insured deposits from a Texas thrift to shore up an attempted takeover of U.S. Home Corp.

In a suit filed in U.S. District Court in Dallas, the FDIC said Guaranty Federal Savings and Loan Association lost $68.5 million as a result of the scheme, while the brokers involved gained $49.6 million in commissions and markups. Guaranty Federal, which had $2 billion in assets, failed in 1988.

The FDIC suit says that Drexel was U.S. Home's investment banker at the time of the attempted takeover, and it charges that personnel in Drexel's Beverly Hills office advised and encouraged Paul Sau-Ki Cheng and Simon E. Heath to attempt the takeover.

The suit accuses the pair, former cochairman of Guaranty Federal, of diverting profits from the trades of U.S. government securities into private accounts, while channeling losses into the thrift's account.

The FDIC is seeking $129.2 million in actual damages and $387.6 million in punitive damages. ☐

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Advest ... 1
American Bankers Assn. ... 1
American Express ... 2
Archer Federal ... 13
Arnold & Porter ... 1

B
Banco de Comercio e Industria ... 1
Banco de Santander ... 1
Bank Capital Markets Assn. ... 1
Bank of Ireland ... 1
Bank of New England ... 2,15
Bank of New York ... 8
Bank of Nova Scotia ... 1,10
BankAmerica ... 4
Bankers Trust ... 1,10,18
Bankmont Financial ... 1
Barclays Bank ... 1
Bell Federal ... 13
Beneficial ... 5
Sanford C. Bernstein ... 1
Brookhill Group ... 8
Bunting Warburg ... 1
Burns Fry ... 10

C - E
Canadian Imperial Bank ... 1,15
Cates Consulting Analysts ... 7
Chase Manhattan ... 2,20
Chemed ... 2
Chemical Banking ... 2
Citicorp ... 1,2,10,20
Citizens Bancorp ... 5
Colorado Bankers Assn. ... 1
Colorado Credit Union League ... 1
Connecticut Bankers Assn. ... 2
CoreStates Financial Corp. ... 6
Credit Suisse ... 10
Credit Union National Assn. ... 1
Dominion Bank of Middle Tennessee ... 5
Drexel Burnham Lambert ... 2

F
Federal Financial Institutions
  Examination Council ... 20
Federal Savings ... 5
Ferguson ... 7
First American Savings ... 6
First Bank System ... 20
First Boston ... 10
First Chicago ... 20
First Fidelity Bancorp. ... 6
First of America ... 5
First Pennsylvania ... 6
First Western ... 5
Fleet/Norstar Financial ... 2
Ford ... 4
Fox-Pitt Kelton ... 20
Franklin Savings ... 2

G
Germantown Savings ... 6
Gibraltar Savings ... 2
GTE Federal Credit Union ... 6
Guaranty Federal Savings ... 2

H - J
Hilton Hotels ... 18
International Council
  of Shopping Centers ... 8
Johnson Financial Services ... 5

K
K mart ... 6
Keefe, Bruyette & Woods ... 20
Kidder Peabody ... 5

L - M
Lintas: New York ... 2
Lloyds Bank ... 1
Loewen Ondaatje McCutcheon ... 1
Manufacturers Hanover ... 8
Manufacturers National ... 20
Marriott ... 18
MasterCard ... 2
Mellon Bank Corp. ... 6
Meritor Savings ... 6
Merrill Lynch ... 18
Michigan National ... 20
Midlantic Corp. ... 6
MNC Financial ... 20
Montgomery Securities ... 2
J.P. Morgan ... 1,20

N - Q
NASA Federal Credit Union ... 6
National Credit Union
  Administration ... 6
National Westminster ... 1,8
Norwest ... 8
NWA ... 18
OCHA Credit Union ... 6

R
Resolution Trust Corp. ... 2,5,7,8,13
Royal Bank of Canada ... 1,10
Royal Bank of Scotland Group ... 11

S - T
Salomon Brothers ... 10
Sidley & Austin ... 8
Skadden Arps ... 1
Somerset Savings Bank ... 4
Swedish Bank Employers' Assn. ... 10
Toronto Dominion Bank ... 1,10
Transmanche Link ... 10

U - Z
U.S. Home ... 2
Visa ... 2
Western Savings and Loan ... 5
Wheat First Securities ... 6

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 14

COMMENT/ *By Sanford Rose*

How To Materially Lower Volatility of Loan Losses

Many bankers are coming to the realization that they are undermanaging the risk in their commercial-loan portfolios. Loan risk is both individual and collective. It depends on the default probability of specific loans. But it also depends on the relationship among default probabilities.

Banks lay considerable stress on individual loan risks but pay scant attention to collective ones. The industry needs to develop more confidence in the available tools for assessing and modifying collective risks.

Consider two loans, A and B, made to borrowers with equally powerful balance sheets and therefore equal probabilities of default. Loan A, however, is likely to default when the rest of the bank's portfolio is experiencing little or no difficulty, while loan B is apt to go bad when the rest of the portfolio is also going into the tank. Loan A is said to be negatively or inversely correlated with the rest of the portfolio. Loan B is said to be positively correlated.

Quite obviously, despite the fact that both loans are equally risky when viewed individually, the bank should prefer A to B because adding that loan to the portfolio will lower the risk of simultaneous defaults while adding loan B will increase that risk. Indeed, because borrower A is a more desirable customer from the bank's overall viewpoint, it should be willing to consider charging him a lower loan price than it charges borrower B.

In point of fact, few banks set their loan charges according to an analysis of how the fortunes of new borrowers are likely to move together or "covary" with those of the existing borrower population. Banks don't normally compute borrower covariances or correlations, primarily because of doubts about the value of such calculations.

To be sure, correlations among borrowers are not especially stable over time. But that may not be very important.

The key question is whether groups of borrowers who are negatively correlated tend to remain so, to greater or lesser degrees, and whether the same is true for those who are positively correlated. If the answer is yes, a bank can normally benefit by adding to the portfolio borrowers with historically inverse default relationships and eliminating from the portfolio those with traditionally positive loss linkages.

Retrospective Tinkering

To test the usefulness of historic correlation data, Oliver, Wyman & Co., a New York-based consultant to the financial services industry, constructed the following example. It took the actual 1988 customer mix of a real-life bank and assumed that this same mix had obtained during the period from 1973 through 1980. It then calculated the 1973-1980 standard deviation of loan losses – the square root of the variance of losses from their mean value – for this mix of loans. The calculation was made using data on the correlation of bankruptcies among industries during that same eight-year period. Since the standard deviation measures the extent by which actual losses diverge from their average or expected value, it is a valid proxy for overall credit risk.

The next step was to do some retrospective portfolio tinkering, based again on the 1973-1980 bankruptcy data. Oliver, Wyman found that roughly 10% of all industries were negatively correlated from 1973 through 1980.

For example, the correlation of losses between the chemical and the textile industries amounted to a negative .34. This means that every 1% increase in loss rates among chemical producers was associated with a 0.34% decrease in loss rates among textile makers.

'Do borrowers who are negatively correlated tend to remain so?'

Such a negative correlation seems intuitively plausible since chemicals are widely used in fabric manufacture. So the textile industry may benefit from falling chemical prices, which of course damage the chemical companies, and may be hurt by rising chemical prices, which help the chemical companies.

Other negative relationships are somewhat less intuitive. For example, an improvement in the fortunes of general contractors was associated with a decline in the fortunes of the textile industry. Loss correlations between the two amounted to a negative .65 from 1973 through 1980.

Of course, many businesses were positively correlated – and often strongly so. Examples were food manufacturing and retail furniture as well as other retail and some services industries.

Favoring the Negative

Oliver, Wyman simply increased the proportion of the portfolio lent to pairs of industries showing high negative correlations and concomitantly decreased the portfolio weighting for pairs of businesses exhibiting high positive associations. For example, it increased loans to textiles and chemicals and reduced those to the retail and services sectors.

Then it recomputed the standard deviation of losses. This exercise in retrospective portfolio tinkering managed to lower 1973-1980 loan-loss variability by some 17%. (The consultant might also have lowered the bank's risk by substituting loans to pairs of borrowers who were less positively correlated than other pairs of borrowers. It may be possible to find industries that are somewhat interdependent but always more independent of each other than are other industries.)

To test the permanence of the improvement in credit quality, the consulting firm redid the experiment for a recent period. That is, it calculated the standard deviation of losses from 1981 through 1988 for the bank's original portfolio as well as for the portfolio with the revised loan weightings. This time, of course, it based the calculation on the correlation of bankruptcies since 1980.

If the correlations prevailing in the 1973-1980 period were directionally valid, then the portfolio adjustments made using these data would serve the bank well in subsequent years. That, in fact, turned out to be the case. The standard deviation of losses for the portfolio with the revised loan weightings was 32% lower during the 1981-1988 period than that for the unadjusted portfolio.

History Isn't Bunk

The upshot seems to be that banks can materially improve prospective credit quality through retrospective analysis. Negative loss correlations among industries tend to remain negative and positive correlations tend to remain positive. This may not be true for all types of borrowers, but it is apparently true for enough of them to warrant intensive study of the available historic data on customer covariances.

A bank that succeeds in reducing loan-loss variability can afford to operate with less capital per dollar of loan assets. If loss volatility was previously so great that the bank felt compelled to hold more capital than the regulators required, a reduction in that volatility can lead to

See **HOW** *page* **13**

CRIME BLOTTER/ *By Tom Leander*

Con Artist Draws 25-Year Sentence

A federal judge in Bloomington, Ind., sentenced Bridget Jones last week to 25 years in federal prison for her part in a $10 million laundering scheme.

According to Bloomington U.S. Attorney Patrick Chesley, Ms. Jones and her former husband, Richard Jones, traveled the United States promoting loans from their private finance company to people attending financial planning seminars.

Mr. Chesley said the couple offered million-dollar loans for flat rates between $2,000 and $4,000, and then left town, without turning over any money to customers. Ms. Jones deposited the $10 million earned in the scam in 120 bank accounts, and then wired the money to a numbered account in Uebersee Banc, Zurich. They subsequently wired the money to a correspondent bank in New York.

Richard Jones died in 1986. Ms. Jones was convicted of mail fraud and conspiracy in 1987.

* * *

Thief Strikes While Cops Are on Clue Hunt

As police were combing the vault of Somerset Savings Bank in Somerville, Mass., for clues following a robbery, a thief hit a nearby branch of the same bank.

At 8:30 a.m. on Feb. 10, two robbers apparently cut a two-foot-square hole from an office over the bank vault at the Somerset branch in Union Square, then shimmied down into the vault and stole an undisclosed amount of money, according to Somerville police Officer Timothy Nargi.

When two bank employees opened the vault, they were ordered to lie on the floor as the thieves fled.

As police were investigating Union Square branch crime, a blonde man walked into Somerset Savings Bank banch on Broadway and told a teller, "I have a bomb." The teller handed over about $200 and the man fled, police said.

The two heists were unconnected, according to Officer Nargi of the Somerville police.

* * *

Police on Coast Kill ATM Crime Suspect

A police officer shot and killed a suspect after he allegedly robbed a man at a Bank of America automated teller machine in Long Beach, Calif.

On the night of Feb. 9, a passing motorist tipped off Long Beach police from a car phone that a "suspicious individual" was hiding in the bushes near a Bank of America ATM, according to officer George Fox, a Long Beach homicide detective.

When officers James Hill and Ralph Robbins reached the bank, which was on the corner of Willow Street and Daisy Avenue in Long Beach, they saw two suspects beating a man who had apparently just withdrawn cash.

One of the suspects made a run at Officer Hill clutching a "gunlike" object, the officers later said. Officer Long fired and hit the man, who continued to flee.

Officer Robbins pursued the man for two blocks, where he shot and killed him where he was crouched behind a car. The man was still holding the object, which turned out to be the victim's black wallet, Officer Fox said.

Police identified the slain suspect as 22-year-old Dennis Moore. The second suspect, 24-year-old Keith Hughes of Compton, Calif., was arrested near the ATM. There will be an investigation into the shooting, Officer Fox said.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Big Canadian Banks Launch Push South of the Border

Continued from *page* **1**

Royal Bank chairman Allan Taylor told analysts in September that he is studying one or more U.S. retail banking acquisitions. The bank also plans to be a major player in increased cross-border trade arising from the U.S.-Canada trade agreement; it will open a branch in Buffalo this month.

Securities Underwriting Power

Both Royal Bank and Canadian Imperial obtained securities underwriting powers from the Federal Reserve Board last month in a move to broaden their activities in the United States.

The two banks plan to use their new powers to underwrite and distribute corporate debt issues on behalf of their Canadian and multinational customers.

In addition to underwriting, Bank of Montreal, Royal Bank, and Canadian Imperial seek to develop a more sophisticated range of activities, including asset securitization, private placements, mergers and acquisitions, corporate restructurings, equipment leasing, and treasury operations linked to interest and foreign exchange management.

Mr. Barrett said much of Bank of Montreal's growth will come from "leveraging" its U.S. operations. The rest will be generated by acquisition-based expansion, he said.

Expanding Retail Presence

"We would like to be a bigger retail bank in the U.S. The U.S. banking market is very fragmented, while we operate out of 1,500 locations in Canada," Mr. Barrett said, referring to the tradition of nationwide banking in Canada. "We've a lot to bring to the party in the U.S."

He wouldn't disclose potential acquisition targets, although he said Bank of Montreal would be free, through regional interstate banking compacts taking effect within a year, to expand into 30 states from its Illinois base.

"Our expansion in neighboring states," Mr. Barrett said, "is likely to be directed from Chicago towards the New York area, where we also operate, to try and develop that elusive thing, synergy, in our banking operations."

Mr. Barrett stressed that Bank of Montreal was in "no hurry" to make an acquisition, indicating that he's prepared to wait for the right candidate to emerge.

How Canadian Banks Rank as U.S. Players
Data as of midyear 1989

	Assets ($ in billions)	Full banking offices
Bank of Montreal	$18.9	16
Bank of Nova Scotia, Toronto	$8.1	9
Toronto Dominion Bank	$5.6	4
Royal Bank of Canada, Montreal	$4.5	8
Canadian Imperial Bank of Commerce, Toronto	$3.9	9
National Bank of Canada, Montreal	$1.3	4
Totals	$42.4	50

Source: American Banker

Bank of Montreal, Royal Bank, and Canadian Imperial rank among the top 10 in North America. Royal Bank had $95 billion in assets as of October 1989, of which $5.9 billion were held in the United States. Canadian Imperial had $84 billion in assets, $8.65 billion in the United States; Bank of Montreal, $67 billion, $12.1 billion in the United States.

All have had a U.S. connection since they set up offices in the last century to serve expanding trade and industry. Bank of Montreal has had a New York agency since 1858 and a Chicago agency since 1861. Royal Bank has had a U.S. office since 1899, and Canadian Imperial, a New York branch since 1872.

In the 1970s, the three banks became heavily involved in real estate and energy-related lending in the United States.

More recently, they have been among the leading banks in arranging financing for leveraged buyouts. For example, Canadian Imperial has about 60% of its $2.2 billion leveraged-buyout loan portfolio in U.S. credits and 38.5% of its real estate loan portfolio, or $1.77 billion, in the United States.

Factors Prompt Refocusing

Several factors have prompted these Canadian banks to refocus on the United States. Bankers and analysts say that Canada is overbanked, competition is getting tougher, there is little room to expand, and margins on lending at home are razor thin.

They add that Canadian banks lack the resources to compete against the big European banks and cannot obtain much market share in Japan because of protectionist sentiment there. The banks also have lost interest in lending to the debt-ridden Latin American countries.

Royal Bank, Canadian Imperial, Bank of Montreal, Bank of Nova Scotia, and Toronto Dominion hold 82.5% of the $443 billion in Canadian banking assets.

"Canada's a market about the same size as California," said Allyn W. Keiser, senior vice president and general manager of Canadian Imperial's New York branch. "It's much smaller and offers much less incremental opportunity. In the U.S., we've got a much greater opportunity to grow."

U.S. Thrift Acquisitions?

Analysts add that Canadian bankers believe the growing number of U.S. savings and loan associations being sold because of the thrift industry crisis will permit them to acquire banking franchises at cheap prices.

"Canadian banks are playing a wait-and-see game at the moment," said A. Roy Palmer, a banking analyst with Bunting Warburg Inc., Montreal. "The strategy is to be opportunistic."

With more than 100 years of nationwide banking experience at home, the banks believe they have an edge over their U.S. counterparts when it comes to running large-scale branch communications and clearing systems.

However, analysts express doubt at whether Canadian banks will find it all that easy to move into U.S. retail or middle market corporate banking.

"Markets in the U.S. are fragmented," said Geoff J. Francolini of Loewen, Ondaatje, McCutcheon & Co., Toronto. "There are a whole set of different requirements and different regulations. The consensus is that they will move into the U.S. but that they will move in gradually." □

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Offering Circular and Prospectus Supplement and the related Prospectus.

New Issue / January 30, 1990

$300,000,000

FannieMae

Federal National Mortgage Association

Guaranteed REMIC Pass-Through Certificates
Fannie Mae REMIC Trust 1990-20

	Original Principal Amount	Interest Rate	Final Distribution Date
Class 20-A	$11.000.000	8.80%	November 2000
Class 20-B	28.800.000	8.80	January 2009
Class 20-C	9.850.000	9.00	September 2010
Class 20-D	31.100.000	9.15	May 2014
Class 20-E	32.100.000	9.30	December 2016
Class 20-G	18.110.000	9.30	March 2018
Class 20-H	15.130.000	9.30	January 2019
Class 20-J	23.310.000	7.00	March 2020
Class 20-K	13.800.000	9.50	February 2019
Class 20-L	11.730.000	9.50	August 2019
Class 20-M	15.000.000	9.50	March 2020
Class 20-N	52.140.000	9.50	March 2020
Class 20-O	26.330.000	9.50	September 2015
Class 20-Z	11.500.000	9.50	March 2020
Class 20-R	100.000	*	March 2020

*Holders of the Class 20-R REMIC Certificates will be entitled on each Distribution Date to receive all Surplus Cash. See "Description of the REMIC Certificates—Additional Characteristics of the Class 20-R REMIC Certificates" in the Prospectus Supplement.

The REMIC Certificates are being offered by J.P. Morgan Securities Inc. from time to time in negotiated transactions, at varying prices to be determined at the time of sale.

The obligations of Fannie Mae under its guaranty of the REMIC Certificates are obligations of Fannie Mae only and are not backed by the full faith and credit of the United States.
The REMIC Certificates are exempt from the registration requirements of the Securities Act of 1933 and are "Exempted Securities" within the meaning of the Securities Exchange Act of 1934.

Copies of the Offering Circular and Prospectus Supplement and the related Prospectus may be obtained in any jurisdiction from the undersigned and such other dealers as may lawfully offer these securities in such jurisdiction.

J.P. Morgan Securities Inc.

California Thrifts Help EDS Profits

DALLAS — Data-processing contracts with Great Western Bank and World Savings, two of the 10 largest thrifts in California and the nation, helped propel Electronic Data Systems Corp. past $5 billion in revenue last year, the Dallas-based computer services company said.

EDS said it increased revenue by 13% in 1989 to $5.47 billion, and net income 13% to $435 million. Fifty-five percent of the 1989 revenue came from affiliates of its parent, General Motors Corp., down from 59% in 1988.

The company entered into multiyear processing agreements with several California thrifts last year, including Beverly Hills-based Great Western, Oakland-based World Savings, First Federal Savings and Loan of San Gabriel, and Palm Springs Savings Bank.

EDS also boosted its financial industry revenue by acquiring the electronic funds transfer network of Automatic Data Processing Inc., and the credit card processing subsidiary of Society Corp., Cleveland.

Other contracts announced last year were with the San Antonio Federal Credit Union; Meritor Savings Bank, Philadelphia; First City Bancorporation of Texas, Houston; and Caixa de Catalunya, a Spanish thrift. □

BEST AVAILABLE COPY

800

C0175-1

AMERICAN B

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 35 *Wednesday, February 21, 1990* *155th year*

MasterCard Shift May Change Card Marketing

By YVETTE D. KANTROW

LOS ANGELES — When Alex W. Hart revealed his plans for MasterCard International last week, he did more than plot the direction of the card association. He described what may prove to be a significant change in the way U.S. banks market credit cards.

Mr. Hart, who recently completed his first year as president of New York-based MasterCard, acknowledged that Visa and MasterCard had become too much alike, allowing American Express Co. and Sears, Roebuck and Co. to make inroads in the market.

ANALYSIS: *Follow-up on the news*

He vowed that through new advertising and an updated logo, MasterCard would clearly differentiate itself from Visa U.S.A. Inc.

Mr. Hart conceded that Visa will remain the No. 1 bank card. But MasterCard's goal will change. After a 10-year effort to upgrade what was once viewed as a down-market image, MasterCard now sees its role as the defender of the "bank-card heartland."

Forsaking the Wealthy

The change is significant for an industry that has put a lot of effort into seeking the upscale image associated with American Express. If successful, the shift could result in credit cards being hawked to a new, somewhat neglected market segment.

"The industry does have a little too much of a mind-set that looks to upper-income households," said Stephen Szekely, a vice president of Payment Systems Inc., Tampa, Fla. Considering that the bank card business is based on credit, the emphasis on upscale consumers is ironic, he said.

"If MasterCard carries through with this, issuers will perceive that there is an opportunity there, and offers [for credit cards] will be extended where they aren't now," Mr. Szekely added.

MasterCard's plan, which focuses on building brand identity, appears to confirm speculation among bankers that two distinct card organizations would emerge as a result of Mr. Hart's strategy.

Aiming for 2 Cards of Choice

MasterCard is suggesting a two-pronged attack on nonbank rivals. It will battle Sears' Discover card and American Express' Optima card for the retail-oriented mass market, leaving

See **MASTERCARD** *page* **5**

INSIDE NEWS

FINANCE

WELLS FARGO stock posted a slight gain on Tuesday, while other bank issues slipped back into the doldrums. Wells' shares have risen almost 10% in the past week. *Page 24*

INTERNATIONAL

THE PHILIPPINE debt-reduction pact is threatened by Bankers Trust's refusal to provide $20 million in new loans. *Page 18*

TECHNOLOGY

JOHN SINGLETON'S elevation to chief operating officer of Security Pacific was a natural progression for a technologist who understands the business of banking. *Page 3*

CONSUMER

AMERICAN EXPRESS is gamely challenging Western Union in the international money transmission business. *Page 8*

COMMENT

THE WHITE HOUSE recently sent clear messages that it would like to see deposit insurance reform as well as an overall restructuring of the financial services industry, writes Thomas "Lud" Ashley. *Page 4*

OTHER NEWS

WITH THE PITTSTON Coal strike at an end, the United Mine Workers of America called off boycotts against Manufacturers Hanover and Crestar. *Page 2*

INDEX

People in the News 2
Company Index 2
Grapevine 4
Executive Changes 6
Thrift Trigger Dates 12
March Calendar 20
Classified Advertising 20
Bank and Thrift Stocks 23

Supreme Court Reaffirms Banks' Securitization Power

By BILL ATKINSON

WASHINGTON — A major bank victory over the securities industry was reaffirmed Tuesday when the Supreme Court let stand an appellate court ruling that permits banks to package and sell mortgage loans as securities.

The decision ends the last legal challenge to a 1987 regulatory ruling that punched a big hole in the Glass-Steagall Act, which separates the banking and securities industries.

Banks used that ruling as the basis for packaging an array of consumer loans, not just mortgages, and selling them as securities to investors.

Experts said the Supreme Court action is likely to accelerate that trend, which could be broadened to include the securitization of commercial loans.

Opens Securitization Door

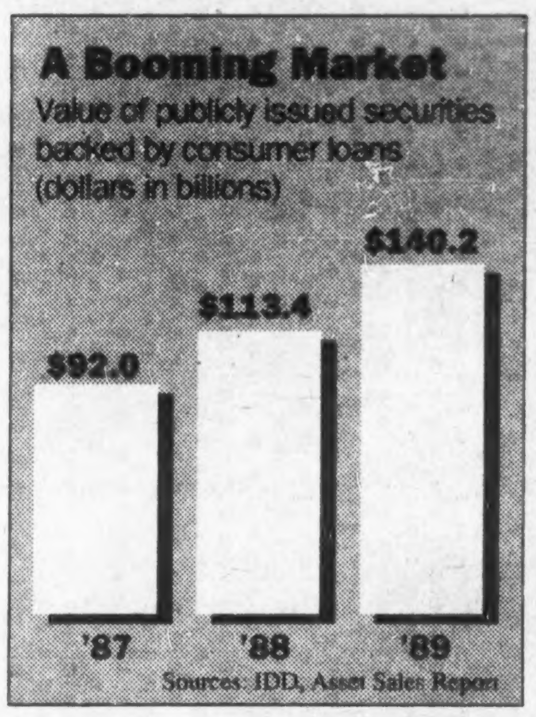
"The lid will come off and banks will begin looking toward other types of asset securitization," said Brian W. Smith, a partner with Stroock & Stroock & Lavan.

"Everyone has been kind of holding their breath to see what would happen. This is one more hole in the Glass-Steagall's wall."

The Supreme Court decision not to hear the appeal confirms that banks can not only sell but also underwrite securities backed by loans that they originated or bought. As a result, they can shed assets without paying fees to investment banks.

A Booming Market

Value of publicly issued securities backed by consumer loans (dollars in billions)



Sources: IDD, Asset Sales Report

The action is a blow to the Securities Industry Association, which sued the Office of the Comptroller of the Currency in 1987 when the regulator permitted Los Angeles-based Security Pacific Corp. to package mortgage loans and sell them as securities to the public.

A federal district court agreed with the association's argument that the bank's actions violated the Glass-Steagall Act. That decision was reversed on appeal in the Second Circuit Court of Appeals in New York.

The Supreme Court's action "has the potential for creating seriously increased risks for federally insured banks and is disappointing because we didn't have our day in court," said a spokesman for the SIA. "The decision shows that banking regulators are being given deference by the courts because of the complexity of the issue."

Bankers and regulators alike applauded the Supreme Court's

See **SUPREME** *page* **16**

ABA Likely To Endorse Plan Allowing Big Failures

By ROBERT TRIGAUX

WASHINGTON — Under a proposal the American Bankers Association is expected to approve next week, big banks would be allowed to fail with the understanding that losses for uninsured depositors and unsecured creditors would be limited to the average cost of bank failures over time.

The ABA's deposit insurance reform committee, which unveiled general recommendations Tuesday, suggests the current system of $100,000 insurance should not be altered to accommodate bank failures.

Instead, the committee said, anyone uninsured or unsecured should face a loss based on a weighted average cost to the government of handling a bank failure over an as yet undetermined number of years.

Losses Could Be Narrow

Historically, that average cost has been about 11 cents on the dollar. That means that under the ABA committee plan, for example, a customer of a failed bank with $1 million on deposit would be compensated fully for the first $100,000, and would receive a "final settlement payment" of 89 cents on every dollar of the remaining $900,000. The actual average cost could

See **ABA** *page* **9**

Outlook Brighter For Economy, Greenspan Says

By ROBERT M. GARSSON

WASHINGTON — Indicating that the Federal Reserve is feeling less pressure to ease interest rates, Chairman Alan Greenspan told Congress Tuesday that economic prospects appear to be brightening.

Although it is too early to say for certain that the economic weakness evident in the latter part of 1989 has been put behind the country, "the evidence of recent weeks is more encouraging," Mr. Greenspan said in an appearance before a House Banking subcommittee.

The central bank chairman told the monetary policy subcommittee that the war on inflation is still the Fed's primary goal. "Unfortunately, no progress was made in 1989," he said.

See **ECONOMIC** *page* **16**

Chemical Names Alan Buckwalter President of Texas Commerce Unit

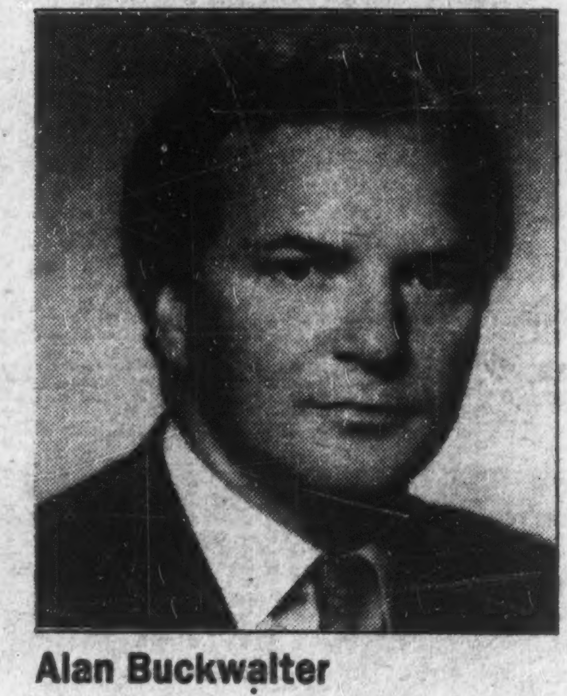
By STEVE KLINKERMAN

DALLAS — Bolstering its presence at its Texas unit, Chemical Banking Corp. on Tuesday named Alan Buckwalter president of Texas Commerce Bancshares' lead bank in Houston.

Mr. Buckwalter, 42, has held a variety of posts in his 20 years at Chemical, including stints as head of the bank's southern commercial banking division and its European corporate lending unit. He most recently served as managing director of Chemical's banking and corporate finance unit.

No Spot at Holding Company

Mr. Buckwalter will become president of Texas Commerce Bank Houston, filling a position that had been vacant for a year. He will not occupy a position at the Texas Commerce holding company.



Alan Buckwalter
Texas Commerce Bancshares

Though Mr. Buckwalter is the second high-level Chemical executive to be transferred to Texas in the past two months, a bank spokesman reiterated that Marc Shapiro is still in charge of Texas Commerce's day-to-day

See **CHEMICAL** *page* **9**

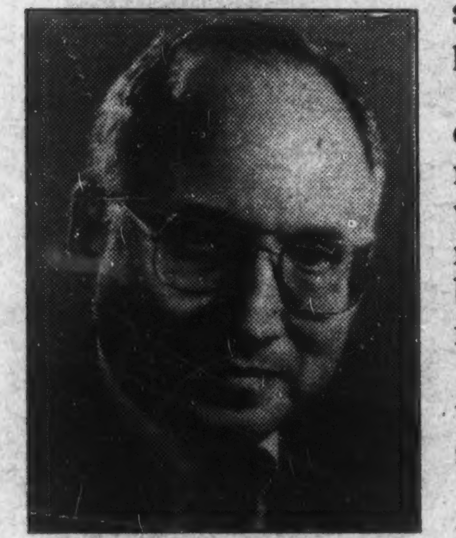
PEOPLE *in the news*

Fleischer Has No Argument With OTS Franklin Seizure

By PHIL ROOSEVELT

Although the federal government has seized Franklin Savings Association, his unorthodox thrift in Ottawa, Kan., Ernest M. Fleischer remains the picture of cool, detached reason.

"I believe the decisions that were reached were carefully thought through," said Franklin's former chairman and majority shareholder. Indeed, he hailed the thrift's entry into Office of Thrift Supervision conservatorship last Friday as "very proper."


Ernest M. Fleischer

Mr. Fleischer's comments came Tuesday even as some outsiders expressed dismay. The $11.4 billion-asset Franklin, which invested mainly in mortgage securities, emerged during the 1980s as a symbol of nontraditional thrift strategy and its potential for stellar profits.

"I still think they did a hell of a job," a top mortgage trader at a Wall Street firm said Tuesday.

Regulators seized Franklin after forcing it to book $119 million in losses from transactions involving financial futures. Franklin, which had used the futures as part of a hedging strategy, planned to take the losses over several years.

The loss threw Franklin out of compliance with capital regulations and, in turn, threatened to trigger a defeasance provision in an outstanding bond issue. That would have cost Franklin $185 million, but the government, as conservator, can void the provision.

Fleischer Plans Challenge of Government's Accounting Stance

Mr. Fleischer said he strongly disagrees with the government-imposed treatment of losses on futures contracts and plans to challenge it. "There are personal reputations on the line," he said, noting that Franklin's accounting approach had been approved by the thrift's inside accountants, outside auditors, and top executives.

But he said the government was wise to impose conservatorship since that can head off losses from the bond issue. "I think they acted very responsibly," he said.

Some press reports have indicated that Franklin may eventually be taken out of conservatorship and given back to its shareholders. That would be a first. Officials of the Resolution Trust Corp. and at the OTS in Topeka, Kan., could not be reached for comment.

Smooth Sailing Forecast for Franklin Under Conservatorship

Meanwhile, the unflappable Mr. Fleischer said he sees a smooth future for Franklin in conservatorship, though he has been ejected.

"I can't imagine how anything horribly adverse could happen," he said. The RTC has retained Lewis Ranieri, a legend in mortgage securities, as an adviser, he noted. Other Franklin executives and employees will retain their jobs under an RTC managing agent.

"I have contended for a long time that Franklin is not a one-man show," Mr. Fleischer said. "I've received a lot of credit for efforts that others carried out very well. This may end up satisfying the financial community that Franklin can run well without me." ☐

NEWS *briefs*

Mercury Savings Reduces Staff 10% After Asset Cut

HUNTINGTON BEACH, Calif. — Mercury Savings and Loan Association said it is cutting its staff 10% immediately to correspond with planned reductions in the thrift's function and assets.

In the past 12 months, assets have declined 20%, to about $2 billion. The personnel cutbacks primarily affect lending operations.

As part of the staff cuts, Ronald Hansen has resigned as chief financial officer. His post will be assumed temporarily by the chief operating officer.

Northern Trust Directors Declare 2-for-1 Stock Split

CHICAGO — Northern Trust Corp. said its board declared a two-for-one stock split. The amendment would double the number of authorized shares to 70 million.

The action requires shareholder approval of proposed amendments to its incorporation certificate.

Fannie Mae Finance Chief Resigns in Consolidation

NEW YORK — The Federal National Mortgage Association said Tuesday that Bruce C. McMillen had resigned as chief financial officer amid a consolidation of the agency's financial-management functions.

Fannie Mae said that Timothy Howard, formerly executive vice president of asset management, would take on Mr. Millen's responsibilities in addition to his own. He will be executive vice president as well as chief financial officer.

Mr. Howard will now be responsible for all financial activities, including asset and liability management, financial planning, investor relations, and efforts at raising housing capital in domestic and international market.

— Reuters

Harris Delays Takeover in Suburbs

Chicago Bank Says It Must Meet Added Regulations

By NANINE ALEXANDER

CHICAGO — Harris Bankcorp of Chicago said Tuesday that it had withdrawn an application to acquire Frankfort Bancshares Inc. in the Chicago suburbs "in order to meet additional regulatory requirements."

Harris agreed in August 1989 to acquire Frankfort for $15.5 million in cash. It plans to refile the application when the requirements have been met and expects to be able to complete the deal this year.

The brief announcement was apparently prompted by an article in *Crain's Chicago Business* on Monday. It quoted unnamed industry sources as saying that the Federal Reserve Bank of Chicago had found that Harris was not living up to requirements under the federal Community Reinvestment Act.

Speculation by *Crain's* that regulators might be using CRA to prod banks into offering more low-cost banking services to consumers was denied by Frank Dreyer, senior vice president of the Chicago Fed.

Last February, the Fed rejected a bid by Continental Bank Corp. to acquire a $14 billion-asset Arizona bank. Fed governor Wayne Angell persuaded the board to vote against Continental because it was taking so long to return the bank-holding company to private ownership.

At the time, however, Mr. Angell said Continental's record on community reinvestment may have been enough to reject the application. Last July, Leader Federal Savings and Loan Association of Memphis, was denied an application to open a branch by the Federal Home Loan Bank Board because its record on community lending did not pass muster.

Community reinvestment activists said they were surprised by the *Crain's* article.

Bruce Gottschall, executive director of the Neighborhood Housing Services of Chicago, a nonprofit organization that helps low- and moderate-income individuals buy and rehabilitate one-to-four-family homes, described Harris as one of the banks that had been making an effort that went to the spirit of CRA.

"If Harris can't get past the regulators, then I don't know who can," said Mr. Gottschall. ☐

End of Coal Strike Halts 2 Bank Boycotts

By CURTIS SIMMONS

NEW YORK — In declaring the end Tuesday of a bitter 10-month dispute with the Pittston Coal Group, the United Mine Workers of America also lifted boycotts against two banks through which it had hoped to gain negotiating leverage.

The banks – Manufacturers Hanover Trust Co., New York, and Crestar Bank, Richmond – faced protests ranging from picket lines to petitions challenging their lending records under the Community Reinvestment Act.

Pressure in Boston

Also as part of the contract dispute, the miners union took a tough stance against Shawmut Bank, Boston. The union pressured the Boston City Council and Mayor Raymond Flynn to remove $20 million in city deposits from the Shawmut Corp. subsidiary. William Craig, a bank vice chairman, was a Pittston Co. director and, the union said, failed to respond to requests to mediate the strike.

Mr. Craig resigned from the bank last October to begin a second career as an investment adviser. Retaining his seat on the Pittston board, he denied the union had forced his move, but the miners claimed victory.

Effort to Block Purchase

The UMW then went after Manufacturers Hanover, a participant in a $100 million Pittston credit facility. The union tried to stop the bank from buying $1.2 billion in deposits from Goldome, a failing upstate New York savings bank, because of alleged Community Reinvestment Act violations in Brooklyn, N.Y.

The CRA complaint delayed the deal's completion, but a Federal Reserve Board ruling vindicated Manufacturers Hanover.

For Crestar, another Pittston creditor, the strike was a public-relations nightmare. Union members picketed the bank, and the local press gave the protests extensive coverage. Cheryl Jenkins, a Crestar spokeswoman, said the bank had no large commitment to Pittston but refused to sever the relationship.

Nearly 2,000 UMW members in Kentucky, Virginia, and West Virginia voted 63%-to-37% Monday to accept a Pittston contract offer. ☐

Correction

A item in the Feb. 15 News Briefs feature ("BFS Bancorp Sues Suitor, Alleging Legal Violations," page 2) incorrectly named the city in which the company is based. The company is based in New York City.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Ace American Cash Express ... 8
H.F. Ahmanson ... 6
American Bankers Association ... 1,10
American Express ... 1,8
Ameritech ... 1
Avis ... 1

B
Bancal Tri-State Corp. ... 6
Bank of Boston ... 6,8,24
Bank of New England ... 24
Bank of New York ... 1,6
Bank of Tokyo ... 18,22
BankAmerica ... 6,10,22
Bankers Trust ... 4,18,22,24
Banque Paribas ... 22
Barclays Bank ... 6
Beneficial ... 6
Bessemer Trust ... 8
BFS Bancorp ... 2
Bristol Savings Bank ... 6
Brown Brothers Harriman ... 24
BSD Bancorp ... 6

C
Calif. Community Reinvestment ... 6
Canadian Bankers Assn. ... 18
Canadian Imperial ... 22
Centerbank ... 6
Chase Manhattan ... 8
Chemical Banking ... 1
Cheshire County Savings Bank ... 6
Citicorp ... 6,8,22
Citizens and Southern ... 10
Citizens First National of NJ ... 6
Comerica ... 24
Commerzbank ... 22
Contel Cellular ... 22
Continental Bank ... 2,3,22
CoreStates Financial ... 3
County Bank ... 6
Credit Life ... 6
Credit Suisse ... 22
Crestar ... 2

D - E
Donaldson, Lufkin & Jenrette ... 1
Dresdner Bank and Trust ... 22
Drexel Burnham Lambert Group ... 1
Empire of America ... 6
Essex Corp. ... 6
Exxon ... 1

F - G
Federal National Mortgage Assn. ... 2
First Chicago ... 22,24
First Fidelity Bancorp. ... 6
First USA ... 6
Frankfort Bancshares ... 2
Franklin Savings ... 2
Fred Meyer ... 3
Gateway Bank ... 6
Georgia-Pacific ... 22
Germantown Savings Bank ... 6
Goldman Sachs ... 22
Great Northern Nekoosa ... 22

H - L
Harris Bankcorp ... 2,8
Holzka, Donahue & Nerlino ... 6
HomeFed Bank ... 6
Hongkong and Shanghai Banking ... 4
Huntington Bancshares ... 10
IBM ... 10
Independent Bankers Assn. ... 1
KeyCorp ... 24
LIN Broadcasting ... 22

M
Manufacturers Hanover ... 2,8,18
MasterCard ... 1
McCaw Cellular Communications ... 22
Mercury Savings ... 2
Metro One ... 22
Metromedia ... 22
Midland Bank ... 22
Minnesota Mining & Mfg. (3M) ... 1
MNC Financial ... 24
Monetary Management ... 8

J.P. Morgan ... 22

N - R
National Westminster ... 6,22
NBD ... 24
NCNB ... 10
New York State Bankers Assn. ... 6
Nikko Securities ... 1
Northern Trust ... 2,8,24
Norwest ... 24
PaineWebber ... 24
Payment Systems ... 1,8
Phoenix-Hecht ... 3
Pittston Coal ... 2
PNC Financial ... 1
Rauscher Pierce Refsnes ... 1
Resolution Trust Corp. ... 1,4
Rio Salado Bank ... 4

S - Z
Salomon Brothers ... 18
Sanwa Bank ... 22
Seafirst ... 3
Sears Roebuck ... 1,3
Securities Industry Assn. ... 1
Security Pacific ... 1,6,10
Shawmut ... 2
Shearson Lehman Hutton ... 24
Shutts & Bowen ... 8
Signet Banking ... 6
State Street Boston Corp. ... 6
Stroock & Stroock & Lavan ... 1
Sumitomo Bank ... 22
Swiss Bank ... 22
Toronto-Dominion Bank ... 22
Union Bank of Switzerland ... 22
United Jersey ... 6
United Savings ... 1
U.S. Trust ... [illegible],8
Visa ... 1
Washington Mutual Savings ... 6
Wells Fargo ... 3,24
Western Independent Bankers ... 4
Western Union ... 8
Westinghouse ... 6

NOTE

ONLY THE FOLLOWING PAGES OF THIS

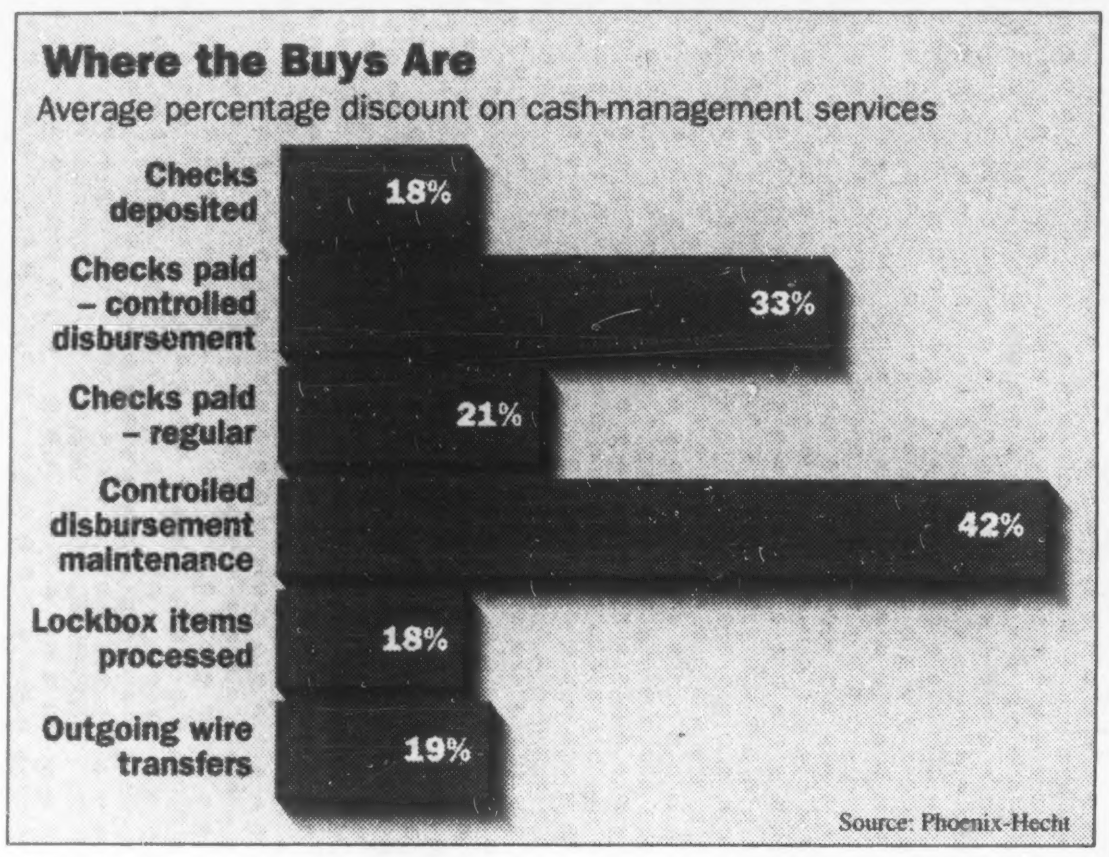
PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 3, 4, 16

Cash Management: Buyers' Market

Survey Finds Mounting Competition Among Banks

By RICHARD LAYNE



Where the Buys Are

Average percentage discount on cash-management services

Source: Phoenix-Hecht

NEW YORK — Banks charged only slightly more for cash management services in 1989 than the previous year, but corporate customers continue to seek contracts based primarily on services rather than on prices, said Phoenix-Hecht, a consulting company.

In its annual survey of 586 corporations that use cash management services, Phoenix-Hecht found that the overall cost of those services rose 5% in 1989. That increase was about in line with general inflation. Bankers predicted a similar, if not smaller, increase in 1990.

The study is published in the 1990 edition of Phoenix-Hecht's "Blue Book of Bank Prices." It found that bankers offer discounts on only 10% of their services, a smaller percentage than many of their peers assumed, the consulting firm said. The average discount price was 27% in 1989, virtually the same as the previous year's 28%. Just as in 1988, banks in the Southeast – where competition is especially fierce – offered the steepest discounts in 1989.

Competition Keeps Prices Down

As corporations reduce the number of cash management banks they use, competition among the 200 major service providers is increasing. Those factors are expected to keep the price down.

"I think you may see a tendency to follow inflation, but I don't see any big increase coming," said John N. Fix, senior vice president at Continental Bank, Chicago.

"Prices will only go up incrementally because of the competition," said David Kurrash, vice president of Wells Fargo & Co., San Francisco.

Mr. Kurrash said that the small rise in price does not endanger banks' profit margins. Additional automation in disbursement and funds transfer can reduce operating costs, which in turn can be passed to the customer.

Service Outranks Price

While corporations exert pressure on banks to cut prices, cost is not a primary consideration in choosing a cash management bank.

"The service issues always rank higher than price any time we do a survey," said George B. Rush, vice president of Phoenix-Hecht in Research Triangle Park, N.C.

Bankers said they are encouraging that nonprice focus. "There is a major effort among banks to focus more attention on quality and value of product delivery than on offering lowest prices possible," Mr. Kurrash said.

Even middle-market corporations, a frequent target of bankers' wholesale marketing efforts, demand sophisticated service, although perhaps not the same levels of sophistication needed by big corporations with much larger cash positions.

Intense competition among the 20 top service providers has already escalated price wars, said Mr. Rush. Among these cash management elite, bank are forced to compete on price because service levels rarely vary for account reconciliation and controlled disbursement. Corporate customers benefit from discounting of these services, which can be as low as 33% below list. "There's pressure for discounting," Mr. Fix said.

Phoenix-Hecht's study found that the most frequently discounted services are the per-item charges associated with lockbox, disbursements, checks deposited, and automated clearing house debits. Wire transfer services are the least often discounted. Banks are more concerned with security issues surrounding funds transfer than with price, Mr. Rush said. ☐

CoreStates Expands EDI

By RICHARD LAYNE

NEW YORK — As part of a plan to expand the use of financial electronic data interchange among corporations, CoreStates Financial Corp. will now allow cash management customers to pay for banking services via electronic funds transfer.

Through a banking subsidiary, Philadelphia National Bank, customers can settle invoices by sending a payment and the related invoice number directly to the bank through the automated clearing house network. Banks refer to such transactions as financial electronic data interchange.

Thomas Gregory, assistant vice president at CoreStates, said the bank already performs this service for five cash management customers. Now the service will be standardized on a transaction format approved by the clearing house network.

Mr. Gregory said that he expects as many as 75 companies to use this financial service, which also provides a chance for the bank to streamline its accounts receivable process. CoreStates is one of perhaps 50 banks that originate and receive financial EDI transactions of any volume. Those banks view financial EDI as a critical aspect of cash management services.

A Last Step

For more than a decade, corporations have used electronic data interchange to transmit invoices, purchase orders, and other trade documents. Financial EDI, which closes the trading loop, is typically the last step for a corporation that already uses EDI.

CoreStates customers that elect the financial EDI program will transmit payment under a widely accepted clearing house format, CCD, which virtually all large corporations use to originate electronic payments. ☐

Sears Unit in Processing Pact

By KAREN GULLO

NEW YORK — Sears Payment Systems Inc. has begun processing a private-label credit card for the jewelry and home electronics division of Fred Meyer Inc.

As part of its service, Sears is acquiring $5 million in receivables from the Portland, Ore., retailing company. The Sears unit will provide new-account processing, sales authorizations, statement processing, cardholder services, remittance processing, collections, and credit marketing for Fred Meyer.

Sears Payment Systems, a member of the Dean Witter Financial Services Group of Sears, Roebuck and Co., will also provide electronic authorization and draft capture services for Visa, MasterCard, American Express, and Discover card transactions.

Seattle-First National Bank had been providing a private-label credit card program for Fred Meyer's jewelry division since 1982. The company decided to switch providers because it wanted more flexibility in application approvals.

The bank, a subsidiary of Seafirst Corp., "was running the program like a Visa or MasterCard program, so there were stringent restrictions on approvals," said Michael Don, vice president in the treasury department. "We wanted to become more aggressive in our private-label program and needed more flexibility."

Mr. Don said the company chose Sears because its fee structure provides for shared liability on credit losses. ☐

Another
Shared Success®

" SFS' EFT software is a sound investment–for the short-term, yes, but especially for the long-term. "

–John Kaiser
Assistant Vice President
First National Bank of Ohio
Akron, Ohio

Shared Financial Systems
15301 Dallas Pkwy • Ste 600 • Dallas, TX 75248
214/233-8356 • Outside Texas: 800/527-4131
Ext. 115
© 1990 SFS, Inc.

Same Bank.
Different Software.

The right banking software yields improvements you can see. In profits as well as operations.

CA-INFOPOINT® is the software leading U.S. Financial Institutions rely on.

CA-INFOPOINT provides more task-specific financial software components than any other system. Including Deposits, Loans, Transaction, and Strategic Management products. They all work together to help you access information and make timely, profitable decisions.

Over 800 leading financial institutions use CA-INFOPOINT to help minimize operating costs, strengthen assets, increase market share, and streamline their organizations.

CA-INFOPOINT for MVS and VSE. The leading banking software from the world's leading independent software company. Call Chris Andrews at 800-841-3734 (in Calif., 800-468-0725).

© 1990 Computer Associates International, Inc., 711 Stewart Avenue, Garden City, NY 11530-4787

COMMENT/ *By Thomas "Lud" Ashley*

Bush Signals Broad Changes In Financial Industry Rules

Twice during a recent week the Bush White House sent strong signals of the shifts in financial regulation it will propose later this year. One dealt largely with deposit insurance reform, the other with the need to restructure the financial services industry.

In the budget submitted to Congress two weeks ago by Budget Director Richard G. Darman, the fiscal condition of the depository institution trust funds received top-level attention for the first time in the history of the annual budgetary process. It also provided the first official indication of the approach the Bush administration is likely to take in reshaping the federal deposit insurance system.

Noting that the face value of all deposit insurance programs is more than $3 trillion, and that future claims are virtually certain to be in the tens of billions of dollars, Mr. Darman said priority must be given to the proper scope of federal insurance, how the costs of these programs should be shared, and how best to manage and control the government's potential liability for losses.

One of the problems, in Mr. Darman's view, is that, contrary to basic principles of insurance, federal deposit insurance premiums do not vary with the known level of insured risk; all institutions pay the same fixed percentage of deposits. The result has been that healthy, prudently managed firms subsidize those that take more risk.

Compounding this problem, says Mr. Darman, large institutions receive greater protection against failure than small ones while paying premiums on a smaller proportion of their liabilities. The too-big-to-fail practice indirectly extends guarantees to deposits over $100,000 and to other creditors. Large banks allegedly pay lower effective premiums because insured deposits are a small share of their funds.

The effective extension of insurance coverage to deposits over $100,000 and uninsured creditors arguably decreases the incentive of insured parties to monitor risk-taking, allowing depository institutions to take more risk and increasing the insurance funds' exposure to loss.

Mr. Darman believes a good case can be made for redistributing the potential cost of failures so that the owners and unsecured creditors will be at greater risk. Federal insurance should be priced (through a combination of premiums and capital requirements) in a manner that reflects all sources of risk, prospective as well as current. In addition, the facts about an institution's financial condition should be made clear to depositors, creditors, and stockholders so that the market may impose penalties on poor performance.

Lowering Government Costs

Mr. Darman thinks it may be possible to achieve the goals of deposit insurance at reduced cost by lowering the government's level of exposure to losses. Thus it may be desirable to require some depositors to share some portion of the losses through deductibles or similar features that are standard with most private insurance.

Taking a page from FDIC Chairman William Seidman, Mr. Darman points out that the government's liability for losses also could be limited by narrowing either the range of investments funded by insured deposits or the types of depositors and creditors protected.

Other reforms endorsed by the budget director include risk-based capital standards, risk-based pricing of insurance, market-value accounting, and removing regulatory barriers to asset and geographic diversification, product and services integration, and innovation.

> **'The administration is convinced that a broad restructuring must include deposit insurance reforms.'**

The second message from the White House, contained in the "Economic Report of the President," emphasizes the need to consider deposit insurance reform in a broader context that provides a fundamental reassessment of financial policy, that is, "one that is grounded in the sound logic of encouraging efficient, focused competition among financial institutions."

Echoing Mr. Darman, the report points out that the current deposit insurance system has encouraged excessive risk-taking. It suggests that the recent deterioration of credit quality may actually be systemic and not reflect one-time shocks or problems in specific sectors or geographic regions.

Risk-based capital is endorsed by the White House as a "step in the right direction" in maintaining a level regulatory playing field across different countries, a policy goal it sees as becoming increasingly crucial as cross-border investment in financial services continues. It also shares the Darman views that risk-based insurance would further enhance the incentives to banks with respect to choice of investments and that improvements in the quality of information available to regulators – perhaps through market-value accounting techniques – could lead to better risk measurement.

But Mr. Bush's economic report makes clear that crucial to preserving the fundamental soundness of the financial system is the ability of the system itself to adapt efficiently to competitive challenges from other providers of financial services, both foreign and domestic.

A guiding principle for financial regulation, the White House believes, is that rules should be applied consistently across all types of institutions undertaking the same activities. At the same time, there can be different rules for different activities, with financial institutions permitted to opt for those rules that best fit their competitive strengths.

While they stop short of offering a definitive plan, Mr. Darman's budget documents and Mr. Bush's economic report make it clear that the administration attaches great importance to a broad restructuring of the financial services industry that puts in place policies that enhance rather than constrain the ability of financial institutions to adapt to the constant changes of a competitive marketplace.

It is also clear that the administration is convinced that this broad restructuring must include deposit insurance reforms that protect taxpayers by relying less on regulatory discipline and more on the self-discipline that risk-based capital and insurance premiums impose.

In short, the administration is looking to the most far-reaching overhaul of the financial system since the 1930s, and the suggestion is strong that it will accept nothing less. ☐

Mr. Ashley is president of the Association of Bank Holding Companies.

GRAPEVINE/ *By Jed Horowitz*

Bankers Rip RTC Thrifts. William Roelle, the Resolution Trust Corp.'s director of operations, got an earful when he met two weeks ago with a delegation from the Western Independent Bankers, which represents community banks in nine states. The bankers accused RTC-owned thrifts of offering above-market interest rates – the very "Texas premium" the thrift-bailout law was supposed to eliminate.

Sources said Elden Barmore, chief executive of the Rio Salado Bank in Tempe, Ariz., waved advertisements from RTC-owned thrifts that offered 12-month certificate of deposits yielding 8.78% and 8.88%. Mr. Barmore said his bank, which was paying 7.44% on its CDs, lost $3 million to $5 million to the government-run competition.

"I will not apologize for above-market rates," Mr. Roelle replied, according to two separate accounts. The RTC has no alternative way of raising funds for some of the sick thrifts it has acquired, he told the bankers. Mr. Roelle was not available for comment.

— Sam Zuckerman

* * *

RTC Rips Competitors. The Resolution Trust Corp. is also taking a harder line with publishers and other conference organizers who offer expensive seminars on coping with, or profiting from, the thrift crisis.

Starting in early April, the agency will launch its own 10-city series of conferences at a bargain price. Rather than the usual $500 to $1,000 fees charged by their rivals for two-day conferences – including the *American Banker* – the RTC's one-day meeting will cost $220 or $250, according to executive director David C. Cooke. "We want to be able to reach not only the people with deep pockets, but the little guy too," said spokesman Stephen Katsanos. The seminars will feature a general session in the morning and afternoon sessions on thrift acquisitions and asset sales.

There's one more dart for competitors. Seminar sponsors usually pepper their speakers' list with lots of RTC officials. Mr. Cooke says he and his deputies are likely to save their future speech-making for the agency's own conferences.

— Barbara A. Rehm

* * *

Group Opens Leasing Shop. Five officials of Bankers Trust Co.'s leveraged leasing unit, including two managing directors, recently left to form their own boutique.

A source outside the bank said Lee Rigney, Anthony Zauner, and three colleagues threatened to leave unless they were allowed to spin off the unit in a buyout.

A Bankers Trust spokesman confirmed the departure of the five employees, but would not elaborate. He also noted that the unit's core managers are still in place.

The unit, which leases big-ticket items such as aircraft, has 25 professionals and is headed by Charles Hill and two other managing directors, Sharon Peterson and C. Wesley Reynolds.

Neither they nor the employees who left were available to comment.

Undermanning Marine. Spokesmen at Marine Midland Banks refuse to put a number on the extent of layoffs triggered by the company's radical change in strategy. However, headhunters and some internal sources said they expect 2,000 to 3,000 people to be cut from the company's payroll of 13,800 within the next six months – most of them in Manhattan.

The Buffalo-based company, owned by HongKong and Shanghai Banking Corp., is pulling back on ambitions to be a superregional merchant banking/corporate finance power. "We are certainly looking at moving toward more of a Buffalo orientation," a spokesman in New York said.

A source from the merchant banking area said a team has been formed to spin off various units in whole or in part, including leveraged finance, sales and syndications, and communications and media lending. Those on the team have been offered handsome severance packages, the source said, with bigger payouts if they stay the course until the end.

David Neustadt and Lisabeth Weiner contributed to this column.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt, Lisabeth Weiner
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-827-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Supreme Court Reaffirms Banks' Securitization Power

Continued from *page* **1**

action.

"It is quite big decision. SIA is always a hard fight," said L. Robert Griffin, director of the litigation division at the Comptroller's office.

Robert Tortoriello, an attorney representing Security Pacific, said the decision backs up the Comptroller's liberal interpretation of what banks are allowed to do.

"It confirms the Office of the Comptroller's view of the way the 'business of banking' can be defined," he said. "It is an important affirmation."

Mr. Tortoriello said that prior to the original case, a number of banks were active in originating mortgage loans, packaging and selling them to the public. Shortly after the decision many banks pulled out of the business and waited for the court to settle the matter. Now, Mr. Tortoriello sees more banks coming back into the market.

The action is a blow to the Securities Industry Association.

The market for securities backed by mortgage and consumer loans is growing rapidly. It stood at $140.2 billion last year, up 24% from 1988. Those totals consist of securities issued by both commercial and investment banks. ☐

Banking Coverage Where It Counts
WASHINGTON MONDAY
Every Week in AMERICAN BANKER

Deluxe to Raise Prices On Printed Products

ST. PAUL — Deluxe Corp., the nation's largest check-printing company, said it will increase prices beginning April 16 to compensate for rising manufacturing costs.

The St. Paul-based company said it will raise prices on virtually all checks, business forms, and other printed items. It said the increases will average 4.75%. ☐

Economic Outlook Brighter, Greenspan Says

Continued from *page* **1**

On other subjects, Mr. Greenspan also told the committee that:

- The commercial banking industry's year-long experience in underwriting corporate debt has produced "nothing negative," a signal that final approval to underwrite corporate stocks is likely to follow soon.
- The pace of activity at the Resolution Trust Corp. should pick up significantly in the coming months. However, he conceded that if it does not, Congress may have to take a second look at the bailout law passed last year.
- The Federal Reserve never considered bailing out Drexel Burnham Lambert Group Inc. The government has bailed out specific institutions too frequently in the past, he said.

Impact on Treasury Market

Mr. Greenspan's bullish remarks on the economy drove down U.S. Treasury securities. The 8½% 30-year bond went into a tailspin and was down two points by midday, at 98-17/32, to yield 8.64% versus 8.47% on Friday.

Given the Fed's apparent concern about inflation prospects, "It's very clear that they will be willing to tolerate some weak [growth] numbers," said Robert A. Brusca, chief economist for Nikko Securities Co. International.

A number of Fed governors have complained that 4.5% inflation is too high, yet the "central tendency" of expectations within the Federal Reserve System is for price level increases of 4% to 4.5%, Mr. Brusca noted.

"So if you were going to make a bet, the probability is that the likelihood of tightening is much greater than the likelihood of easing," he said, adding that it is possible the Fed will push rates up "very soon."

'The likelihood of tightening is much greater than the likelihood of easing.'

Robert A. Brusca
Nikko Securities Co.

Stable Fed Funds Rate Seen

The central bank is likely to continue holding the federal funds rate at 8¼%, said Stuart G. Hoffman, vice president and senior economist for PNC Financial Corp., Pittsburgh.

"There's no question he is expressing the view that the risk of inflation is greater than the risk of recession," Mr. Hoffman said.

Kathleen Stephansen, vice president and senior economist for Donaldson, Lufkin & Jenrette, said Mr. Greenspan was putting a much more optimistic interpretation on economic indicators than other economists.

"We view them as indicating a slowdown not associated with a recession," she said. "The Fed seems to look upon them as indicating a rebound."

However, Ms. Stephansen said she believes the Fed is taking a "wait-and-see" attitude toward the economy, and is not likely to move without more evidence of the direction of the economy.

"It's typical of the Greenspan Fed," she said. "They react to events," and attempt to engage in fine-tuning of the economy."

Risk Factors Cited

Mr. Greenspan told the House subcommittee that while the Fed is projecting moderate economic growth of 1.75% to 2%, but said there are a number of risks to that forecast.

Chief among them is the increase in leverage, he said, arguing that the structure of the economy's financial balance sheet weighs increasingly heavy on the dynamics of economic expansion," he said.

"In recent years, business debt burdens have been enlarged through corporate restructuring, and as a consequence interest costs as a percent of cash flow has risen markedly," he said.

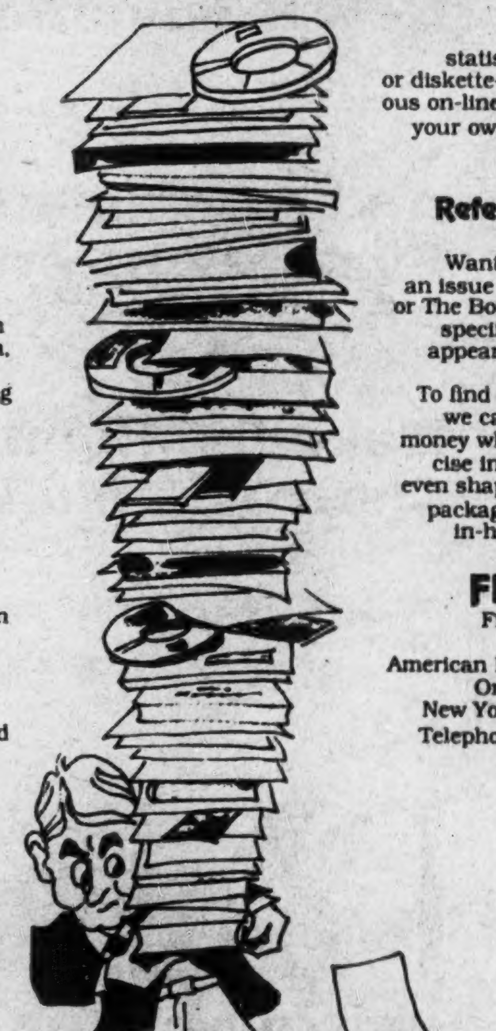
Banks and other lenders have begun tightening their credit standards, he said, especially for merger and leveraged buyout loans, "as well as for some other business customers."

Debt-servicing burdens have increased for consumers too, and "suppliers of consumer and mortgage credit appear to have tightened lending terms a little," he said.

Mr. Greenspan said it is unlikely that such strains would in themselves precipitate an economic downturn. Debt growth for nonfinancial firms should continue to slow, he said, a trend that should lessen the threat to the economy. ☐

A Standard & Poor's Seminar—
ASSET-BACKED SECURITIZATION
✓Evolution of the Market
✓Credit Card Developments
✓Investor Needs
✓Initiatives in the International Arena
✓Commercial Securitization
✓Default Analysis
✓Legal Developments/Enhancement Alternatives
✓Event Risk
✓Case Studies
Guest Speakers
• Peter Aberg, Goldman, Sachs & Co.
• Malcolm Dorris, Dechert, Price & Rhoads
• Patricia Jehle, Chemical Bank
April 2-3, 1990 • Indian Wells, California
REGISTRATION FEE: $500 each participant.
Multiple participant discounts available.
For further information or to register, please call
Donna DiGrandi (212) 208-1703 or FAX (212) 208-0076.
STANDARD & POOR'S
25 Broadway, New York, N.Y. 10004
McGraw Hill

Public Relations Counsel, Business Development Managers, Marketing Experts, Loan Officers, Strategic Planners
Let us find the precise needles of information you need in the midst of today's haystacks of data
There's either too much or too little information.
The dilemma of today's busy executive is either too much or too little information. Between publications, on-line databases and other information sources it's all too easy to lose time and money searching for the needles of information you need for sound decision-making.
Whatever your information needs: background for a speech, identifying trends in the financial services industry, predicting technological change, specialized demographic profiles, competitor analysis, product profiles, regional or industry profiles or analysis, market share information, foreign banking regulations, or unique statistics, our trained staff can cut through the information haystack to find the information needles you need—when you need it.
We'll deliver the information you need in the form you need written reports, specialized statistics, computer tape or diskette—even as a continuous on-line data feed (in effect, your own private newswire).



Call-In Reference Service
Want to know the date of an issue of American Banker or The Bond Buyer in which a specific article or statistic appeared? Just call for the answer.
To find out more about how we can save you time and money while locating the precise information you need, even shaping it into a unique package that answers your in-house needs, contact:
FINANCE
Financial Information Analysis Center
American Banker/Bond Buyer
One State Street Plaza
New York, New York 10004
Telephone: (212) 943-9458

Call us TODAY...
Network Your Office TOMORROW!
with... Local Area Wireless Network
WIRELESS ELECTRONIC MAIL, PERIPHERAL SHARING & FILE TRANSFER
FAST • RELIABLE • SECURE
• Easy to install • Easy to use • Cost efficient • Inexpensive
• No LAN host or Administrator required
• No cumbersome cables between computers and peripherals
• Transmit data through walls and obstacles
• Minimize equipment purchases.
• Bring new workstations on-line instantly.
• Rearrange or even move offices with no hassles
• Say good-bye to installers, technicians & network administrators
INNOVATIVE Technologies Inc.
Technology Beyond Comparison
GET LAWN WORKING FOR YOU TODAY! 1-800-777-8717

LAWN
Local Area Wireless Network

800

C0175-1

FOREIGN BANKS IN U.S. • Tables begin on page 17A

AMERICAN BANKER

VOL. CLV NO. 39 Tuesday, February 27, 1990 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Speed or Haste? Pace at the OTS Causes Concern

By ROBERT M. GARSSON

WASHINGTON — After a rash of thrift closings last week, close observers of the savings and loan industry have begun to ask if the Office of Thrift Supervision is cracking down too hard and too quickly on institutions that might have turned around.

"The OTS can solve its problems most easily by turning shops over to the the Resolution Trust Corp.," said Richard T. Pratt, chairman of Merrill Lynch Mortgage Capital Inc., a subsidiary of Merrill Lynch & Co. "A lot of people are wondering if they are being too tough now," after having been accused frequently of being too lenient in the past, he added.

ANALYSIS: *Follow-up on the news*

Efforts to obtain comment from the OTS Monday were unsuccessful.

The pace of failures has already begun to strain the RTC's resources, particularly its ability to find qualified managers to oversee conservatorships.

The closing on Friday of Imperial Savings Association of San Diego and Mercury Savings and Loan Association of Huntington Beach, Calif., shows the scope of the problem facing regulators.

One the one hand, Imperial had diversified broadly into new activities allowed during the permissive regulatory environment of the 1980s. But Mercury was a more traditional thrift operating in a favorable economic environment.

Emphasis Is Right

Mercury was invested in the kinds of housing-related assets that the 1989 bailout law requires all thrifts to emphasize, said Patrick Forte, president of the Association of Thrift Holding Companies.

If the OTS seizes thrifts too quickly, it could increase the cost of the bailout needlessly. The market automatically discounts assets of seized thrifts. As a result, seizing a thrift that would have survived on its own raises the government's cost.

The Bush administration is monitoring the OTS activity closely, and the Resolution Trust Corp. has tried to head off potential "dumping" problems by gently cautioning the OTS that it must be prepared to back up its decisions.

Acceptance Required

The RTC is required to accept institutions that have been declared insolvent and placed in receivership. However, it need

See **SPEED** page 19

INSIDE NEWS

SPECIAL REPORT

EASTERN EUROPE: U.S. banks are monitoring developments before committing significant resources. The *American Banker* looks at whether they are missing opportunities for profit or judiciously avoiding the problems of emerging economies. *Page 1A*

STATISTICAL TABLES: Annual survey of foreign bank activity in the U.S. *Page 17A*

TECHNOLOGY

RICH INC. SAYS its new telephone system will allow banks with trading floors to reduce telecommunications costs and improve efficiency. *Page 3*

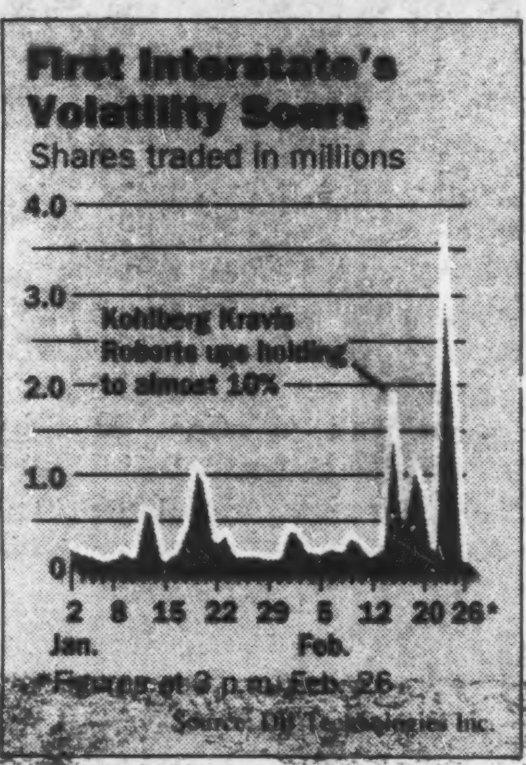
INTERNATIONAL

THE IRS is expected to challenge U.S. banks' use of foreign tax credits to offset domestic income tax liabilities. *Page 14*

FINANCE

First Interstate's Volatility Soars

Shares traded in millions



*Figures at 3 p.m. Feb. 26

Source: DJ Technologies Inc.

INTEREST WANED in First Interstate stock following last week's tremendous trading volume. *Page 24*

REAL ESTATE

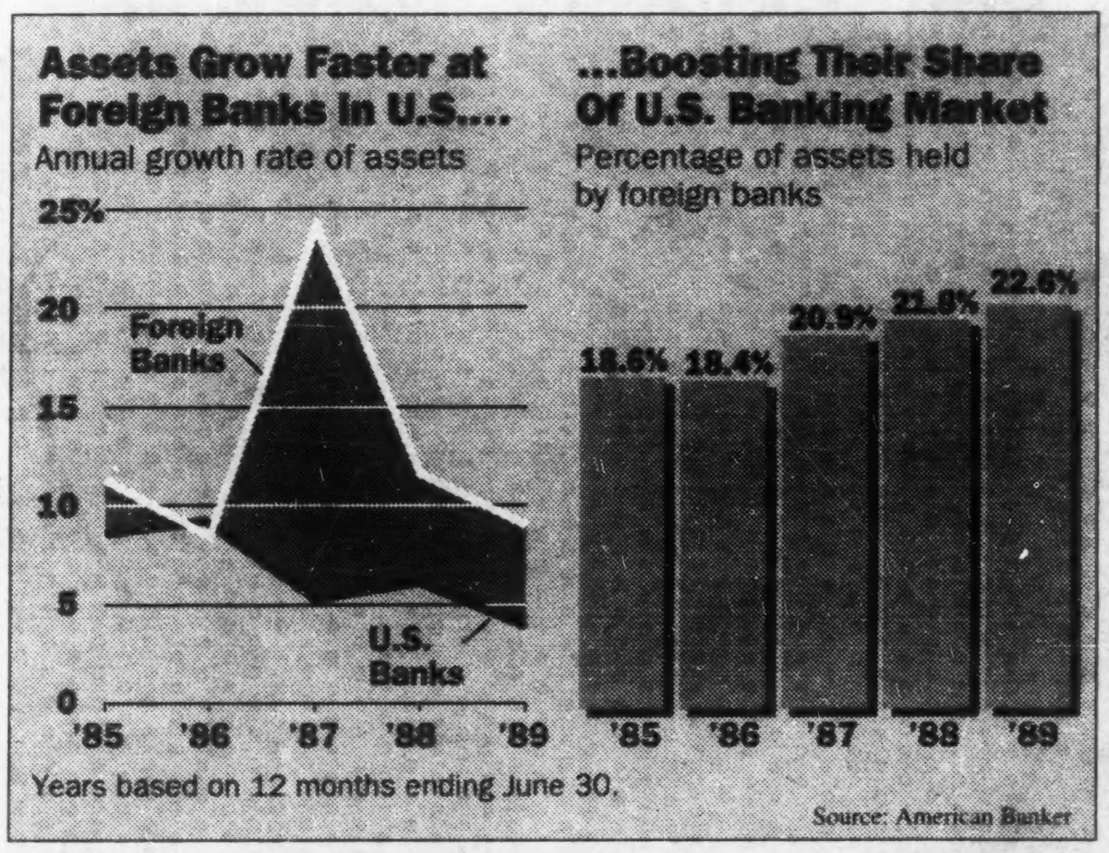
DIVERSIFICATION is one way banks can allay regulators' and analysts' fears about their loans. *Page 10*

COMMENT

A BOOZ-ALLEN study argues that $10 billion-asset banks do not operate with maximum efficiency, writes Sanford Rose. *Page 4*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Index of Week's Top Stories 16
Classified Advertising 20
Bank and Thrift Stocks 23



Years based on 12 months ending June 30.

Source: American Banker

Foreign Banks Still Seizing Greater U.S. Market Share

By JAMES R. KRAUS

NEW YORK — Though U.S. banks have decided that bigger is not necessarily better, foreign banks are continuing to increase their asset holdings here at a rapid pace, an *American Banker* survey found.

Foreign banks' U.S. assets surged 9% in the year ended last June 30, more than twice the growth at U.S. banks, according to the annual survey of foreign bank activity in this country.

As a result, foreign banks increased their market share of U.S. banking assets by almost a full percentage point, to 22.6%.

Foreign banks hold an even bigger share of a key component of U.S. banking assets – commercial and industrial loans. An 8.9% growth rate increased those holdings to 28.5% of the U.S. market, up from 27.5% a year earlier. (Tables with the survey results begin on page 17A).

And for the first time, the survey found, the U.S. holdings of a foreign bank – Bank of Tokyo – would rank it among the nation's top 15 bank holding companies.

Moves by foreign banks to boost their assets stand in sharp contrast to the strategy of U.S. banks. Whereas assets once determined the clout and prestige of U.S. banks, today's deregulated and capital-hungry environment puts more emphasis on capital strength, profitability, and productivity.

But the foreign banks – particularly the Japanese – have a different agenda, U.S. banking experts said. Better capitalized foreign banks with profitable home bases have found it easier than U.S. banks to keep adding low-margin assets. Foreign banks also see bigger assets here as the first step toward develop-

See **FOREIGN** page 18

Banks Lose Fight With Credit Unions In Colorado

By ELLEN MEMMELAAR

Bankers in Colorado lost a legislative showdown with credit unions last week in the first of an anticipated series of attempts by bankers across the country to put operating restrictions on credit unions.

The Colorado proposal, known as Bill 1245, would have prohibited credit unions in the state from receiving subsidies from the state and local governments. A committee approved the measure in a vote earlier this month, but the bill was defeated Friday by the House of Representatives in a voice vote.

The Colorado Bankers Association, which helped draft the legislation, regarded it as a first salvo in a campaign to remove what it views as credit unions' competitive advantages.

Nationwide Drive

A banking industry victory in Colorado would have encouraged bank lobbyists in other states as well as the American Bankers Association in their anti-credit-union campaigns. The ABA is spearheading a nationwide drive to eliminate credit unions' tax-exempt status.

Showing the kind of strength that credit unions hope to gather against the ABA effort, hundreds of Colorado credit union members mailed letters to legis-

See **CREDIT** page 19

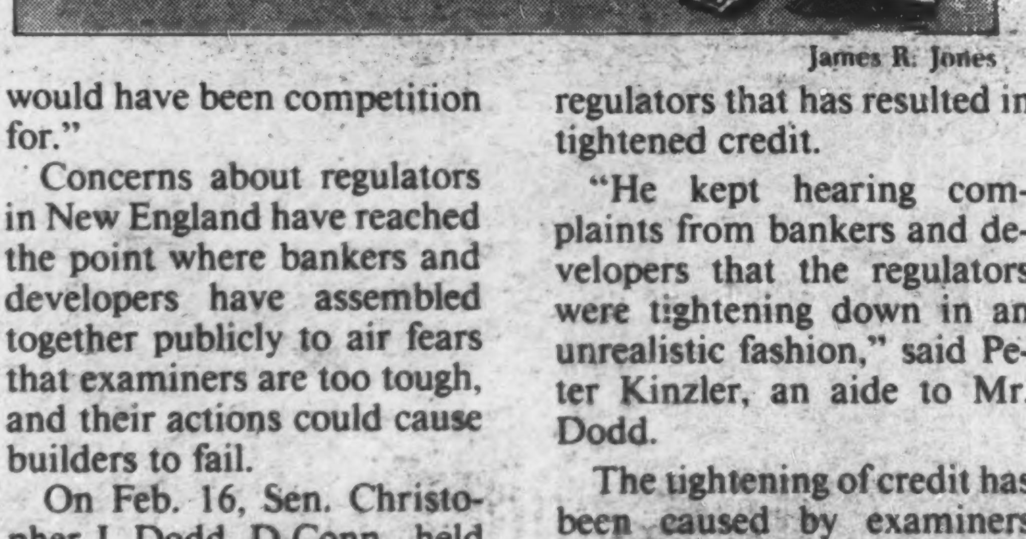
Credit Dries Up as Examiners Go North

By BILL ATKINSON

WASHINGTON — The swarm of federal bank examiners cracking down on lending practices at many of New England's largest banks is rapidly creating a credit crunch in the real estate business that may soon extend to other sectors, say regional bankers, consultants, and developers.

Some banks, yet to be examined, are even second-guessing regulators by tightening credit on real estate projects.

"We have a real liquidity crisis in New England, the likes of which I haven't seen in 20 years," said George J. Fantini, a former banker and now senior vice president of the Boston Financial Group, a consulting firm. "There are projects being rejected today by the banking community that two years ago there would have been competition for."


James R. Jones

Concerns about regulators in New England have reached the point where bankers and developers have assembled together publicly to air fears that examiners are too tough, and their actions could cause builders to fail.

On Feb. 16, Sen. Christopher J. Dodd, D-Conn., held a meeting in Wethersfield, where more than 30 developers and bankers discussed concerns about pressure from regulators that has resulted in tightened credit.

"He kept hearing complaints from bankers and developers that the regulators were tightening down in an unrealistic fashion," said Peter Kinzler, an aide to Mr. Dodd.

The tightening of credit has been caused by examiners taking a harder look at real estate portfolios. In some cases, examiners have listed per-

See **SWARMS** page 9

PEOPLE *in the news*

Lawrence Fish May Head His Former Rival in Boston

Insiders at Bank of New England Corp. said that Lawrence K. Fish, who spent most of his career at the rival Bank of Boston, will be named chairman and chief executive of the troubled company later this week.

Mr. Fish, who could not be reached for comment, has been rumored to be in contention for the job ever since Walter Connolly Jr. was ousted from the chairman's post last month.

If the reports are true, Mr. Fish, 45, would be jumping out of a junk-bond frying pan on the West Coast – where he most recently was president of Columbia Savings & Loan Association – into a fire of massive proportions in trying to revive the ailing East Coast bank.

The other chief candidate for the chairman's job was H. Ridgely Bullock, an outside director of the bank company who is serving as acting chairman and coordinating its ambitious asset-sale program.

Mr. Fish rose quickly during his 16-year tour at the Bank of Boston, which he joined in 1970 as a bank officer in Brazil after serving two years as an aid officer for the U.S. Agency for International Development. In the mid-1970s, he was sent to Japan, first managing the bank's Tokyo operations and eventually heading the entire Pacific Asia division and its trust operations in Hong Kong.

Mr. Fish, who was born and raised in the Midwest, returned to the United States in the limelight when Bank of Boston appointed him to head its retail and middle-market operations in New England in 1984. In 1988, he was appointed to the bank company's board, the only line manager apart from the bank's president to serve as a director, according to a former colleague.

He left unexpectedly in March 1988 to become president and chief operating officer of Columbia, a Beverly Hills thrift that was a major investor in bonds underwritten by Drexel Burnham Lambert. The company was in the throes of a massive restructuring following a two-year investigation by the Securities and Exchange Commission. Mr. Fish resigned from Columbia 17 months later, saying he had completed his job of refocusing the thrift on more traditional activities.

"I think Larry's comfortable with risk and has the self-confidence to be a risk taker," said Wendy Peter Abt, a former head of strategic planning and asset sales syndication at Bank of Boston. "He's terribly bright, and he understands a whole bank and how it operates."

Ms. Abt said Mr. Fish made some tough decisions as head of retail, such as persuading management to cut back its vast automated teller machine network and expand into new areas such as auto leasing. "He's not a one-product manager," she said. "And he understands interest-rate risk and treasury quite well."

Mr. Fish and his Japanese-born wife, Atsuko, have three children. He received a bachelor's from Drake University in 1966 and an MBA from Harvard in 1968. ☐

Economists Foresee No Recession In Next Three Years, Survey Says

By ROBERT TRIGAUX

WASHINGTON — A majority of U.S. business economists in a recent survey say the economy will avoid a recession over the next three years, but at the same time they see little progress by the Federal Reserve on reducing inflation, according to the National Association of Business Economists.

Largely unperturbed by rising foreign interest rates or prospects of slowing growth here, economists surveyed said the 1990 U.S. economy should grow, albeit sluggishly, with real gross national product increasing 1.7%. In 1991, the survey noted, economists said growth would pick up to 2.5%. Results of the association's survey of 65 business economists were discussed at a press conference here on Monday.

As far as the fight against inflation, the survey results show few economists expect the Fed to be effective in cutting the rate of inflation this year or next to below the current 4% level. "This pattern would surely be disappointing to the Fed," the association concluded. In general, however, 72% of the business economists surveyed praised the Fed's actions of balancing inflation and economic growth.

The survey shows forecasters see little movement in interest rates through 1991, and they cite the recent rise as temporary. Rates of 30-year Treasury bonds range in the narrow band of 8.2% in the first quarter of 1990 to 8.0% at the end of 1991.

Internationally, there are questions about whether the world supply of capital is sufficient to rebuild Eastern Europe's capital without marked increases in interest rates, said association president James F. Smith, finance professor at the University of North Carolina in Chapel Hill.

He said most economists think the capital base does exist, but that in the interim the international markets will be testing that premise. "We will probably see more foreign investment in Eastern Europe and less in the U.S.," Mr. Smith said, but he argued there would be little effect on U.S. interest rates. Further, he said the fall in market value in Japan, as well as the capital demands here of the Resolution Trust Corp. to liquidate insolvent thrifts, will have a negligible impact on interest rates ☐

Harris Bank Confirms Layoff Plans

By NANINE ALEXANDER

CHICAGO — Harris Bankcorp., saying it wants to lift its return on equity to 15%, on Monday confirmed a report in a Chicago newspaper that it is planning substantial layoffs to take effect July 1.

Mary Ullrich, a spokeswoman for the company, said that over the next six weeks Harris will decide on a target number. She stressed that the company is not seeking to eliminate a specific number of jobs. The bank has about 5,000 employees.

Hopes to Double U.S. Earnings

The institution has $12 billion in assets and is a Bank of Montreal subsidiary. In recent weeks, Bank of Montreal has said it expects greater results from its U.S. holdings and hopes to double earnings from them.

For 1989, Harris reported that a $50 million provision for lesser-developed-country debt reduced net income 42%, to $52.3 million, or $7.84 a share. The bank's return on equity and assets are considered poor for its size. Ms. Ullrich said 1989 ROE was about 12.5%. ROA was 0.63% as of June 30.

A Chicago Decision

Ms. Ullrich denied any suggestion that the cost-cutting was ordered from Montreal, and she reaffirmed statements by B. Kenneth West, chairman and chief executive of Harris, that the decision to cut the payroll was made in Chicago.

In the report in Saturday's *Chicago Tribune,* Mr. West was quoted as saying that in terms of industry expense levels, Harris' costs are high. Payroll expenses of $238.7 million accounted for about 54% of noninterest expenses of $438.2 million. ☐

Wall Asked to Delay Exit As Replacement Hits Snag

By BARBARA A. REHM

WASHINGTON — The Treasury Department has asked M. Danny Wall, the resigning Office of Thrift Supervision director, to delay his departure while legal questions about appointing an acting director are cleared up, according to agency and industry sources.

Mr. Wall, who announced almost three months ago that he was resigning, wants out now – before he has to take another beating in hearings on Capitol Hill. The next OTS-related hearings are set to start March 14.

Last week, word got out that Treasury was ready to replace Mr. Wall with an acting director. The choice: Jonathan L. Fiechter, senior deputy director for supervision policy at the thrift office.

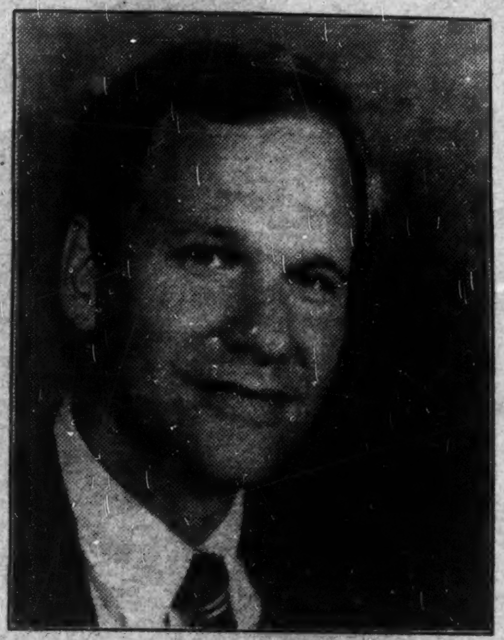
But a Feb. 23 letter to President Bush from U.S. League of Savings Institutions president Frederick L. Webber questions whether the law that dictates OTS's operation, the Home Owners Loan Act, allows for an acting director.

If the law does not vest the proper authority to an acting director, as the U.S. League's lawyers believe, Mr. Webber said he fears that all rulemakings, enforcement actions, and conservatorship appointments approved by an acting director could be challenged in court.

Treasury spokeswoman Desiree Tucker-Sorini denied that Mr. Wall has been asked to stay on as OTS director while this legal question is resolved. "We don't agree with the league letter," she said.

Lawsuit Questions Placement

One lawsuit, claiming that Mr. Wall was never legally placed in his post, is pending here. In that suit, American Heritage Bancorp, Norwood, Mass., claims it was unconstitutional for Mr. Wall to go from directing the former Federal Home Loan Bank Board to running the OTS without formal nomination and confirmation.



Jonathan L. Fiechter

Both the lawsuit and Mr. Webber's letter are forcing Treasury to stall the already painfully slow process to get a replacement for Mr. Wall.

And Mr. Wall's post is just one of many vacancies in the

See **TREASURY** *page* **22**

Correction

The Feb. 20 RTC Observer column ("Agency Hopes Ethics Loopholes Let It Hire Experts It Needs," page 8) understated the extent to which real estate brokers seeking work from the Resolution Trust Corp. must comply with the agency's ethics rules.

Real estate brokers who sell RTC properties in competition with other brokers are not required to comply with the ethics guidelines. However, brokers seeking exclusive listing agreements with the RTC must comply with the agency's ethics rules. Experts say the majority of brokers work only on an exclusive basis, which means that a substantial portion of brokers seeking work from the RTC must conform with the ethics rules.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
Algemene Bank Nederland....1
American Bankers Assn....1,3
Anchor Savings....6
Bancorp Hawaii....6
Bank of Montreal....2
Bank of New England....1
Bank of New York....24
Bank of Tokyo....1
Bankers Trust New York....10,24
Barclays Bank....1,14
Barnett Bank of South Florida....6
Benjamin Franklin Federal....1
Boston Financial Group....1
Boston Trade Bank....6
British Telecom....3

C
Callahan & Associates....8
Canadian Imperial Bank....3
Cash Station....4
Chase Manhattan....6
Citicorp....4,22,24
Colorado Bankers Assn....1
Commercial Bank....4
Community Savings....1
Contel....3,22
Continental Bank....6,14
Cragin Federal Bank....6
Credit Union National Assn....1

D - F
Dai-Ichi Kangyo....1
Daiwa Bank....1
Eastern Financial Federal CU....8
Equifax....6
Federal National Mortgage Assn....14
Financial Inst. Marketing Assn....6
Financial Services Corp....6
First Atlantic Savings....1
First Bank of Georgia....4
First Chicago....1,3,24
First City National Bank....10
First Constitution Bank....1
First Federal Savings....1
First Interstate Bancorp....24
First Interstate Bank of Texas....6
First National Bank....6
First Standard Savings....1
Fleet/Norstar Financial Group....1
Fremont Financial....6
Frontier Federal Savings....1

G - I
GulfNet....8
Harris Bankcorp....2
Hitachi....3
Home National....6
Howland Development....8
IBM....8
Imperial Savings....1
Interport Financial....3

J - L
Kansallis-Osake-Pankki....22
Karl Bright Insurance....6
Keefe, Bruyette & Woods....24
Kohlberg Kravis Roberts....24
KPMG Peat Marwick....1
LIN Broadcasting....22
Lloyds Bank....1
Long-Term Credit Bank....1

M - P
Manufacturers Hanover....1
MasterCard International....6
Mayer, Brown & Platt....14
McCaw Cellular Communications....22
McKinsey....1
Mercury Savings....1
Merrill Lynch....1
Metromedia....22
Metropolitan Federal Savings....6
Moody's Investors Service....10
J.P. Morgan....3,22,24
Munich Reinsurance....6
Nat'l Assn. of Business Economists....2
National Westminster....1,6
New London Trust....6
Newlin Savings....1
PaineWebber....24
PNC Financial....1,22
Powell Goldstein....4
Price Waterhouse....2
Provident Federal....1

R
Resolution Trust Corp....1,2,10
Reuters Holdings PLC....3
Rich....3
River Bank America....6

S
Sanford C. Bernstein....10
Security Pacific....24
Shawmut National....1
Southern Calif. Savings....6
Southern National....6
Standard Chartered....1
State Street Bank....24
Stockholm Options Market....3

T - Z
T&M Building....1
Texas Instruments....8
Texasbank Savings....1
Texins Credit Union....8
Third National Bank....6
Toronto Dominion Bank....22
Trust Co. Bank of Atlanta....10
United Savings....4
U.S. League....2
V-Band....3
Valley Federal....6
Vanguard Federal Savings....1
Wells Fargo....4

Look for *Grapevine* every Wednesday on page 4 in the *American Banker.*

SPECIAL REPORT

AMERICAN BANKER

EASTERN EUROPE

FOREIGN BANKS IN U.S.
American Banker survey measures foreign bank actitivy in U.S, **Page 17A**

Race for East Europe: Do U.S. Bankers Really Want to Win?

By BRIAN P. SULLIVAN
Special to the American Banker

U.S. banks are falling behind in the race to help rebuild the financial structure of Eastern Europe – a race West European banks are plunging into. West German banks, in particular, are staking out their turf early, seeking rich profits from the emergence of market economies in the former Soviet bloc.

But the Americans – burned badly in their headlong rush to London following deregulation there, reeling from losses on loans to lesser-developed countries, and distracted by big losses in risky leveraged buyout and real estate loans – offer few apologies for their better-safe-than-sorry strategy.

To be sure, U.S. banks are looking around, and several are already operating in Eastern Europe. Citibank has the largest presence, with a joint venture in Hungary. Manufacturers Hanover has had a branch in Romania since 1974. Both banks have been actively placing bond issues for Eastern European countries with international investors.

Chase Manhattan Bank is active in trade finance from its office in Moscow. Though it has no office in Eastern Europe, First Chicago works closely with a Soviet bank to supply financial advisory services to multinational corporations investing in the U.S.S.R.

The possibilities are remote that banks much smaller than these will be heading to Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Yugoslavia any time soon. "If they're not in Paris now, they're not going to Budapest tomorrow," said one international banking consultant.

Huge Growth Market

But the richness of the opportunities in Eastern Europe could turn even the most xenophobic heads in American banking.

Consider:

Average gross national product per capita in Eastern Europe in 1988 was $5,946, less than half the $12,515 GNP per capita of the European Community, according to PlanEcon, a leading consulting firm specializing in Eastern Europe. Yet all these countries share essentially the same geography, history, culture, and climate. Even if it takes 20 years for the East to catch up with the West, the potential surge in Eastern European economies could create one of the biggest growth markets in global banking.

The West to the Rescue

The infrastructure needs of Eastern Europe are vast, and only the West has the technical abilities to upgrade them.

The opportunity for banks: financing.

And U.S. bankers will find a rich market for their unique technical skills at structuring complex financings.

There will be more help from the U.S. government. In the budget submitted to Congress last month, President Bush asked that the $938 million appropriated last year for aid to Poland and Hungary also be used for Czechoslovakia, Romania, and East Germany.

The Commerce Department announced this month that it would send an officer to East Berlin to promote U.S. investment. Poland and Hungary already have such officers, and one is likely soon in Czechoslovakia.

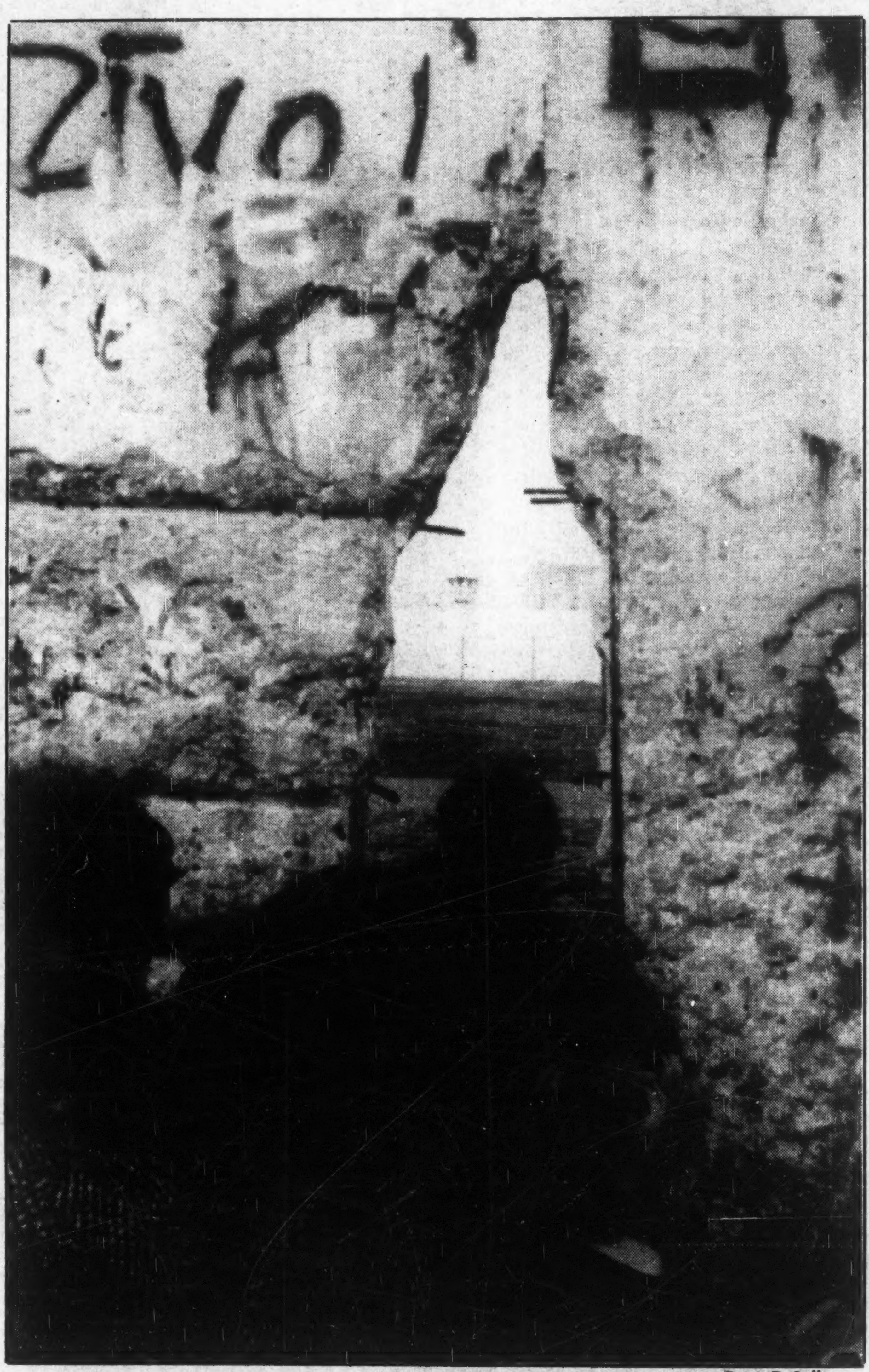
Most-favored-nation status, won by Poland and Hungary in recent years, is expected this year for Czechoslovakia and East Germany. The status grants favorable tariff treatment to trade with the U.S. That means more demand for trade financing.

The Overseas Private Insurance Corp. began offering political risk insurance coverage in Hungary last month, with plans to expand into other parts of Eastern Europe. The insurance reimburses investors for losses due to political turmoil.

"We've got a model now for ones that are coming in the future," said Fred Zeder, president and chief executive officer of the government agency.

More Money Needed

The government monopolies in Eastern European banking markets are coming to an end. Throughout the region, state-owned banks have begun spinning off commercial bank and savings bank operations, and private banks are in the formative stages.



Brian P. Sullivan

BEYOND THE WALL: With barriers between East and West crumbling, U.S. bankers ponder opportunities and dangers on the other side.

The countries of Eastern Europe will all need increased levels of lending to help spark new business growth. But for many domestic banks in Eastern Europe, loan demand exceeds deposit levels, so Western banks with access to capital will find fertile ground, provided they can find the better deals. Also, businesses in the East will need trade finance. They will need consumer credit.

It was just these opportunities that attracted American banker Michael J. Shade, who moved to Budapest in June 1988 to help set up a new commercial bank in Hungary. Though he sensed a good business opportunity, he didn't expect to be part of history.

"I came because I could see that banking in Eastern Europe was going to change radically," said Shade, a full-time bank operations consultant to Commercial and Credit Bank Ltd. of Hungary.

"But the rate of change that has gone on in Eastern Europe is way beyond what anyone of us could have expected. It has been unbelievable from a personal standpoint. From a banking standpoint, it has been somewhat frustrating, but we have accomplished a great deal."

Realities of Macroeconomics

There are, of course, numerous roadblocks to overcome. The euphoria of political change has made all things seem possible, but several macroeconomic problems seem inescapable. And any one of these problems could cause an economic collapse, wiping out investments by bankers.

The first major problem is unemployment. Although communism has been a total economic bust, it has managed to give everyone some kind of job. That will no longer be true in market economies, no matter how they are structured.

Euphoria to Unemployment

Discussions with top government officials in Czechoslovakia and East Germany and Hungary in January found many naively claiming that they would learn from the mistakes of other nations, and their neighbors, to avoid high

See next page

INSIDE: *Eastern Europe*

The Race to Recruit *bankers for the East has barely begun. But executives will be needed as economies develop*.......................3A
U.S. Banks Already There *will wait for further developments before expanding operations*.......................4A
Washington Lawmakers Are on the Sidelines *pondering their role*.......5A
A New Development Bank *is being formed and may make loans this year.* 7A
World Bank's Private-Sector Unit *is prepared to move quickly.* 8A
Japanese Banks Warm to the 'Red Theme,' *planning to follow their major manufacturers to Eastern Europe*.......................9A
The Brady Plan *may make new financing more difficult.*.......................11A
Four Consultants *offer advice on doing business.* 14A

Mr. Sullivan, formerly managing editor of the American Banker, is editor of Eastern European Report, an American Banker-Bond Buyer newsletter on business opportunities in the former Soviet bloc.

The richness of the opportunities in Eastern Europe could turn even the most xenophobic heads in banking.

Continued from *page* **1A**

unemployment. But one of the foundations of market economics is unemployment. The work ethic is not built solely on the hope of advancement; it is also based on fear of losing a job. And wage scales, at least at the lower levels, are kept in check by competition for jobs.

Margaret Thatcher, broadly hailed as a queen of market economics, struggled to end a long pattern of nationalized industry in Great Britain by bringing back a more pure form of capitalism. The result? Painfully high unemployment. It is not likely the new converts to market economics will be able to avoid the same fate.

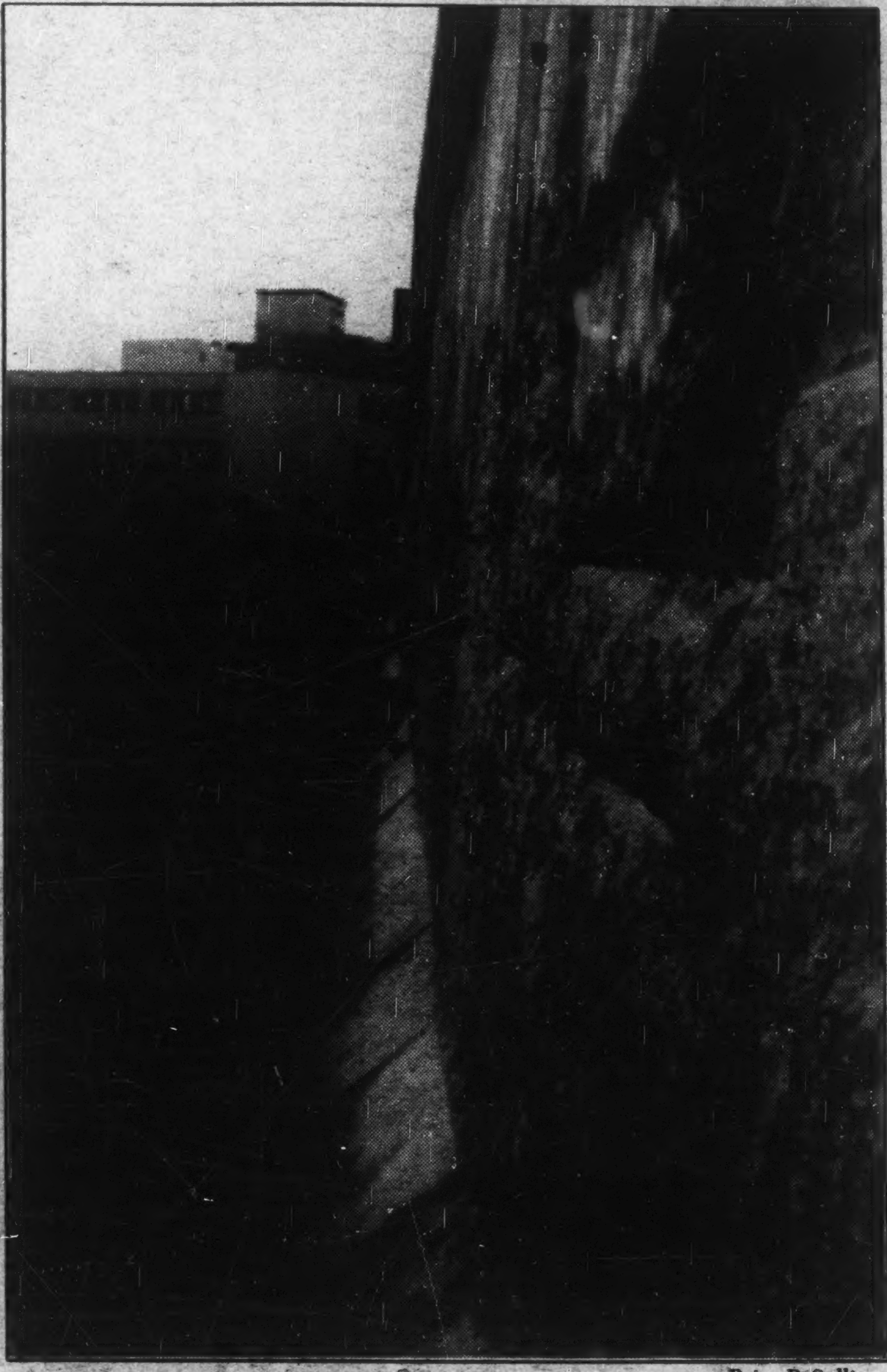
A final worrisome factor on unemployment: with economies in turmoil, it will be difficult – if not impossible – for Eastern Europe to afford the social welfare benefits that make unemployment marginally bearable in the West. Poland recently instituted a carefully crafted unemployment insurance system designed to encourage worker retraining. There was only one catch: There is virtually no money to pay benefits.

The demands for these benefits will be one of the many political pressures that could endanger repayment of sovereign loans. That is, if any U.S. bank has so short a memory that it has forgotten the expensive lessons of LDC debt.

After unemployment, the second big macroeconomic concern is inflation.

Officials in the new provisional governments of Eastern Europe are more realistic about their inability to keep prices under control than they are about unemployment.

Hungary, at the forefront of dismantling price controls, has seen two waves of dramatic price increases. This month alone, rents for state housing rose by an average of 35%, inner-city transport ticket prices jumped 45% (although the cost was next to nothing to begin with), telephone charges rose 35%, and charges for sewage services more than tripled.



Brian P. Sullivan

WILL WESTERN BANKERS scale the obstacles to doing business in Eastern Europe?

The government is forecasting inflation of about 25% this year, but several Hungarian trade and finance officials conceded that it is more likely to run between 30% and 40%.

"The people are very angry" about the price increases, said Gyorgy Gonda, adviser to the chairman of the Hungarian Credit Bank Ltd., and onetime Hungarian commercial counselor in New York. "They don't understand. But if you want a market economy, this is the only way."

High inflation undermines banking by discouraging saving in favor of consumption while increasing loan demand because repayment will be relatively less expensive in the future. In Brazil and Argentina, for example, the populace has become extraordinarily adept at playing the inflation market, making it hard for banks to comfortably manage their affairs.

Good Credit Histories

For all its economic shortcomings, at least most of Eastern Europe paid its bills to the West. The most dramatic evidence of that was in Romania, where the regime of Nicolae Ceausescu forced the country into a murderous austerity program to pay off $11 billion in debt.

In Hungary, the government keeps pledging to pay off all its $11.2 billion in commercial bank debt to the West, and true to is word payments are current, although in the future that fidelity is anything but certain.

Indeed, with so much changing, past performance is no longer a guide. Many banks are selling off their share of Poland's $9.1 billion in commercial bank debt at 16 cents on the dollar, convinced the Poles aren't joking when they say they have no intention of paying everything back.

The Biggest Gamble

These economic pressures, and others, add up to the biggest gamble of Eastern Europe: that the population will be willing to accept a sharply lower standard of living in order to help in the tricky business of making over entire national economies. The political pressures may indeed kill the entire venture.

'I think it is fair to say we are cautious' about lending to Eastern Europe.

John Reed
Citicorp

"I think it is fair to say we are cautious" about lending to Eastern Europe, Citicorp chairman John Reed recently told Reuters.

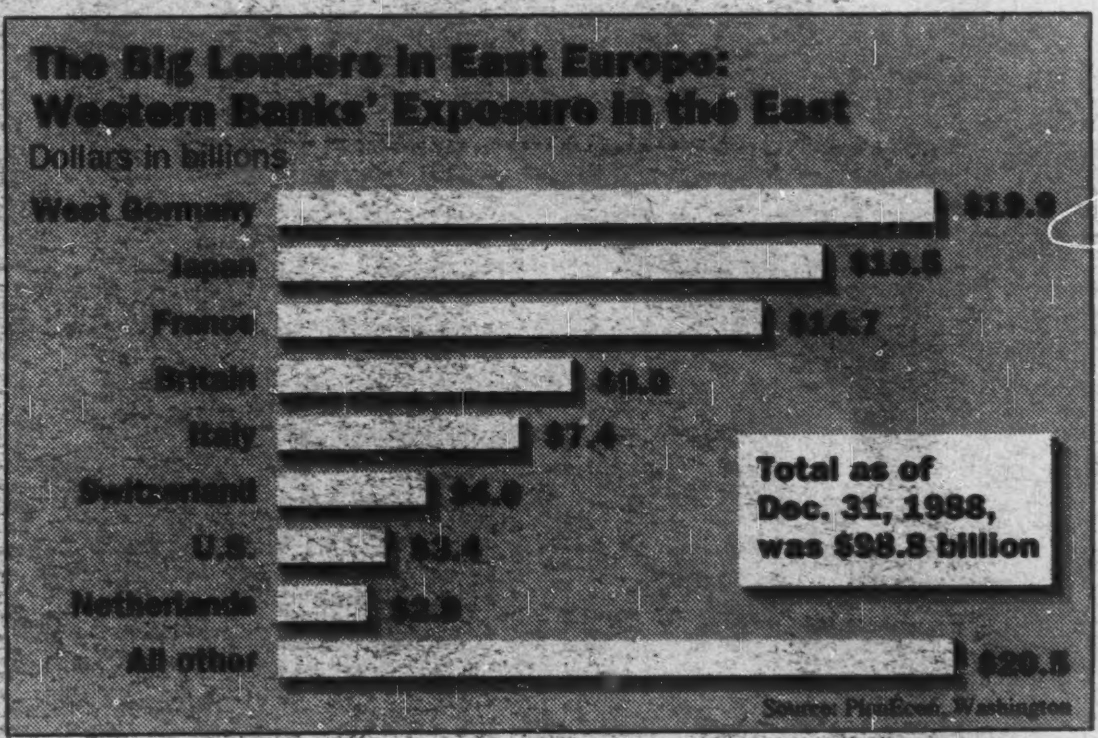
"We are concerned that changes have taken place very quickly . . . and that it is very difficult for us to forecast where things are going. . . . As we look for opportunities to invest or participate in Central Europe, or indeed Russia . . . we have to ask if there could not be a reversion," Mr. Reed said.

Eastern Europe's Last Chance

On a gray winter day in Budapest, Mr. Gonda looked from the window of his office at Hungarian Credit Bank toward the government buildings surrounding Szabadsag Square. He commented on the absence of the red stars that once dominated the roof line. They came down overnight, he said, and as shocking a development as that was, it was nothing compared to the difficulty of building a new economy. His immediate concerns were for Hungary, but his words clearly reflected those of his former communist neighbors as well.

"1990 is a turning year in the Hungarian economy," he said. "And it could be our last chance." ☐

The Big Lenders in East Europe: Western Banks' Exposure in the East



Source: PlanEcon, Washington

U.S. Investigator Screens Frauds

Money launderers, con men, and hair-brained investors are lining up right alongside thousands of legitimate businessmen, all eager to make deals in Eastern Europe.

Kroll Associates, the New York-based U.S. corporate investigative and security company, is hard at work helping several East European central banks separate the bona fide opportunities from fraudulent ones.

Over the past five months, Kroll has stepped up its investigations by working with consultants in Vienna, relying on their inside knowledge and close relations with Eastern European institutions.

The company is also planning to set up an office in Europe to handle an expected surge in business, but has not yet decided on a location. Kroll's only European office is now in London.

Like many other corporations looking at Eastern Europe, Kroll sees Vienna as a natural point of entry.

"It's a highly developed business center in a neutral country and has always been a center of intelligence for Eastern Europe," said Mr. Pomerance. The Viennese themselves, most of whom are either refugees or descendants of people from Eastern Europe, are probably better attuned to developments there than anyone else.

'Know Thy Customer'

"It's the old saw," said Jerome J. Pomerance, executive managing director: "Know thy customer."

As legislation to prevent money laundering and tax evasion is tightened around the world, observers have predicted, hot money may soon start flowing East to countries like Hungary, which retain stringent bank secrecy laws and are under no treaty obligations to disclose financial information.

But ferreting out the hack business offers, rather than fraud, is the biggest part of Kroll's work in Eastern Europe today, Mr. Pomerance said.

Finding out who you are dealing with on Wall Street can be hard. In Eastern Europe, it is even harder, he said.

— James Kraus

AMERICAN BANKER
FEATURES DEPARTMENT
Patricia Stundza
Suzanne Christy Judy Ferring
Editors
ART DEPARTMENT
Pamela Budz Moriarty
Art Director
Dylan Kreuzer,
Peggy Turbett, Carl Zeichner
COPY EDITORS
Domenica Trevor
Copy Desk Chief
Winnie O'Kelley, Edward Kulkosky, Robert Paul Molay
PRODUCTION
Susan Wright

COMPANY *index*

This index lists significant references to companies and banks in today's special report. Pages refer to where stories begin.

A - B
American Bank in Poland SA 3A
Banco de Roma 14A
Bank of Tokyo..........................9A
BankAmerica 4A
Barclays Bank..........................11A
Bear Stearns 8A

C
Ceskoslovenska Obchodni Banka 4A
Chase Manhattan 1A,4A
Citicorp...............................1A,4A
Combustion Engineering............4A
Credit Suisse 14A
Curtis Hoxter Inc. 14A

D - F
Deutsche Aussenhandelsbank.....4A
Deutsche Handelsbank...............4A
DG Bank....................................8A
Egon Zehnder International.........3A
European Reconstruction
and Development Bank 11A
First Chicago.........................1A,4A

G - J
GZ Stephens 3A
GZB Bank...................................8A
Honda Motor 9A
Hungarian Credit Bank..........1A,9A
Hungarian National Bank 14A
International Institute of Finance11A
Irving Trust Co............................3A

K - N
Kidder Peabody...........................7A
Kroll Associates 2A
Lazard Freres 7A
Lubin Kombinat...........................4A
Manufacturers Hanover 1A,4A,11A
Mitsubishi Bank 9A
Mitubishi Motors 9A
Moscow Narodny Bank 4A
National Bank of Poland 14A

N - P
National Credit Union
Administration..........................5A
Oesterreichische Volks Bank.......9A
PlanEcon 1A,11A,14A
Postipankki.................................4A

R - Z
Ryan James...............................14A
Sanwa Bank 9A
Scandinavian Executive Search ...3A
SpencerStuart.............................3A
Sumitomo Bank 9A
Suzuki Motors 9A
Tokai Bank 9A

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 1A,
2A, 8A, 11A, 13A, 17A-40A,
18

Washington wants to see the new bank develop along the lines of the International Finance Corp., the World Bank affiliate that makes loans mostly to private companies.

Continued from *page* **7A**

World Bank, which will likely cofinance many of the new entity's ventures.

"We're stuck with an 8.5% controlling voice," one Capitol Hill staffer says. A bill that is going through the House now would appropriate a $250 million capital contribution to the bank.

"Even if we came in and said we're willing to pay whatever it takes so we could get veto rights, the Europeans would say, 'No way. This is Europe. Give us the majority stake.' "

Full Soviet Role Opposed

Although the Treasury Department will not comment, it is widely believed to oppose the entry of the Soviet Union into the bank with full borrowing rights.

But the EC members favor the entry. It would mark the first time Moscow has joined a multilateral bank.

There is likely to be a compromise, since the huge Soviet economy could eat up most of the bank's capital by itself if there were not a cap on their borrowing. Similar reasons kept China and India off the borrowing rolls at the Asian Development Bank until the last few years.

Only Name Is Certain

At this point, the only thing that seems definite about the new institution is the name, which is modeled on the World Bank's full title, the International Bank for Reconstruction and Development.

Vienna, Berlin, Copenhagen, and Prague are all considered possible locations for its home base. Recent reports have indicated the United States is favoring Prague.

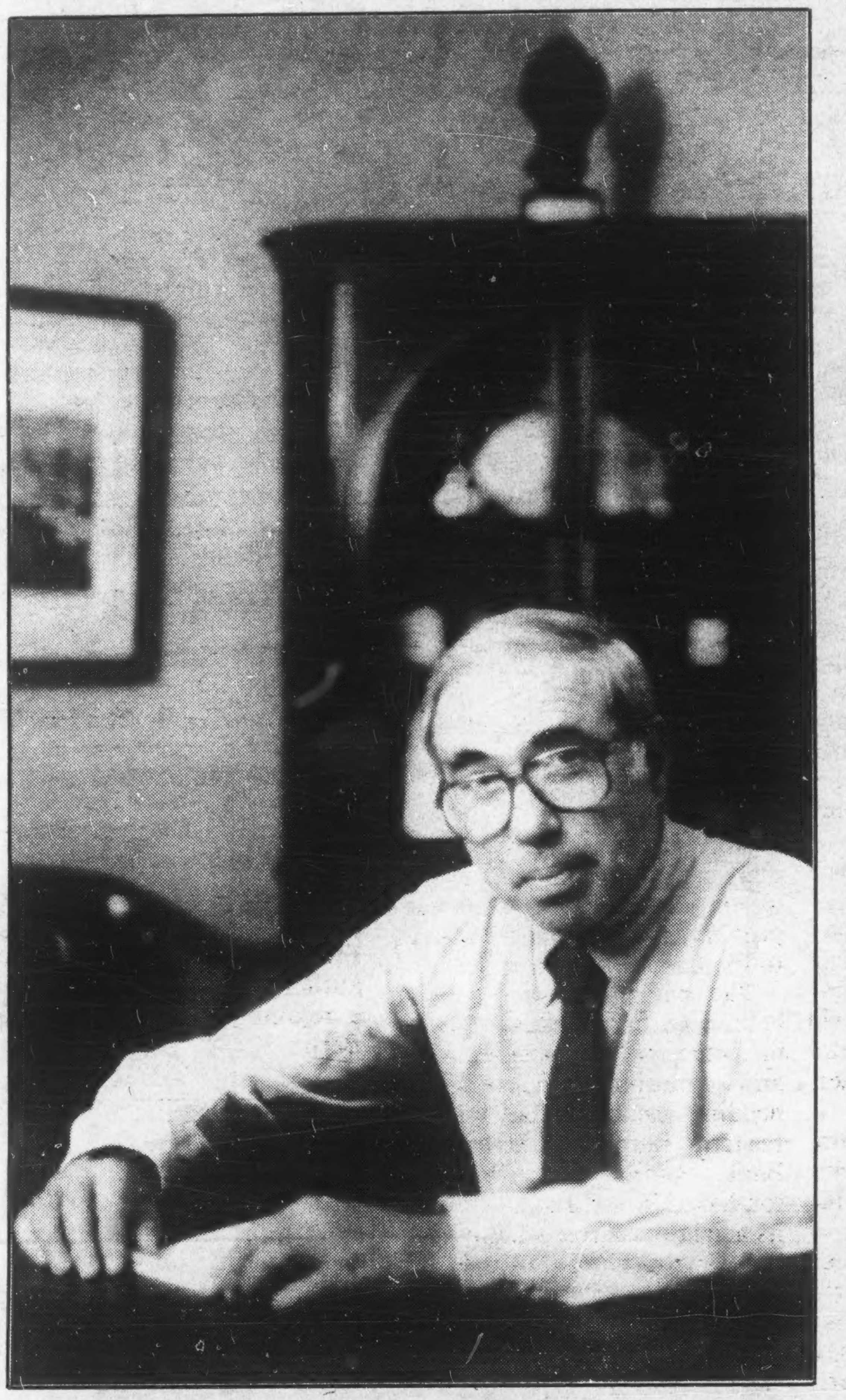
No favorite has yet emerged as the new bank's first president. But French sources say the recently retired Dutch finance minister, H. Onno Ruding, is rumored to want the job. When Mr. Ruding left office early last fall, he was also chairman of the International Monetary Fund's policy-making Interim Committee. He lost out to Michel Camdessus of France in the 1986 race for the IMF's top job.

Attali a Key Figure

Jacques Attali, an economic adviser to French President Francois Mitterand, is considered one of the key shapers of the new bank along with members of Finance Minister Pierre Beregovoy's staff.

The key U.S. negotiators so far have been Treasury's top guns on international finance, David Mulford and Charles Dallara, and the head of its multilateral development bank office, Frank Vukmanic.

Felix Rohatyn of Lazard Freres & Co. has been the most outspoken supporter of the idea on Wall Street. A supporter of developing a new "East European Common Market," Mr. Rohatyn has insisted from the beginning that only countries with free elections and a multiparty democratic system should be eligible for financing. That would appear to exclude Yugoslavia and the Soviet Union, although both countries have been involved in the recent negotiating sessions and appear headed for some kind of role at the new bank.



ENDORSES IDEA: Felix Rohatyn has been the most vocal Wall Street supporter of East European development bank.

Mr. Rohatyn also supports borrower eligibility terms that would include written agreements on personal, physical, and intellectual property rights. He also says the new bank may need affiliated housing finance and farm credit institutions.

Commercial banks may be approached for cofinancing down the road.

In an interview in the current issue of the European Community magazine, *Europe*, he says the new bank should have a role that goes beyond lending, providing technical assistance to the emerging free-market economies of Eastern Europe for the launching of accounting and banking systems.

"It's in those areas, as well as essentially the extension of credit, or even the making of direct investment, that would be a useful thing for an investment bank like the East European Development Bank to function in," says Mr. Rohatyn.

"Such a bank can also clearly be a catalyst. They don't nearly have to put up all the money for the projects they get involved in."

Bond Issues Expected

Mr. Rohatyn expects the bank will eventually raise a substantial portion of its funds through bond issues on the international capital markets, as the world's other multilateral development banks do.

But S. Melvin Rines, a senior vice president at Kidder Peabody & Co., who follows the multilaterals closely, says the major credit-rating agencies will probably demand plenty of time before they issue the bank's bond rating, which could keep the bank from building up its capital as fast it would want to.

But with time in short supply, Mr. Rines thinks the wiser thing to do would be to give the World Bank's International Finance Corp., more money to invest in East Europe in the next few years.

"There are other development banks around that took years and years to get off the ground," Mr. Rines warns.

***The World Bank Watch* is an *American Banker* newsletter.**

World Bank's Private-Sector Unit Set to Move Swiftly

Until recently, there hasn't been much of a private sector in Eastern Europe.

But that hasn't stopped the private-sector development affiliate of the World Bank from investing almost $85 million there in the last few years. That amount will probably be dwarfed by the institution's future operations in Eastern Europe.

The affiliate, International Finance Corp., has a history of teaming up with other investors to support promising private-sector projects worldwide. Its director, former British government official Sir William Ryrie, sees the IFC playing an increasingly significant role around the developing world in the 1990s, when many analysts see private-sector operations replacing government projects as the catalyst to economic growth.

The IFC plans to increase its presence in Eastern Europe substantially in the next few years.

Style Will Change

In Eastern Europe, that has generally meant picking government-led projects that allowed for strong input from local entrepreneurs. But with privatization and Western-style financial systems catching on fast in the region, the day is probably coming when the IFC will lend directly to private Eastern European firms, as it does in other countries.

The proposed multilateral development bank for Eastern Europe will no doubt do the same thing, and interact closely with the IFC in the early stages.

The IFC's longest ties in the East are with Yugoslavia, in which it has invested $500 million over the years. Last year the institution poured $31.3 million into two Yugoslavian banks for lending to export-oriented businesses and $9 million more to help the Sozd Iskra motor and machinery firm modernize its facilities.

Advice Is Given

While similar loans will come, the increasingly service-minded IFC is also advising Yugoslavian authorities on ways to revise their foreign investment code.

Hungary joined the IFC in 1985, primarily looking for help in establishing joint ventures and reorganizing its financial sector. The IFC has put $55.3 million into Hungary since then, with the single biggest investment being $17.2 million for the Dumamont Polystyrene textile company. It also teamed up with DG Bank in Germany and GZB Bank in Austria to fund a new Hungarian capital-markets institution called Unicbank, and helped organize a $70 million country fund managed by Bear, Stearns & Co. in New York.

Poland's first IFC project came in late 1988, in the form of a $15 million investment in Hortex, an export-oriented cooperative jointly owned by 300,000 farmers. A year later a $25 million IFC line of credit to the new Export Development Bank in Warsaw was announced.

Urgency in Poland

In January, the IFC began touting itself as "a principal adviser on privatization to the Polish government" and said it was responding to an "urgent request" from the country's central bank for advice on introducing "the general ground rules for the entry of foreign banks."

The IFC plans to increase its presence in Eastern Europe substantially in the next few years. Although specific target figures are not available, its equity investments and loan commitments are sure to rise, as are its less visible technical-assistance projects in investment promotion, joint ventures, privatization, financial liberalization, and the like.

And with Czechoslovakia already applying to join the World Bank Group and Romania discussing possible reactivation of its long-dormant membership, there will probably soon be opportunities for operations in new areas as well.

— **Rob Wright**

World Bank Lending to Eastern Europe
As of Feb. 8, 1990

	Year joined	Total borrowing ($ bil.)
Yugoslavia	1945	$5.1
Rumania	1972	2.2*
Hungary	1982	2.0
Poland	1986	0.36

Other Eastern European countries are not members.
* None since 1982

Source: World Bank

Will Brady Plan Work in the East?

Debt Reduction Appeals, but It Could Stall Financing

By ED PAISLEY
LDC Debt Report

Which would be better for the Eastern European nations: debt reduction under the Brady plan or possibly greater access to existing and future financing from Western banks?

This is the latest economic dilemma facing the region. There is little question that debt relief offered to Eastern Europe under the Brady plan would have an effect on how much access it has to new loans. In the past, when bankers have agreed to debt reduction agreements with other developing nations, they have declined to grant significant new loans to the debtors.

Each country has come up with its own approach to the problem. Poland, with a huge debt overhang, has welcomed the Brady plan with open arms. Two other countries – Hungary and Yugoslavia – are likely to weigh their debt reduction options as well in the 1990s.

But for Bulgaria, Romania, Czechoslovakia, East Germany, and the Soviet Union – all of which owe much less debt in relation to the size of their economies – commercial bank investments will hinge more on the success of their individual free-market reform programs.

"The prospects for the Brady plan are quite good in Poland, Yugoslavia, and also Hungary," said professor Jeffery Sachs, a Harvard University professor who is advising Warsaw and Belgrade on their free-market reform efforts. "The situation [in these three nations] is a classic case of Chapter 11; get rid of the detritus of 40 years of communist economic mismanagement and start with a clean slate."

Further, Mr. Sachs believes that the opportunities for Western banks in these three nations "are excellent, once the debt is cleared away."

Bankers, of course, see it differently. "Constructive internal reforms have to take place, to show the financial transparency of projects, or who will be the debtor if a bank lends money," said Klaus Friedrich, the director of the International Institute of Finance's European division, a Washington-based commercial bank think-tank.

Hard Currency Needed

Debt reduction would certainly stanch the outflow of desparately needed hard currency from Eastern Europe, but might well inhibit banks from extending new loans to the region – loans urgently needed to rebuild a decrepit industrial infrastructure and to finance exports.

Facing this dilemma, Poland, Yugoslavia, and Hungary are rushing to embrace the free-market reforms that are the quid pro quo for debt relief under the Brady plan and, ironically, for any new commercial bank lending.

Other nations of the former East bloc are leaning toward implementing similar reforms. With close to $100 billion in sovereign loans owed to the West by the Soviet Union, its six Warsaw Pact allies, and Yugoslavia, debt relief is no idle matter for the new governments of Eastern Europe or Western banks.

Reforms Will Precede Loans

Complicating these decisions for bankers and East European politicians alike are the unknown ramifications of these revolutionary economic reform efforts. Some experts, such as Richard Erb, the assistant managing director of the International Monetary Fund, believe that dismantling Eastern Europe's centrally planned economies will not be as difficult as some imagine.

Speaking before the National Economists Club recently, Mr. Erb said that "reforms of centrally planned economies [in Eastern Europe] are of a magnitude and comprehensiveness not experienced before, but these reforms are not new."

He then noted that these nations are "facing the same kind of problems that more market-oriented economies face . . . dilemmas, choices that much of Latin America has had to face, or even that South Korea had to face at an earlier time."

Clearer Picture Needed

But bankers are unlikely to lend until thay have a clearer idea of just where these reforms are headed. East European governments too – with the notable exception of Poland – may remain wary of embracing the Brady plan until they can gauge how much foreign investment is indeed flowing into their countries.

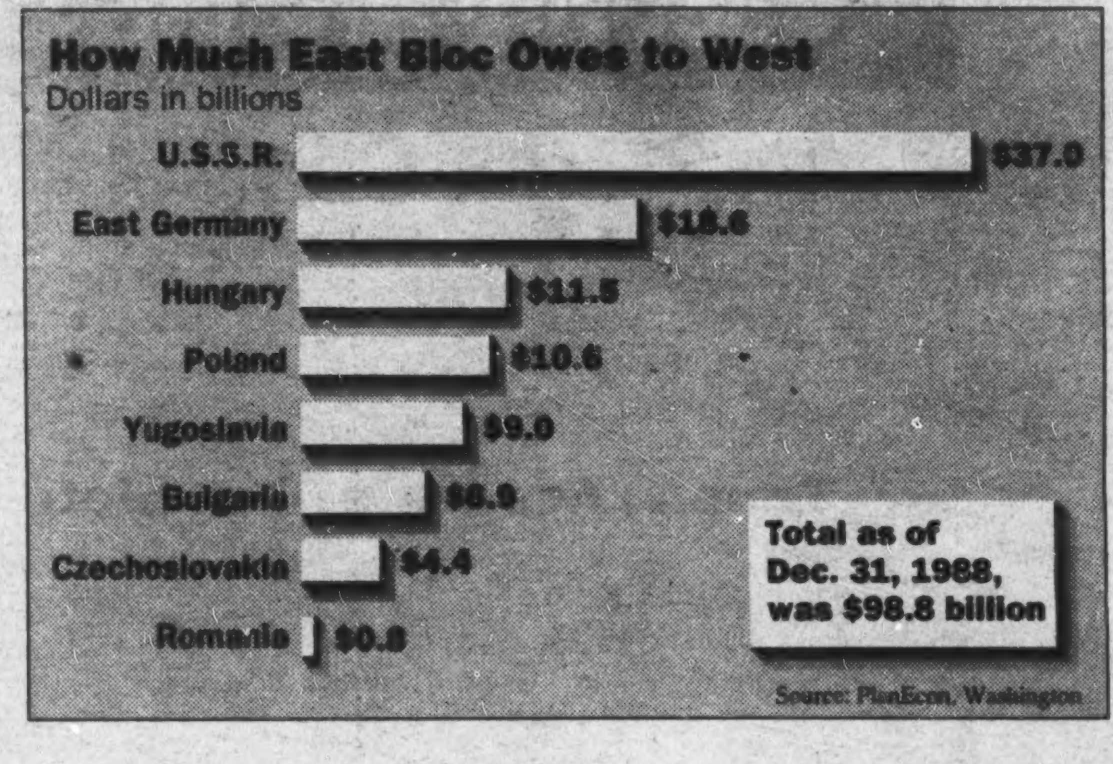
Poland, Hungary, and Yugoslavia are the three nations most likely to seek immediate benefit from the Brady plan, while simultaneously pressing the banks for trade and project loans.

To handle the trade and project loans, Mr. Friedrich of the IIF called for "a new modality of cooperation" between the international banking community and the World Bank, the IMF, and new European Reconstruction and Development Bank for Eastern Europe. "Good public-/private cooperation in cofinancing projects is needed" for Eastern Europe to grow, he said.

But Mr. Friedrich warned that for Poland, at any rate, even project and trade finance are in

See page **13A**

How Much East Bloc Owes to West



Source: PlanEcon, Washington

How they pay for it should be yours.

perior MIS reporting system. Designed to help control and manage both their travel and business expenses.

They get detailed, timely reports broken down in expense report form—monthly, quarterly or annually. And the ability to customize reports according to their specific business needs.

Our program also integrates with your billing system and that of travel agents. Which will keep both your corporate and travel agent clients happy.

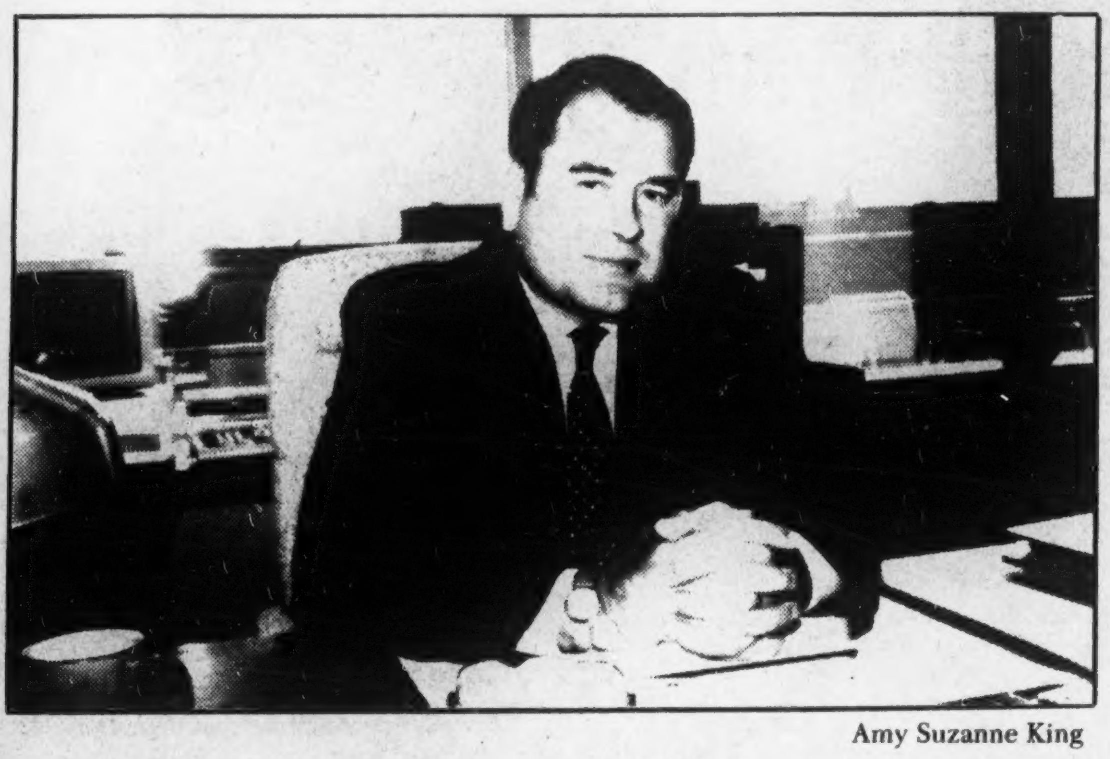
They'll be even happier when they hear about the new benefits we've added to the business card package. We'll soon be launching a national consumer campaign that will explain these benefits in detail.

To get the details on how you can sign up, just give us a call at the phone number nearest you. In San Mateo, California, call us at (415) 570-2120 or in McLean, Virginia, call us at (703) 827-8404.

And do it soon.

Because the business of business is booming.

VISA It's everywhere you want to be.®



Amy Suzanne King

KLAUS FRIEDRICH, of the International Institute of Finance, cautions bankers to make sure reforms in Eastern European economies take place before they commit finances.

Continued from *page* **11A**

jeopardy because of its embrace of the Brady plan. A banker on Poland's bank advisory committee, which is led by Barclays Bank PLC, echoed this warning.

"Taking exposure in any form in Poland will be tough to get past a credit committee," said the international banker, who spoke on condition of anonymity, "particularly when [Poland] isn't servicing its current obligations."

Poland stopped servicing its roughly $9 billion of medium- and long-term commercial bank debt in the fourth quarter of last year, after religiously paying the banks interest – although not principal – through the 1980s. Poland's debt totals about $40 billion, according to the latest estimates by the World Bank.

Warsaw Opts to Cut Debt

The new Solidarity-led government in Warsaw has made clear to its bank creditors that Brady-style debt reduction is in the cards for 1990. Poland has freed its currency exchange rate and will soon begin overhauling a host of inefficient state-run enterprises, bleeding the nation's already strained foreign currency coffers.

Yugoslavia and Hungary, both with serious debt overhangs, are also pressing ahead with radical free-market economic reforms. But for these two nations, both of which are still servicing their foreign debt, the promise of direct Western investment has held consideration of the Brady plan at bay.

In Yugoslavia, a successful attack on inflation last month drove the inflation rate, 2,500% last year, into the teens. With prices dropping, Belgrade's chronic ethnic feuds may become more manageable and its economic reforms more telling, said East European experts.

Bankers, too, are keen on Yugoslavia's reforms. "I think foreign investors should take a long, careful look at Yugoslavia now," said Margaret Mudd, chairman of Yugoslavia's bank advisory committee for Manufacturers Hanover Trust Co. "What they've done makes foreign investment very attractive, especially being so well positioned for exporting to the European Community."

Indeed, Manufacturers Hanover and other U.S. and European banks, among them Citibank, are looking over some of Yugoslavia's state-owned banks, which are soon to be privatized. The laws and regulations allowing this to happen are now on the books, but officials in Belgrade said these banks' balance sheets must be cleaned up before actual bidding can begin.

Link Will Be Costly

But Belgrade's decision to link its currency to the West German mark will soon cost the government dearly, as it clears bad assets off the books of state-run banks and industries set to be taken private. Officials in Belgrade are now in the midst of reviewing their Brady options should foreign reserves slip dangerously low and foreign investment not pick up significantly in the coming year.

Yugoslavia's total foreign debt stands at $17.8 billion, $7.2 billion of which is owed to commercial banks. Last year, all of the nation's medium- and long-term bank debt was rescheduled over 18 years with six years' grace. Belgrade has retired about $1.2 billion of its bank debt in the last two years through debt-equity swaps.

In Hungary, on the other hand, the reform-minded Communist government is adamant about fully servicing its foreign debt. But with one of the highest ratios of debt to gross domestic product in the developing world, Hungary's $11.2 billion medium- and long-term debt may prove a tempting source for cost cutting when a new government takes over in the spring.

No Word from People

"I suspect that the new government in Hungary will say it needs deep debt reduction," predicted Harvard's Mr. Sachs. "No one has spoken for the people of Hungary yet."

But equally enticing for any new Hungarian government is the prospect of huge Western – and particularly Japanese – direct investment.

"Many Japanese trading companies are increasing their representations in Hungary and throughout Eastern Europe," said a banker from the Japan Center for International Finance, a Japanese financial services industry think-tank. "Japanese banks will follow if trading companies invest, but much will depend on how Hungary's sovereign loans hold up."

Japanese banks hold more than a third of Hungary's $11.2 billion commercial bank debt, totaling $3.5 billion at the end of 1988, with West German banks the next heaviest exposed with $2.5 billion, according to PlanEcon Inc., a Washington-based private research organization that specializes in East European financial analysis.

East Germany the Key

For Bulgaria, Romania, Czechoslovakia, and the Soviet Union, bankable investments may still be held up until the reform efforts in East Germany take form, said many bankers and East European experts.

"If [East Germany] takes off, 70% of its trade is with Eastern Europe, which will infuse new technology throughout the East bloc," said the IIF's Klaus Friedrich. "If East-West detente continues, and yet East Germany – everyone's favorite candidate for Western capital – fails to take off, this will depress investment for the whole region."

Unlike Latin America, then, debt relief at least for some countries in Eastern Europe will not be one of the major prerequisites of economic growth. But like much of the developing world, domestic structural reforms and deregulation – not direct foreign investment – will be the catalyst for sustained economic growth.

***LDC Debt Report* is an *American Banker* newsletter.**

IDB

Israel Discount Bank of New York

A Member of the IDB Bankholding Group

Statement of Condition
as at December 31, 1989

Assets	
Cash and Due from Banks	$3,184,688,000
Federal Funds Sold	124,000,000
State, Municipal & Other Securities	380,985,000
Loans	1,013,582,000
Less: Allowance for Possible Loan Losses	20,331,000
Loans, Net	993,251,000
Customers' Liability on Acceptances	10,352,000
Premises & Equipment, Net	12,201,000
Other Assets	71,447,000
Total Assets	$4,776,924,000
Liabilities	
Deposits	$4,404,106,000
Acceptances Outstanding	10,352,000
Other Liabilities	68,125,000
Subordinated Capital Notes	29,000,000
Convertible Subordinated Capital Notes	9,778,000
Total Liabilities	4,521,361,000
Stockholders' Equity	
Common Stock	79,942,000
Surplus	36,898,000
Undivided Profits	138,723,000
Total Stockholders' Equity	255,563,000
Total Liabilities & Stockholders' Equity	$4,776,924,000

Standby Letters of Credit $69,683,000

AN AMERICAN BANK WITH INTERNATIONAL EXPERIENCE

MAIN OFFICE: 511 FIFTH AVENUE, NEW YORK (212) 551-8500
BRANCH: 1350 BROADWAY, NEW YORK
INTERNATIONAL BANKING FACILITY: 511 FIFTH AVENUE, NEW YORK

Cayman/London/Montevideo/Montreal/Toronto

Member Federal Deposit Insurance Corporation

YOU HAVE TALENT.
WE HAVE TALENT.

COMBINE YOUR TALENTS WITH
THE LEADING PRIVATE FRENCH BANKING GROUP.

SOCIÉTÉ GÉNÉRALE

CHICAGO DALLAS HOUSTON NEW YORK LOS ANGELES SAN FRANCISCO

Top 25 Foreign Banks in the United States

Based on business loans booked through U.S. banking offices
June 30, 1989, compared with June 30, 1988 (dollar amounts in millions)

			Totals on June 30, 1989					Totals on June 30, 1988				
Rank 6/89	Rank 6/88		C&I Loans	Assets	Deposits	No. of US Off.	% Chg. C&I	C&I Loans	Assets	Deposits	No. of US Off.	% Chg. C&I
1	1	**Bank of Tokyo Ltd. (a)**	$12,821	$47,210	$25,544	11	+41.67	$9,050	$32,215	$18,070	11	+37.2
2	4	**National Westminster Bank Plc., London**	9,595	22,189	17,281	6	+16.66	7,523	17,742	14,799	7	+17.7
3	3	**Mitsubishi Bank Ltd., Tokyo**	8.357	31,742	15,681	5	+5.9	8,071	32,881	15,689	9	+52.2
4	2	**Sumitomo Bank Ltd., Osaka**	7,914	24,472	16,551	7	-1.45	8,251	22,722	14,040	8	+64.8
5	7	**Industrial Bank of Japan Ltd., Tokyo**	7,886	28,710	17,700	7	31.69	5,988	25,625	12,024	7	+34.8
6	6	**Sanwa Bank Ltd., Osaka**	7,859	28,763	15,190	8	+13.98	6,895	25,228	13,628	8	+63.8
7	10	**Fuji Bank Ltd., Tokyo**	7,838	30,372	13,009	8	+40.07	5,595	29,124	12,514	8	+14.2
8	9	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	6,960	33,913	16,070	5	+20.83	5,761	29,361	13,588	5	+23.2
9	5	**Hongkong & Shanghai Banking Corp., Hong Kong**	6,457	25,380	18,490	18	-9.03	7,104	26,762	19,266	21	-4.9
10	11	**Bank of Montreal**	5,409	18,936	9,667	16	+0.64	5,374	18,725	10,881	14	+25.5
11	12	**Long-Term Credit Bank of Japan, Ltd., Tokyo**	5,223	10,543	3,664	4	+29.62	4,030	8,514	2,616	3	+60.5
12	15	**Tokai Bank, Ltd., Nagoya**	4,066	17,663	7,729	4	+27.64	3,185	16,684	6,390	4	+35.0
13	13	**Mitsui Bank Ltd., Tokyo**	3,971	11,209	6,254	4	+6.68	3,722	9,680	2,648	4	+14.0
14	8	**Swiss Bank Corp., Basle**	3,661	11,398	6,444	7	-38.81	5,979	14,414	8,011	7	+36.3
15	22	**Mitsui Trust & Banking Co. Ltd., Tokyo**	3,647	12,081	7,177	4	+68.35	2,167	10,893	4,889	4	+19.3
16	19	**Nippon Credit Bank Ltd., Tokyo**	3,572	6,499	2,046	2	+47.41	2,424	5,155	1,575	2	+14.3
17	17	**Taiyo Kobe Bank Ltd., Kobe, Japan**	2,939	8,453	3,929	5	+8.03	2,720	7,747	3,235	4	+74.3
18	21	**Mitsubishi Trust & Banking Corp., Tokyo**	2,705	10,180	4,768	3	+16.44	2,323	11,797	5,716	3	+12.1
19	20	**Banco di Napoli, Naples**	2,635	7,653	4,076	1	+13.06	2,330	5,136	2,925	1	-12.4
20	14	**Bank of Nova Scotia, Toronto, Canada**	2,621	8,123	3,218	9	-28.03	3,642	10,370	2,853	9	+2.9
21	18	**Daiwa Bank Ltd., Osaka**	2,378	11,671	6,296	4	-12.13	2,707	9,650	4,918	4	+23.6
22	25	**Banco di Roma, Rome**	2,102	8,786	3,468	5	+13.65	1,849	7,677	3,355	4	+65.7
23	26	**Banque Nationale de Paris**	2,012	9,261	5,230	8	+17.72	1,709	8,482	4,584	9	-23.9
24	33	**Sumitomo Trust & Banking Co. Ltd., Osaka, Japan**	1,926	9,830	3,218	3	+35.57	1,420	8,024	4,676	3	+24.9
25	23	**Algemene Bank Nederland, Amsterdam**	1,830	7,124	4,779	19	-12.71	2,096	5,133	2,648	14	+30.0
		Totals for the top 25 foreign banks in the U.S.	**126,394**	**442,661**	**237,479**	**173**	**+12.94%**	**111,915**	**399,741**	**205,538**	**173**	**+22.0%**
		Totals for all foreign banks in the U.S.	**178,900**	**695,600**	**370,400**	**697**	**+8.90%**	**164,300**	**638,300**	**331,200**	**666**	**+18.6%**
		Top 25 banks' share of the total for all foreign banks	**70.6%**	**63.6%**	**64.1%**	**24.8%**		**68.1%**	**62.6%**	**62.1%**	**25.9%**	

Source: American Banker survey questionnaires and Federal Reserve Board data. **The totals** for each bank are based on the **combined** business loans (C&I loans), deposits, and assets for all of the bank's U.S. banking offices, for which data were available. **U.S. banking offices** include: agency offices, branches, commercial bank subsidiaries, New York State investment companies, and Edge banks. **% Chg. C&I** is the annual growth in commercial and industrial loans over the year ended 6/30/89 and 6/30/88, respectively. Note: percent changes based on unrounded figures and may differ slightly from dollar figures shown. **(a)**— The data for 6/30/88, does not include the acquisition of Union Bank, Los Angeles, which was completed on 10/31/88.

Compiled by American Banker, Copyright, 1990.

Summary of Survey Findings

Total Number of U.S. Banking Offices

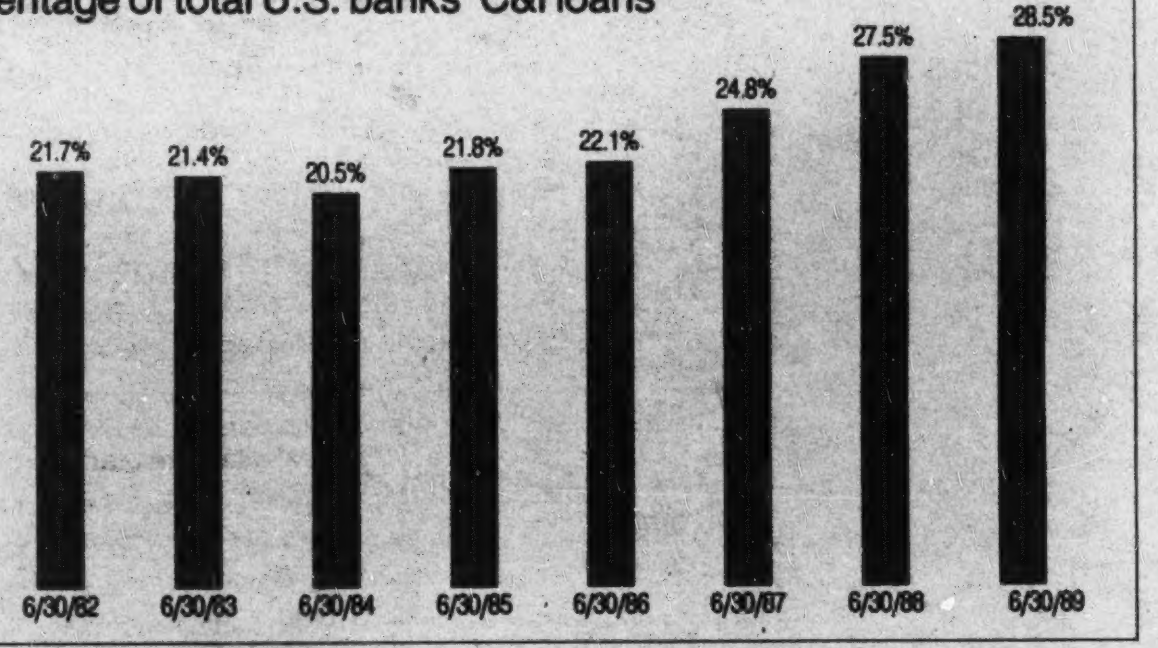
By Office Type

	6/30/89	6/30/88	Change
National banks	4,289	4,477	-188
State member banks	1,038	1,074	-36
State nonmember banks	7,625	7,860	-235
Total FDIC-insured banks	12,952	13,411	-459
Edge banking offices	111	122†	-11
Edge banking offices of foreign banks	(27)	(28)	(-1)
U.S. branches of foreign banks	364	351	+13
U.S. agencies of foreign banks	201	196	+5
New York State investment companies	11	10	+1
Total other offices	687	679†	+8
Total banking offices	13,639	14,090†	-451

Sources of Data: Federal Reserve Board for Edge bank, branch and agency data and the Federal Deposit Insurance Corp. for national bank, state member (Federal Reserve System) banks, and state nonmember (FDIC-insured) banks. **(†)**— Revised.

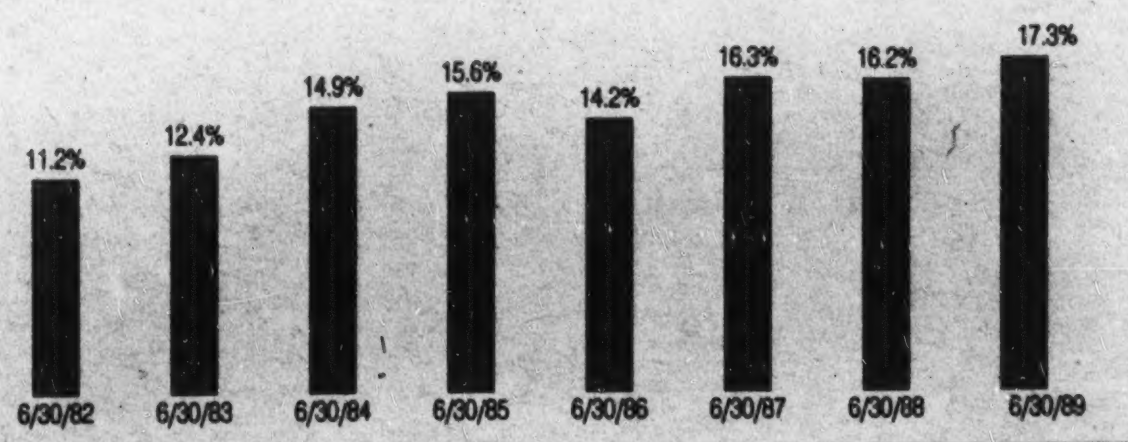
Foreign Banks' U.S. C&I Loans

As percentage of total U.S. banks' C&I loans



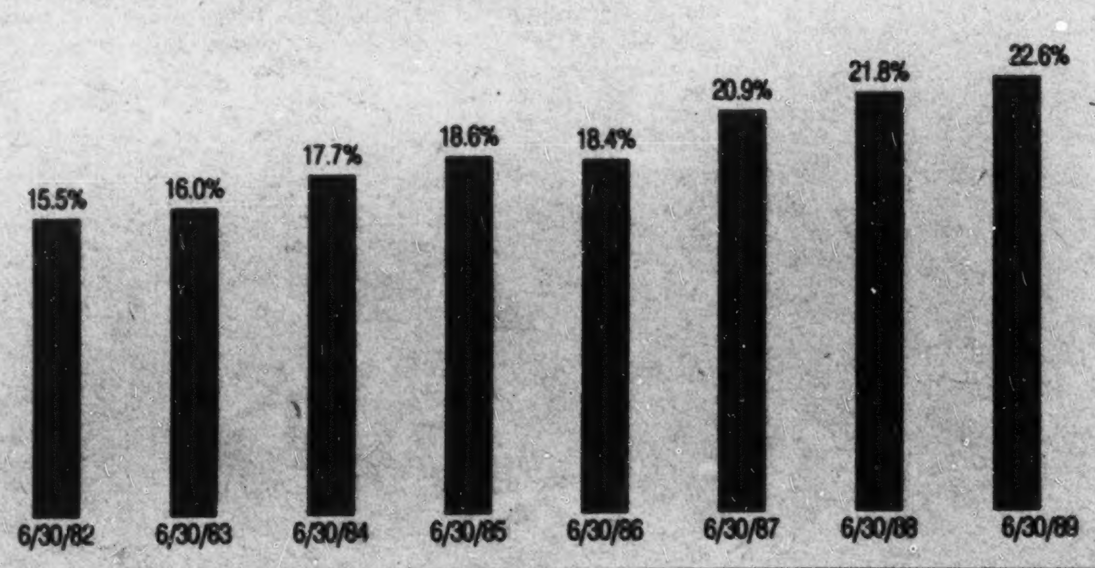
Foreign Banks' U.S. Deposits

As percentage of total U.S. banks' deposits



Foreign Banks' U.S. Assets

As percentage of total U.S. banks' assets



Summary of Survey Findings

C&I Loans, Deposits, and Assets at U.S. Offices of Foreign Banks

Dollar Amounts in Billions

		Number of Offices	C&I Loans	Deposits	Assets
(1) AGENCIES AND BRANCHES	**6/30/89:**	565	$129.9	$247.1	$527.5
	6/30/88:	543	118.5	216.0	479.6
		+22	+9.6%	+14.4%	+10.0%
(1A) AGENCIES	**6/30/89:**	201	$ 27.8	$ 22.4	$ 83.9
	6/30/88:	194	25.2	17.1	86.1
		+7	+10.3%	+31.0%	—2.6%
(1B) BRANCHES	**6/30/89:**	364	$102.1	$224.7	$443.5
	6/30/88:	349	93.3	198.9	393.5
		+15	+9.4%	+13.0%	+12.7%
(2) COMMERCIAL BANKS (a)	**6/30/89:**	100	$ 46.6	$121.3	$161.3
	6/30/88:	85	43.9	112.9	152.0
		+15	+6.2%	+7.4%	+6.1%
(3) EDGE ACT BANKS (b)	**6/30/89:**	26	$0.26	$ 1.6	$ 2.0
	6/30/88:	28	0.29	1.9	2.4
		—2	—10.3%	—15.8%	—16.7%
(4) INVESTMENT COMPANIES	**6/30/89:**	11	$ 2.2	$ 0.4	$ 4.9
	6/30/88:	10	1.7	0.3	4.2
		+1	+29.4%	+33.3%	+16.7%
Totals for U.S. Offices of Foreign Banks (c)	**6/30/89:**	697	$178.9	$370.4	$695.6
	6/30/88:	666	164.3	331.2	638.3
		+31	+8.9%	+11.8%	+9.0%
Totals for All U.S. Banks (d)	**6/30/89:**	13,639	628.3	2,138.2	3,073.6
	6/30/88:	14,090r	$598.2	$2,042.5	$2,927.5
		—451	+5.0%	+4.7%	+5.0%
Ratio of Foreign to All U.S. Banks (e)	**6/30/89:**	5.1%	28.5%	17.3%	22.6%
	6/30/88:	4.7%	27.5%	16.2%	21.8%
	6/30/87:	4.4%	24.8%	16.3%	20.9%
	6/30/86:	4.3%	22.1%	14.2%	18.4%
	6/30/85:	4.1%	21.8%	15.6%	18.6%
	6/30/84:	3.6%	20.5%	14.9%	17.7%
	6/30/83:	3.6%	21.4%	12.4%	16.0%
	6/30/82:	3.2%	21.7%	11.2%	15.5%

All data totals and the number of offices shown here— under each office type— are for the banking offices providing data for the survey. **C&I loans, deposits and assets** for June 30, 1989 and June 30, 1988 were used for all banking offices. **(a)—** Commercial bank number count includes bank head offices only. Branches of these banks are not included. **(b)—** Edge bank number count includes Edge branches. To avoid double counting, data for Edge banks, which are subsidiaries of foreign bank-owned U.S. commercial banks, are excluded from the totals for C&I loans, deposits, and assets. **(c)—** The total number of U.S. banking offices of foreign banks— including those offices for which data were not available— were 704 on 6/30/89 and 675 on 6/30/88. **(d)—** The asset, deposit, and C&I data for all U.S. banks are from the Federal Reserve Bulletin. The number of U.S. banks includes all U.S.-chartered, FDIC-insured commercial banks; the U.S. branches and agencies of foreign banks; all U.S. Edge Act bank offices; and New York State investment companies. These data were provided by the Federal Deposit Insurance Corporation, and Federal Reserve Board. **(e)—** The ratio is all U.S. offices of foreign banks— including those for which data were not available— divided by all U.S. banking offices.

Growth in C&I Loans, Deposits, and Assets at U.S. Banks

Foreign Bank-Owned U.S. Banks Compared with U.S.-Owned Banks from 6/30/82 to 6/30/89 (Dollar Amounts in Billions)

Foreign Bank-Owned U.S. Banks[1]	C&I Loans June 30	% Chg.	Deposits June 30	% Chg.	Assets June 30	% Chg.
1989	$178.9	+8.9	$370.4	+11.8	$695.6	+9.0
1988	$164.3	+18.6	$331.2	+5.5	$638.3	+11.6
1987	$138.5	+21.3	$314.0	+23.0	$571.9	+24.1
1986	$114.2	+ 8.0	$255.3	- 1.6	$461.0	+ 8.7
1985	$105.7	+13.8	$259.5	+13.8	$423.8	+11.3
1984	$ 92.9	+ 9.4	$228.2	+27.5	$380.9	+18.4
1983	$ 84.9	+ 2.3	$179.0	+20.5	$321.6	+12.7
1982	$ 83.0	+19.9	$148.6	+17.9	$285.4	+ 9.1
U.S.-Owned U.S. Banks[2]						
1989	$449.4	+ 3.6	$1,767.8	+ 3.3	$2,378.0	+ 3.9
1988	$433.9	+ 3.4	$1,711.3	+ 6.3	$2,289.2	+ 6.1
1987	$419.5	+ 4.4	$1,609.4	+ 4.5	$2,158.5	+ 5.3
1986	$402.0r	+ 6.2	$1,540.8	+10.0	$2,050.7	+ 8.9
1985	$378.6	+ 5.2	$1,400.3	+ 7.3	$1,883.3	+ 8.6
1984	$360.0	+15.8	$1,304.7	+ 3.2	$1,734.6	+ 3.2
1983	$311.0	+ 2.4	$1,264.8	+ 7.4	$1,681.4	+ 7.1
1982	$303.7	+ 9.9	$1,177.2	+ 6.0	$1,569.3	+ 6.4

Data for this table are calculated by American Banker using its survey data of foreign banks in the U.S. and the Federal Reserve Board's aggregate data on all banks in the U.S. **(1)—** Foreign bank-owned U.S. banks include: commercial bank and Edge bank subsidiaries; branch and agency offices; and New York investment companies. **(2)—** U.S.-owned U.S. banks include all commercial banks and Edge banks in U.S. that are not owned by foreign banks. **Note:** Data for 1985 were not adjusted for the sale of Crocker National Bank, San Francisco, by Midland Bank PLC, London, to Wells Fargo Bank NA, San Francisco. Thus, 1986 growth is understated for foreign-owned U.S. banks and overstated for U.S. owned U.S. banks.

BEST AVAILABLE COPY

Summary of Survey Findings

Location of Foreign Banks' U.S. Offices: The Top 10 Cities

Excludes Offices Opened Since Mid-1989

		Total Offices[1]	Agencies	Branches	Commercial Bank Subs.	Edge Act Banks	Represent. Offices	Invest Co.
NEW YORK	6/30/89:	479	35	233	33	6	161	11
	6/30/88:	455	31	222	34	6	152	10
LOS ANGELES	6/30/89:	127	60	30	13	0	24	0
	6/30/88:	124	61	25	13	0	25	0
CHICAGO	6/30/89:	89	0	53	5	2	29	0
	6/30/88:	84	0	53	3	2	26	0
HOUSTON	6/30/89:	75	14	0	0	6	55	0
	6/30/88:	76	13	0	0	7	56	0
SAN FRANCISCO	6/30/89:	63	28	7	7	2	19	0
	6/30/88:	67	30	9	8	2	18	0
MIAMI	6/30/89:	54	35	0	3	9	7	0
	6/30/88:	53	33	0	3	9	8	0
ATLANTA	6/30/89:	27	15	0	0	0	12	0
	6/30/88:	25	15	0	0	0	10	0
WASHINGTON, D.C.	6/30/89:	14	0	3	0	1	10	0
	6/30/88:	15	0	3	0	1	11	0
DALLAS	6/30/89:	14	1	0	0	0	13	0
	6/30/88:	14	1	0	0	0	13	0
SEATTLE	6/30/89:	14	0	9	0	0	5	0
	6/30/88:	13	0	10	0	0	3	0
Total For 10 Largest	6/30/89:	956	188	335	61	26	335	11
	6/30/88:	926	184	322	61	27	322	10
Total for all U.S. Offices	6/30/89:	1,080	201	364	101	27	376	11
	6/30/88:	1,038	196	351	90	28	363	10
Total Number of Cities[2]	6/30/89:	81	15	20	41	7	37	1
	6/30/88:	62	14	16	28	7	36	1

[1]—Total offices is the sum of agencies, branches, commercial bank subsidiaries, Edge banks, representative offices, and investment companies.

[2]—The first number in this row shows the total number of **different** U.S. cities that have foreign banking offices. If office in one city included in data of office in another city, it is still in included in city total. Each of the six other numbers in that row indicate the number of U.S. cities that have banking offices of the six different types listed (agencies, branches, commercial bank subsidiaries, Edge Act banks, representative offices, and investment companies)

Top 10 Countries in C&I Loans Held by Banks' U.S. Offices

Dollar Amounts in Billions

		Number of Banks with US Offices	Number of US Offices	C&I Loans	Ratio	Deposits	Assets
JAPAN	6/30/89:	39	120	$100.3	56.1%	$195.6	$372.5
	6/30/88:	33	116	83.1	50.6%	162.1	328.7
		+6	+4	+20.7%		+20.7%	+13.3%
UNITED KINGDOM	6/30/89:	12	45	13.4	7.5%	26.7	40.2
	6/30/88:	11	46	15.1	9.2	30.0	45.4
		+1	—1	—11.3%		—11.0%	—11.5%
CANADA	6/30/89:	6	50	11.2	6.3%	19.3	42.4
	6/30/88:	6	46	13.1	8.0	21.9	46.3
		..	+4	—14.5%		—11.9%	—8.4%
ITALY	6/30/89:	13	27	10.5	5.9%	13.0	45.1
	6/30/88:	12	25	9.1	5.5	13.5	37.8
		+1	+2	+15.4%		—3.7%	+19.3%
HONG KONG	6/30/89:	10	30	6.6	3.7%	19.3	26.4
	6/30/88:	10	32	7.2	4.4	19.8	27.5
		..	—2	—8.3%		—2.5%	—4.0%
FRANCE	6/30/89:	15	39	5.1	2.9%	16.5	30.3
	6/30/88:	14	40	5.0	3.0	15.1	27.3
		+1	—1	+2.0%		+9.3%	+11.0%
SWITZERLAND	6/30/89:	7	18	4.9	2.7%	10.6	20.5
	6/30/88:	6	17	7.2	4.4	11.8	22.6
		+1	+1	—31.9%		—10.2%	—9.3%
NETHERLANDS	6/30/89:	4	22	3.3	1.8%	6.0	11.6
	6/30/88:	4	17	3.0	1.8	4.4	10.1
		..	+5	+10.0%		+36.4%	+14.9%
ISRAEL	6/30/89:	4	27	3.2	1.8%	10.7	12.2
	6/30/88:	4	26	3.2	1.9	9.2	10.6
		..	+1	0.0%		+16.3%	+15.1%
SPAIN	6/30/89:	9	28	2.8	1.6%	7.9	11.2
	6/30/88:	10	29	2.3	1.5%	6.4	9.2
		—1	—1	+21.7%		23.4%	+21.7%
Total for Top 10	6/30/89:	119	406	161.3	90.2%	325.6	612.4
	6/30/88:	113	387	148.7	90.5	294.7	569.8
		+6	+19	+8.5%		+10.5%	+7.5%
Total for All Foreign in the U.S. (a)	6/30/89:	281(56)	697	178.9	100.0%	370.4	695.6
	6/30/88:	266(57)	666	164.3	100.0%	331.2	638.3
		+15	+31	+8.9%		+11.8%	+8.9%

Number of US Offices: includes foreign banks' U.S. branches, agencies, Edge banks, commercial banks, and New York State investment companies. The number of U.S. offices reported for each country in the top 10 is the number for which June 30 data were available. 1988 data are for offices in existence then. **Ratio:** commercial and industrial loans outstanding at the U.S. offices of a country's banks to C&I loans outstanding at all U.S. offices of foreign banks. **(a)**—The total number of foreign countries is shown in parenthesis.

FOREIGN BANKS IN THE U.S.

Summary of Survey Findings

Totals for U.S. Branches

On June 30, 1989 (Dollar Amounts in Millions)

	Number	C&I Loans	Assets	Deposits
Los Angeles	30	4,736.0	13,466.9	4,180.0
San Francisco	7	404.7	2,500.2	181.9
San Jose, Calif.	1	5.0	10.3	3.9
District of Columbia	3	21.9	349.1	132.4
Agana, Guam	4	82.4	113.1	58.8
Chicago	53	16,027.0	37,488.0	8,549.3
Boston	9	515.4	1,016.2	175.4
New York	233	78,343.3	382,578.6	207,400.6
Portand, Ore.	5	508.3	3,094.3	2,744.5
Philadelphia	2	132.6	287.2	168.1
Pittsburgh	2	24.9	38.0	1.1
Puerto Rico	1	208.2	385.3	377.9
Virgin Islands	5	61.2	171.6	136.9
Seattle	9	1,005.3	2,042.3	601.7
Totals	**364**	**102,076.2**	**443,541.1**	**224,712.3**

Totals for U.S. Agencies

On June 30, 1989 (Dollar Amounts in Millions)

	Number	C&I Loans	Assets	Deposits
Beverly Hills	1	30.7	70.4	33.5
Irvine, Calif.	1	0.0	0.0	0.0
Long Beach, Calif.	1	18.9	51.9	0.0
Los Angeles	60	16,841.4	50,199.8	10,696.5
San Francisco	28	2,078.3	7,570.7	1,025.5
Boca Raton, Fla.	1	2.1	21.6	21.4
Coral Gables, Fla.	3	60.9	244.3	235.0
Miami	35	1,047.4	8,831.0	7,484.5
Miami Beach, Fla.	3	62.3	619.3	607.6
Tampa, Fla.	1	3.9	30.6	30.1
Atlanta	15	3,915.3	5,418.7	69.3
Honolulu	2	107.1	146.7	0.1
New York	35	1,770.3	7,982.1	2,129.0
Dallas	1	326.3	491.1	0.0
Houston	14	1,521.4	2,246.5	51.1
Totals	**201**	**27,786.4**	**83,924.8**	**22,383.4**

Top 25 U.S. Bank Subsidiaries

Based on C&I Loans on June 30, 1989

Rank 1989	Rank 1988	(Dollar Amounts in Millions)	6/30/89	6/30/88
1	2	National Westminster Bank USA, New York	6,568.9	5,491.1
2	1	Marine Midland Bank NA, Buffalo, N.Y.	5,274.1	5,657.6
3	6	Union Bank, San Francisco	4,602.6	151.8
4	4	Harris Trust & Savings Bank, Chicago	2,857.0	2,774.6
5	3	Bank of Tokyo rust Co., New York	2,847.0	2,972.5
6	12	National Westminster Bank NJ, Jersey City	2,179.1	1,329.7
7	10	Industrial Bank of Japan Trust Co., New York	2,175.9	1,439.4
8	7	Bank of California NA, San Francisco	1,851.1	1,847.9
9	8	Sanwa Bank California, San Francisco	1,737.1	1,761.8
10	9	European American Bank, New York	1,379.7	1,550.5
11	13	First National Bank of Maryland, Baltimore	1,359.5	1,176.4
12	11	Bank Leumi Trust Co., New York	1,306.2	1,332.0
13	15	Fuji Bank & Trust Co., New York	1,300.3	902.2
14	20	IBJ Schroder Bank & Trust Co., New York	781.7	667.8
15	17	Israel Discount Bank of New York	753.6	712.7
16	19	Sumitomo Bank of California, San Francisco	688.0	685.2
17	18	Mitsui Manufacturers Bank, Los Angeles	617.8	702.8
18	14	Tokai Bank of California, Los Angeles	579.1	1,001.2
19	22	Barclays Bank of New York NA	523.3	532.0
20	..	LTCB Trust Co., New York	522.8	336.3
21	23	Daiwa Bank Trust Co., New York	522.4	505.9
22	16	LaSalle National Bank, Chicago	476.3	718.5
23	24	Marine Midland Bank (Delaware), Wilmington	436.2	389.7
24	..	Banco Central Corp., Hato Rey, P.R.	389.3	339.1
25	25	Banco Santander-Puerto Rico, Hato Rey	384.9	371.4

Top 25 Branches in the U.S.

Based on C&I Loans on June 30, 1989

Rank 1989	Rank 1988	(Dollar Amounts in Millions)	6/30/89	6/30/88
1	4	Dai-Ichi Kangyo Bank Ltd., New York	4,406.0	3,615.8
2	3	Mitsubishi Bank Ltd., New York	4,169.0	3,830.4
3	1	Sumitomo Bank Ltd., New York	3,924.0	4,845.9
4	5	Sanwa Bank Ltd., New York	3,789.0	3,491.6
5	6	Fuji Bank Ltd., New York	3,597.0	2,950.0
6	7	Bank of Tokyo Ltd., New York	3,475.0	2,596.0
7	2	Swiss Bank Corp., New York	3,137.0	4,480.0
8	11	Nippon Credit Bank, New York	3,056.4	2,025.1
9	8	Long-Term Credit Bank of Japan, New York	2,783.1	2,520.3
10	9	Banco di Napoli, New York	2,634.5	2,330.2
11	12	Industrial Bank of Japan Ltd., New York	2,509.8	1,982.7
12	20	Tokai Bank Ltd., New York	2,335.1	1,253.2
13	10	Bank of Montreal, Chicago	2,092.0	2,315.1
14	19	Mitsui Trust & Banking Co. Ltd., New York	2,040.3	1,259.7
15	13	Mitsui Bank Ltd., New York	2,016.1	1,934.9
16	18	Mitsubishi Trust & Banking Corp., New York	1,846.7	1,418.7
17	17	Taiyo Kobe Bank Ltd., New York	1,551.3	1,452.4
18	21	Lloyds Bank Plc, Chicago	1,454.2	1,236.8
19	..	Sumitomo Bank Ltd., Chicago	1,352.1	939.5
20	..	Mitsubishi Bank Ltd., Los Angeles	1,343.5	1,128.8
21	..	Fuji Bank Ltd., Chicago	1,243.5	495.2
22	14	Daiwa Bank Ltd., New York	1,155.3	1,739.7
23	..	Sumitomo Trust & Banking Co. Ltd., New York	1,151.8	949.7
24	..	Dai-Ichi Kangyo Bank, Ltd., Chicago	1,135.4	864.6
25	..	Saitama Bank Ltd., New York	1,029.7	471.6

Top 25 Agencies in the U.S.

Based on C&I Loans on June 30, 1989

Rank 1989	Rank 1988	(Dollar Amounts in Millions)	6/30/89	6/30/88
1	1	Industrial Bank of Japan Ltd., Los Angeles	1,826.9	1,490.5
2	3	Long-Term Credit Bank of Japan, Ltd., Los Angeles	1,486.9	1,173.1
3	8	Mitsui Trust & Banking Co. Ltd., Los Angeles	1,476.2	859.2
4	2	Bank of Nova Scotia, Atlanta	1,322.0	1,255.4
5	5	Dai-Ichi Kangyo Bank, Los Angeles	956.9	1,001.1
6	7	Fuji Bank Ltd., Los Angeles	897.3	906.8
7	6	Bank of Tokyo Ltd., Los Angeles	834.1	931.5
8	10	Mitsui Bank Ltd., Los Angeles	822.5	773.2
9	9	Mitsubishi Trust & Banking Corp., Los Angeles	800.2	801.8
10	12	Yasuda Trust & Banking Co. Ltd., Los Angeles	751.5	575.4
11	13	Tokai Bank Ltd., Los Angeles	726.6	513.9
12	14	Sumitomo Trust & Banking Co. Ltd., Los Angeles	701.4	447.6
13	11	Taiyo Kobe Bank Ltd., Los Angeles	621.5	720.2
14	14	Sumitomo Bank Ltd., San Francisco	584.6	160.2
15	20	Bancomer, Los Angeles	556.2	226.6
16	17	Nippon Credit Bank Ltd., Los Angeles	516.0	398.4
17	22	Daiwa Bank Ltd., Los Angeles	483.8	335.4
18	25	Banco di Roma, San Francisco	391.7	277.1
19	..	Dai-Ichi Kangyo Bank Ltd., Atlanta	379.8	189.8
20	..	Banco Nacional de Mexico, New York	379.4	140.3
21	16	Sanwa Bank Ltd., Atlanta	367.8	406.2
22	..	Canadian Imperial Bank of Commerce, Atlanta	362.2	129.1
23	..	Fuji Bank Ltd., San Francisco	343.9	165.6
24	..	Sanwa Bank Ltd., Dallas	326.3	57.3
25	15	Kyowa Bank, Los Angeles	319.4	420.8

Foreign Office Roundup

Offices opened, acquired, upgraded and closed since June 30, 1988, listed geographically (dollar amounts in thousands)

Offices Opened★	Type of Office	Location	C&I Loans 6/30/89	Deposits 6/30/89	Assets 6/30/89
National Bank of Canada, Montreal	Agency	Irvine, Calif.	0	0	0
Bank of China, Peking	Branch	Los Angeles	3,841	10,211	21,555
National Bank of Canada, Montreal	Agency	Los Angeles	0	0	0
Seoul Bank of California, Korea	Commercial Bank	Los Angeles	1,026	26,177	32,578
Bank of Communications, Taipei	Branch	San Jose	5,000	3,940	10,282
Banco Mercantil, Caracas	Agency	Coral Gables, Fla.	0	0	0
Banco Exterior de los Andes, Caracas	Agency	Miami	2,689	39,919	49,922
Deutsche Genossenschaftsbank, Frankfurt	Agency	Atlanta	10,850	0	11,013
Deutsche Bank, Frankfurt	Branch	Chicago	5,355	0	10,275
Long-Term Credit Bank of Japan Ltd., Tokyo	Branch	Chicago	430,666	103,000	554,304
ASLK-CGER Bank, Brussels	Branch	New York	0	0	7,038
Banco di Santo Spirito, Rome	Branch	New York	104,179	73,790	567,187
Banco Latinoamericano de Exportaciones, Panama	Agency	New York	0	0	116,977
Bank of Kyoto, Ltd., Japan	Branch	New York	12,070	445,946	262,998
Bank of Oman, Ltd., Dubai, U.A.E.	Branch	New York	740	5,763	6,847
Bergen Bank, Norway	Branch	New York	12,585	2,068	24,164
Credit Nacional, Paris	Agency	New York	25,782	0	26,783
Hiroshima Bank, Ltd., Japan	Branch	New York	58,491	975,693	1,172,186
Joyo Bank, Ltd., Mito, Japan	Branch	New York	106,010	1,750,198	1,964,967
Scandinavian Bank Group Plc, London	Branch	New York	0	0	54,601
Shinhan Bank, Seoul	Branch	New York	0	6,240	25,815
Shizuoka Bank Ltd., Japan	Agency	New York	0	79,000	215,870
State Bank of South Australia, Adelaide	Agency	New York	0	0	3,810
Swiss Volksbank, Berne	Branch	New York	0	175,384	226,570
Taiyo Kobe Bank & Trust Co., Japan	Commercial Bank	New York	13,562	28,352	48,571
PKBanken, Stockholm	Investment Co.	Rye, New York	......	......	....
Banco di Roma, Italy	Agency	Houston	20,000	0	20,079
Commercial Bank Subsidiaries Acquired‡					
Bank of Tokyo Ltd.[1]	Commercial Bank	Los Angeles	(1)	(1)	(1)
Banque National de Paris[2]	Commercial Bank	San Francisco	.....	.....	.....
Algemene Bank Nederland, Amsterdam[3]	Commercial Bank	Chicago	109,818	522,211	568,505
Algemene Bank Nederland, Amsterdam[3]	Commercial Bank	Chicago	49,906	651,125	742,711
Algemene Bank Nederland, Amsterdam[3]	Commercial Bank	Northbrook, Ill.	53,105	198,943	216,502
Algemene Bank Nederland, Amsterdam[3]	Commercial Bank	Westmont, Ill.	18,293	125,472	135,373
Algemene Bank Nederland, Amsterdam[4]	Bank Holding Co.	Chicago	.....	.....	.....
Bank of Montreal[5]	Commercial Bank	Batavia, Ill.	4,865	45,802	49,525
Bank of Montreal[5]	Commercial Bank	St. Charles, Ill.	21,362	136,575	147,361
Bank of Ireland, Dublin[6]	Commercial Bank	Portland, Me.	0	44,990	56,360
Bank of Ireland, Dublin[6]	Commercial Bank	Exeter, N.H.	46,274	218,045	240,339
Bank of Ireland, Dublin[6]	Commercial Bank	Keene, N.H.	0	76,528	91,833
Bank of Ireland, Dublin[6]	Commercial Bank	Lebanon, N.H.	15,143	130,273	144,996
Bank of Ireland, Dublin[6]	Commercial Bank	Manchester, N.H.	201,152	545,145	641,734
Bank of Ireland, Dublin[6]	Commercial Bank	Wolfeboro, N.H.	16,250	125,024	135,922
Royal Bank of Scotland, Edinburgh[7]	Commercial Bank	Providence, R.I.	133,287	459,843	542,892
Thrifts Acquired‡					
Banco de Santander, Madrid[8]	Federal Savings Bank	Bayamon, P.R.	N.A.	795,204	1,099,122
Royal Bank of Scotland, Edinburgh[7]	State Savings Bank	Providence, R.I.	N.A.	1,671,000	2,171,000
Royal Bank of Scotland, Edinburgh[9]	State Savings Bank	Worcester, Mass.	.....	.....	.....
Office Upgraded from Represenative Office					
Ashikaga Bank, Ltd., Utsunomiya, Japan	Branch	New York	107,373	236,520	313,528
Bank of Fukuoka, Ltd., Japan	Branch	New York	25,000	208,300	341,243
Iyo Bank, Ltd., Matsuyama, Japan	Branch	New York	0	13,700	23,741
Bank of Kinki, Ltd., Osaka, Japan[10]	Branch	New York	.....	.....	.....
Bank of Nagoya Bank, Ltd., Japan[11]	Branch	New York	.....	.....	.....
Fukuoka City Bank, Ltd., Japan[10]	Branch	New York	.....	.....	.....
Fukutoku Bank, Ltd., Osaka, Japan[11]	Branch	New York	.....	.....	.....
Hyogo Bank, Ltd., Kobe, Japan[10]	Branch	New York	.....	.....	.....
Offices Closed Since 6/30/88‡			6/30/88	6/30/88	6/30/88
Banco di Roma, Rome	Rep. Office	Los Angeles	.....	.....	.....
Mitsubishi Bank Ltd., Tokyo[12]	Commercial Bank	Los Angeles	177,906	1,350,378	1,491,204
Standard Chartered Bank Plc, London[13]	Commercial Bank	Los Angeles	2,641,313	6,815,706	8,736,328
Standard Chartered Bank Plc, London	Agency	San Francisco	10,973	0	11,697
Toronto Dominion Bank	Agency	San Francisco	94,221	0	131,238
Banque Paribas, Paris	Rep. Office	D.C.	.....	.....	.....
Banque Intercommerciale de Gestion, Lausanne	Rep. Office	Miami	.....	.....	.....
Banco de la Nacion Argentina, Buenos Aires	Branch	Chigago	72,120	177	169,081
Banco Bilbao Vizcaya, Bilbao, Spain[14]	Commercial Bank	Farmington, N.M.	N.A.	N.A.	N.A.
Gulf Bank, Manama, Bahrain	Branch	New York	0	98,009	563,640
Volkskas Ltd., Pretoria, South Africa	Rep. Office	New York	.....	.....	.....
Canadian Imperial Bank of Commerce, Toronto	Branch	Pittsburgh	0	0	0
Societe Generale International Inc., Paris	Edge Bank	Dallas	N.A.	N.A.	N.A.
Banca Nazionale del Lavoro, Rome	Rep. Office	Houston	.....	.....	.....
Banque Paribas, Paris[15]	Edge Bank	Houston	2,076	26,328	30,208
Korea Exchange Bank, Seoul	Rep. Office	Houston	.....	.....	.....
Sumitomo Bank Ltd., Osaka, Japan	Branch	Seattle	219,926	254,061	553,364
Data Unavailable†					
Lloyds Bank Plc, London[16]	Branch	San Francisco	0	0	37
Credit Lyonnais, Paris	Agency	Atlanta	N.A.	N.A.	N.A.
Lloyds Bank Plc, London[16]	Agency	Atlanta	2,102	280,440	283,109
Credit Commercial de France, Paris	Branch	Chicago	0	0	204
Barclays Bank Plc, London	Agency	New Orleans	0	0	2,000
Bank of Bermuda Ltd., Hamilton	Edge Bank	New York	1,060	4,995	42,651
Mitsubishi Bank Ltd., Tokyo	Commercial Bank	New York	0	235	13,703

(★)— Offices were opened between 6/30/88 and 6/30/89. Data for 6/30/89 are reported to the right of the bank's name, and information regarding the bank is included in a footnote. **(‡)**— Existing institutions acquired by foreign banks. **(‡)**— Offices were closed between 6/30/88 and 6/30/89. Data for 6/30/88 are reported to the right of the bank's name, and information regarding the bank is included in a footnote. **(†)**— Data for 6/30/88 were not available. Therefore, these offices are not included in any of today's other listings of foreign banks in the U.S. Data for 6/30/88 are reported to the right of the bank's name, and information regarding the bank is included in a footnote. American Banker contacted each of these banking offices listed, requesting midyear 1988 data. These offices did not respond to this request, and Federal Reserve Board data were not available.

(1)— Acquired Union Bank from Standard Chartered Bank Plc, London, 10/88. See offices closed for details. **(2)**— In the process of acquiring the $1.1 billion-asset Central Bank. **(3)**— Acquired Lake View Trust & Savings Bank, Chicago, Northwest National Bank, Chicago, Northbrook Trust & Savings Bank, and the Bank of Westmont in June 1988, and changed their titles to LaSalle Bank Lake View, LaSalle Northwest National Bank, LaSalle Bank Northbrook, and LaSalle Bank Westmont, respectively. **(4)**— Acquired $2.9 billion-asset Exchange Bancorp. for $420 million in Jan. 1990, and will merge Exchange with LaSalle National Corp. **(5)**— Acquired First National Bank, Batavia, and State Bank of St. Charles in Sept. 1988, and changes their titles to Harris Bank Batavia NA and Harris Bank St. Charles, respectively. **(6)**— Acquired First NH Banks, Inc., Manchester, N.H. and its bank subsidiaries: First NH Bank, Portland, Me.; Exeter Banking Co., N.H.; First Cheshire Bank, Keene, N.H.; First New Hampshire Bank, Lebanon; First NH Bank NA, Manchester, N.H.; and Wolfeboro National Bank, N.H., on Dec. 16, 1988. **(7)**— Acquired Citizens Financial Group, Inc. its commercial bank subsidiary, Citizens Trust Co., and its thrift subsidiary, Citizens Savings Bank, on Dec. 16, 1988. **(8)**— Acquired Federal Savings Bank of Puerto Rico, and changed its title to Santander Federal Savings Bank, on March 13, 1989. **(9)**— Announced on Friday, 2/16/90, that its U.S. subsidiary— Citizens Fiancial Group— will acquire BankWorcester Corp., parent of the $1.2 billion Worcester County Institution for Savings, for $149 million cash. **(10)**— Will convert from a rep. office in April 1990. **(11)**— Currently awaiting Japanese Ministry of Fininance aproval before applying for conversion from a rep. office to a branch with New York state banking department. **(12)**— Merged Mitsubishi Bank of California into its other bank subsidiary— Bank of California NA, San Francisco— on July 29, 1988. **(13)**— Sold Union Bank to Bank of Tokyo Ltd. in Oct. 1988. Union Bank was merged into Bank of Tokyo's bank subsidiary— California First Bank, San Francisco. California First then changed its title to Union Bank. **(14)**— Sold San Juan National Bank to First National Bank, Farmington on June 30, 1988. **(15)**— Closed in Dec. 1988. **(16)**— Offices will close in the first quarter of 1990. In Sept. 1989, the bank sold its U.S. middle-market lending business to Daiwa Bank Ltd., Tokyo, for a premium of $200 million.

Compiled by American Banker, Copyright 1990.

FOREIGN BANKS IN THE U.S.

C&I Loans at Foreign Banks' U.S. Bank Subsidiaries

Listed Alphabetically, within City, with Loans, Assets, and Deposits on June 30, 1989, Compared with June 30, 1988 (Dollar Amounts in Thousands)

	Name and Location of Commercial Bank Subsidiary Name of Parent	C&I Loans Outstanding			Total Assets		Total Deposits		Deposit Rank
		Total 6/30/89	Domestic 6/30/89	Total 6/30/88	6/30/89	6/30/88	6/30/89	6/30/88	6/30/89
ARIZONA	**Harris Trust Bank of Arizona, Phoenix** Bank of Montreal	5,047	5,047	N.A.	30,520	N.A.	26,008	N.A.	...
CALIFORNIA	**Grossmont Bank, La Mesa** Bancomer, Mexico City	76,374	76,374	72,737	319,088	275,617	280,651	245,259	...
	National Bank of Long Beach Aktivbanken, Vejle, Denmark	99,273	99,273	75,888	269,263	250,675	232,479	225,134	...
	California Commerce Bank, Los Angeles Banco Nacional de Mexico, Mexico City	125,793	74,981	89,538	448,914	314,477	407,442	292,024	...
	California Korea Bank, Los Angeles Korea Exchange Bank, Seoul	104,907	104,907	101,759	314,917	279,981	284,706	253,223	...
	Canadian Imperial Bk of Comm. (Calif.), Los Angeles Canadian Imperial Bank of Commerce, Toronto	83,940	83,940	354,305	174,348	519,899	270	39,505	...
	Dai-Ichi Kangyo Bank of California, Los Angeles Dai-Ichi Kangyo Bank Ltd., Tokyo	82,376	82,376	89,353	441,751	329,047	384,730	291,035	...
	First Los Angeles Bank Istituto Bancario San Paolo di Torino, Turin, Italy	257,133	257,133	211,685	865,450	765,369	783,120	659,217	375
	Harris Trust Co. of California, Los Angeles Bank of Montreal	0	0	0	6,665	6,367	0	0	...
	International Bank of California, Los Angeles Metropolitan Bank & Trust Co. Co., Manila, Philippines	31,931	31,931	28,245	102,054	86,370	87,222	74,576	...
	Kyowa Bank of California, Los Angeles Kyowa Bank Ltd., Tokyo	19,797	19,797	19,178	101,955	98,719	79,687	78,034	...
	Manilabank California, Los Angeles Manila Banking Corp., Philippines	3,263	3,263	5,087	34,604	32,405	30,686	26,280	...
	Mitsui Manufacturers Bank, Los Angeles Mitsui Bank Ltd., Tokyo	617,841	617,841	702,839	1,377,491	1,694,438	1,206,461	1,533,801	264
	Seoul Bank of California, Los Angeles Bank of Seoul, Korea	1,026	1,026	....	32,578	....	26,177	....	...
	State Bank of India (California), Los Angeles State Bank of India, Bombay	5,783	5,783	6,964	25,140	25,625	22,687	22,225	...
	Tokai Bank of California, Los Angeles Tokai Bank Ltd., Nagoya, Japan	579,123	579,123	1,001,236	1,025,166	2,222,534	891,217	847,129	340
	Bank of California NA, San Francisco Mitsubishi Bank Ltd., Tokyo	1,851,125	1,716,076	1,847,937	6,994,932	6,347,010	4,617,081	4,548,237	83
	Bank of the West, San Francisco (a) Banque Nationale de Paris	339,239	339,239	274,749	1,812,171	1,476,662	1,434,694	1,164,857	239
	Century Bank, San Francisco **(b)**	8,746	8,746	14,757	67,822	63,532	49,803	49,340	...
	Oceanic Bank, San Francisco Allied Banking Corp., Manila, Philippines	6,522	6,522	7,774	48,647	50,875	36,524	39,177	...
	Sanwa Bank California, San Francisco Sanwa Bank Ltd., Osaka, Japan	1,737,133	1,730,213	1,761,781	6,702,966	5,859,180	5,524,297	4,648,989	66
	Sumitomo Bank of California, San Francisco Sumitomo Bank Ltd., Osaka, Japan	688,032	684,639	685,189	3,973,505	3,479,303	3,356,871	3,135,872	110
	Union Bank, San Francisco Bank of Tokyo Ltd.	4,602,646	4,515,177	1,951,792	15,149,595	6,332,592	11,137,492	5,546,424	23
	First State Bank of Sthn Calif., Santa Fe Spring Hanil Bank Ltd., Seoul, Korea	26,397	26,397	21,588	111,691	109,156	97,126	96,370	...
DELAWARE	**First Omni Bank NA, Millsboro** Allied Irish Banks Plc, Dublin	48	48	5,862	495,979	453,426	398,195	384,240	...
	Barclays Bank of Delaware NA, Wilmington Barclays Plc, London	0	0	0	695,118	475,795	0	0	...
	Marine Midland Bank (Delaware), Wilmington Hongkong & Shanghai Banking Corp., Hong Kong	436,222	436,222	389,728	2,118,066	1,929,429	647,863	611,663	421
FLORIDA	**Eagle National Bank, Miami** Banco de Colombia, Bogota	46,746	46,654	44,248	197,050	207,384	178,950	189,577	...
	Miami National Bank Banco Zaragozano, Spain	6,579	6,579	6,994	49,496	52,984	46,323	48,406	...
	Pacific National Bank, Miami Banco del Pacifico, Guayaquil, Ecuador	6,930	3,859	11,335	141,623	135,273	129,632	127,644	...
ILLINOIS	**Harris Bank Barrington NA** Bank of Montreal	35,561	35,561	23,914	408,913	395,565	370,122	354,104	...
	Harris Bank Batavia NA Bank of Montreal	4,865	4,865	....	49,525	....	45,802	....	...
	Harris Trust & Savings Bank, Chicago Bank of Montreal	2,856,958	2,801,881	2,774,639	9,883,579	9,523,074	6,642,406	6,774,082	47
	LaSalle Bank Lake View, Chicago Algemene Bank Nederland, Amsterdam, Netherlands	109,818	109,818	....	568,505	....	522,211	....	487
	LaSalle National Bank, Chicago Algemene Bank Nederland, Amsterdam, Netherlands	476,347	476,259	718,459	1,366,427	1,643,932	1,130,059	1,144,335	280
	LaSalle Northwest National Bank, Chicago Algemene Bank Nederland, Amsterdam, Netherlands	49,906	49,906	....	742,711	....	651,125	....	419
	Marine Bank, Chicago Banco di Roma	0	0	14,642	45,955	28,029	42,130	21,393	...
	Harris Bank Glencoe-Northbrook NA, Glencoe Bank of Montreal	33,681	33,681	30,256	200,659	184,522	186,479	171,284	...
	Harris Bank Hinsdale NA Bank of Montreal	64,271	64,271	49,580	321,998	291,347	278,015	264,588	...
	La Salle Bank of Lisle Algemene Bank Nederland, Amsterdam, Netherlands	15,753	15,753	N.A.	135,997	N.A.	124,981	N.A.	...
	Harris Bank Naperville Bank of Montreal	92,173	92,173	74,137	396,183	343,219	345,165	309,104	...
	LaSalle Bank Northbrook Algemene Bank Nederland, Amsterdam, Netherlands	53,105	53,105	....	216,502	....	198,943	....	...
	Harris Bank Roselle Bank of Montreal	42,321	42,321	40,339	244,858	244,898	225,338	225,976	...
	Harris Bank St. Charles Bank of Montreal	21,362	21,362	....	147,361	....	136,575	....	...

For footnotes, see page 24A.

C&I Loans at Foreign Banks' U.S. Bank Subsidiaries

Listed Alphabetically, within City, with Loans, Assets, and Deposits on June 30, 1989, Compared with June 30, 1988
(Dollar Amounts in Thousands)

	Name and Location of Commercial Bank Subsidiary Name of Parent	C&I Loans Outstanding			Total Assets		Total Deposits		Deposit Rank
		Total 6/30/89	Domestic 6/30/89	Total 6/30/88	6/30/89	6/30/88	6/30/89	6/30/88	6/30/89
ILLINOIS (Continued)	**Harris Bank Argo, Summit** Bank of Montreal	3,817	3,817	5,448	94,672	88,116	86,666	81,035	...
	LaSalle Bank Westmont Algemene Bank Nederland, Amsterdam, Netherlands	18,293	18,293	....	135,373	....	125,472	....	...
	Harris Bank Wilmette NA Bank of Montreal	2,941	2,941	2,224	43,586	38,472	40,423	35,810	...
	Harris Bank Winnetka NA Bank of Montreal	73,870	73,870	57,942	195,433	190,216	175,629	171,516	...
MAINE	**First NH Bank, Portland** Bank of Ireland, Dublin	0	0	....	56,360	....	44,990	....	...
MARYLAND	**First National Bank of Maryland, Baltimore** Allied Irish Banks Plc, Dublin	1,359,481	1,229,603	1,176,381	5,996,269	5,499,825	4,412,830	4,070,545	84
NEW HAMPSHIRE	**Exeter Banking Co.** Bank of Ireland, Dublin	46,274	46,274	....	240,339	....	218,045	....	...
	First Cheshire Bank, Keene Bank of Ireland, Dublin	0	0	....	91,833	....	76,528	....	...
	First New Hampshire Bank, Lebanon Bank of Ireland, Dublin	15,143	15,143	....	144,996	....	130,273	....	...
	First NH Bank NA, Manchester Bank of Ireland, Dublin	201,152	201,152	....	641,734	....	545,145	....	...
	Wolfeboro National Bank Bank of Ireland, Dublin	16,250	16,250	....	135,922	....	125,024	....	...
NEW JERSEY	**National Westminster Bank NJ, Jersey City** National Westminster Bank Plc, London	2,179,073	2,179,073	1,329,663	5,170,630	3,263,700	4,303,298	2,786,430	87
NEW MEXICO	**National Bank of Albuquerque** Banco Bilbao Vizcaya, Bilbao, Spain	0	0	23,135	50,612	70,210	45,741	63,994	...
	Banquest First National Bank, Santa Fe Banco Bilbao Vizcaya, Bilbao, Spain	24,746	24,746	27,529	178,767	200,954	164,750	181,136	...
	First State Bank, Taos Banco Bilbao Vizcaya, Bilbao, Spain	0	0	5,687	43,900	40,005	39,445	36,727	...
NEW YORK	**Marine Midland Bank NA, Buffalo** Hongkong & Shanghai Banking Corp., Hong Kong	5,274,113	4,407,703	5,657,631	21,309,769	22,268,209	16,921,249	17,070,312	15
	Atlantic Bank of New York National Bank of Greece, Athens	219,580	217,500	162,319	1,086,071	1,084,372	861,412	755,307	348
	Banco Central of New York Banco Central, Madrid, Spain	59,143	57,732	58,926	447,076	416,226	292,840	352,876	...
	Banco de Bogota Trust Co., New York Banco de Bogota, Colombia	95,480	22,443	55,904	230,624	198,042	176,433	150,406	...
	Bank Audi USA, New York Audi Group **(c)**	90,093	90,093	69,214	411,735	337,186	314,089	275,061	...
	Bank Leumi Trust Co., New York Bank Leumi le-Israel, Tel-Aviv	1,306,231	1,238,824	1,331,956	3,225,447	2,900,320	2,924,521	2,640,849	129
	Bank of Nova Scotia Trust Co., New York Bank of Nova Scotia, Toronto	0	0	....	5,175	....	3,244	....	...
	Bank of Tokyo Trust Co., New York Bank of Tokyo Ltd.	2,847,015	2,688,559	2,972,515	8,112,117	7,069,113	5,645,414	5,443,140	61
	Barclays Bank of New York NA Barclays Plc, London	523,345	523,345	532,004	3,230,254	2,901,256	2,653,334	2,315,398	145
	Canadian Imperial Bank of Commerce (New York) Canadian Imperial Bank of Commerce, Toronto	304,395	304,395	583,901	626,904	961,564	50,957	20,935	...
	Chinese American Bank, New York International Commercial Bank of China, Taipei, Taiwan	16,910	16,910	13,212	519,949	497,322	470,022	455,165	...
	Daiwa Bank Trust Co., New York Daiwa Bank Ltd., Osaka, Japan	522,354	473,945	505,904	2,265,468	2,268,575	1,434,726	1,686,662	238
	Dominican Bank, New York Grupo Financiero Populare, Dominican Republic **(d)**	0	0	4,641	34,502	26,557	28,712	22,727	...
	European American Bank, New York (e) European-American Group	1,379,737	1,353,444	1,550,469	5,446,618	5,278,000	4,681,104	4,222,198	82
	Fuji Bank & Trust Co., New York Fuji Bank Ltd., Tokyo	1,300,305	1,237,184	902,172	4,370,782	4,619,324	2,601,025	2,654,349	148
	IBJ Schroder Bank & Trust Co., New York Industrial Bank of Japan Ltd., Tokyo	781,721	615,715	667,831	3,930,930	4,822,558	1,447,486	1,375,458	237
	Industrial Bank of Japan Trust Co., New York Industrial Bank of Japan Ltd., Tokyo	2,175,878	2,077,204	1,439,412	4,807,281	4,330,502	3,051,981	2,646,623	122
	Israel Discount Bank of New York Israel Discount Bank, Tel-Aviv	753,603	640,796	712,682	4,512,114	4,044,551	4,144,162	3,706,333	122
	Korea Commercial Bank of New York Commercial Bank of Korea Ltd., Seoul	19,062	19,062	8,995	82,153	75,276	72,796	66,935	...
	Korea First Bank of New York Korea First Bank, Seoul	4,664	4,664	5,071	91,947	74,069	77,168	60,497	...
	LBS Bank, New York Ljubljanska Banka, Ljubljana, Yugoslavia	31,835	21,092	20,043	141,982	104,508	104,350	41,851	...
	LTCB Trust Co., New York Long-Term Credit Bank of Japan Ltd., Tokyo	522,820	522,820	336,333	825,741	642,507	217,572	77,768	...
	Mitsubishi Trust & Banking Corp. (USA), New York Mitsubishi Trust & Banking Corp., Tokyo	58,405	52,405	102,790	212,160	390,568	60,937	182,392	...
	Mitsui Trust Bank (USA), New York Mitsui Trust & Banking Co. Ltd., Tokyo	20,439	20,439	16,622	102,122	71,170	29,511	2,609	...
	National Westminster Bank USA, New York National Westminster Bank Plc, London	6,568,859	6,418,567	5,491,071	13,998,161	12,611,447	11,751,815	10,378,706	21
	Royal Bank & Trust Co., New York Royal Bank of Canada, Montreal	0	0	23,626	10,324	111,802	3,908	80,217	...
	Safra National Bank, New York Banco Safra, Sao Paulo, Brazil	21,223	17,841	11,234	512,875	315,889	433,920	275,028	...
	Sumitomo Trust & Banking Co. USA, New York Sumitomo Trust & Banking Co. Ltd., Osaka, Japan	72,403	72,403	22,975	316,770	112,419	171,329	84,283	...
	Taiyo Kobe Bank & Trust Co., New York Taiyo Kobe Bank Ltd., Kobe, Japan	13,562	13,562	....	48,571	...	28,352	....	...
	Toronto Dominion Bank & Trust Co., New York Toronto Dominion Bank, Canada	0	0	N.A.	19,636	N.A.	10,571	N.A.	...

For footnotes see page 24A.

FOREIGN BANKS IN THE U.S.

C&I Loans at Foreign Banks' U.S. Bank Subsidiaries

Listed Alphabetically, within City, with Loans, Assets, and Deposits on June 30, 1989, Compared with June 30, 1988 (Dollar Amounts in Thousands)

	Name and Location of Commercial Bank Subsidiary Name of Parent	C&I Loans Outstanding			Total Assets		Total Deposits		Deposit Rank
		Total 6/30/89	Domestic 6/30/89	Total 6/30/88	6/30/89	6/30/88	6/30/89	6/30/88	6/30/89
NEW YORK (Continued)	**UBAF Arab American Bank, New York (f)** Al UBAF Banking Group, Neuilly, France	211,403	147,346	299,000	735,035	1,162,856	561,662	817,103	459
	UMB Bank & Trust Co., New York United Mizrahi Bank Ltd., Tel-Aviv, Israel	63,084	58,404	88,486	537,844	598,066	390,712	350,069	...
	Union Chelsea National Bank, New York Banco Union, Caracas, Venezuela	71,781	66,261	114,348	288,236	302,878	264,930	282,333	...
	Yasuda Bank & Trust Co., New York Yasuda Trust & Banking Co. Ltd., Tokyo	62,820	57,820	9,438	193,191	122,126	63,950	61,409	...
	Extebank, Stony Brook Banco Exterior de Espana, Madrid, Spain	308,954	303,602	277,242	690,893	576,514	612,640	509,686	434
NORTH CAROLINA	**Barclays Bank of North Carolina, Charlotte** Barclays Plc, London	27,940	27,940	23,403	263,463	231,709	218,036	174,272	...
PUERTO RICO	**Banco Central Corp., Hato Rey** Banco Central, Madrid, Spain	389,266	389,266	339,066	1,455,449	1,304,592	1,110,651	998,995	284
	Banco Santander-Puerto Rico, Hato Rey Banco de Santander, Spain	384,886	384,886	371,398	2,052,449	1,653,486	1,840,557	1,453,240	199
	Banco Commercial de Mayaguez, San Juan Banco Occidental de Madrid, Spain	42,927	42,927	41,709	374,524	366,940	319,132	306,970	...
	Scotiabank de Puerto Rico, San Juan Bank of Nova Scotia, Toronto, Canada	206,215	206,215	101,584	582,980	434,369	492,592	368,589	...
	Royal Bank de Puerto Rico, Santurce Royal Bank of Canada, Montreal	37,932	37,932	38,644	530,412	528,730	479,750	471,389	...
RHODE ISLAND	**Citizens Trust Co., Providence** Royal Bank of Scotland, Edinburgh, U.K.	133,287	133,287	....	542,892	....	459,843	....	...

Data Sources: **American Banker** questionnaire and data from the federal regulatory consolidated report of condition. Data are for U.S.-chartered commercial banks 50% or more owned by foreign banks. Banks owned by foreign individuals are excluded. **Total C&I loans** are commercial and industrial loans reported on a consolidated basis to include a bank's domestic and foreign branches and its Edge bank subsidiaries. **Domestic C&I loans** are commercial and industrial loans booked in a bank's domestic offices only. **Deposit rank:** bank's rank among all U.S. banks on 6/30/89. **(a)**— Federal Reserve approved its application to acquire the $1.1 billion-asset Central Bank, San Francisco, in Dec. 1989. **(b)**— Bank is owned by (1) Philippine National Bank; (2) Land Bank of the Philippines; (3) Development Bank of the Philippines; (4) Philippine Government Services Insurance System; and (5) Philippine Social Security System. **(c)**— The Audi Group consists of Banque Audi, Beirut, Lebanon; Bank Audi (Switzerland), Zurich; and Banque Audi (France), Paris. **(d)**— Owned by a group comprised of individuals; Venezuelan industrial companies; and Banco la Guaira International, Caracas. **(e)**— Owned by five European banks: (1) Amsterdam-Rotterdam Bank, Amsterdam; (2) Creditanstalt-Bankverein, Vienna; (3) Midland Bank Plc., London; (4) Societe Generale de Banque, Brussels; and (5) Societe Generale, Paris. Deutsche Bank, Frankfurt, sold its 23.5% stake in the company to Amsterdam Rotterdam Bank, which now owns more than 43% of EAB. **(f)**— The bank, which is member of the Al UBAF Banking Group, Neuilly, France, has 22 shareholders. They are: (1) Alahli Bank of Kuwait; (2) Arab African International Bank, Cairo; (3) Arab Bank Ltd., Aman, Jordan; (4) Bankers Trust New York Corp.; (5) Banque du Maroc, Rabat, Morocco; (6) Central Bank of Egypt, Cairo; (7) Commercial Bank of Syria, Damascus; (8) Commercial International Bank (Egypt), Cairo; (9) First Chicago Corp.; (10) Government of the Sultanate of Oman, Directorate General of Finance, Muscat; (11) Libyan Arab Foreign Bank, Tripoli; (12) National Bank of Abu Dhabi, United Arab Emirates; (13)— National Bank of Egypt, Cairo; (14) Riyad Bank, Jeddah, Saudi Arabia; (15) Security Pacific Corp., Los Angeles; (16) Sudan Commercial Bank, Khartoum; (17) Texas Commerce Bancshares Inc., Houston, a subsidiary of Chemical Banking Corp., New York; (18) U.B.A.E. Arab German Bank SA, Luxembourg/Frankfurt; (19) U.B.A.E. Arab Italian Bank SpA, Rome; (20) UBAF Bank Ltd., London; (21) UBAN International Ltd., Hong Kong; and (22) UBIC Nederland B.V., The Hague.

Compiled by American Banker, Copyright 1990.

American Banker/
Bond Buyer
Seek and we shall find

Need answers to
questions related to:

Markets?
Technology?
Products?
People?
Places?

Researchers for hire — hourly and half-hour rates.

We will handle those nagging research problems and fit them to your time frame and budget.

Call us: (212) 943-9458. Credit cards accepted.
Fax us and we will call you: (212) 480-0165.

FINANCE Financial Information Analysis Center
American Banker/Bond Buyer
New York, NY 10004

Profitability of Foreign Banks' U.S. Bank Subsidiaries

Banks ranked in order of the return on average assets for the first half of 1989 (dollar amounts in thousands)

		ROA 1989	Net Income 1989	ROA 1988	Net Income 1988
1	Royal Bank & Trust Co., New York	14.36	2,450	0.38	554
2	Canadian Imperial Bk of Commerce, Los Angeles	6.93	10,593	1.28	6,602
3	Sumitomo Trust & Banking Co., New York	5.52	6,653	2.76	5,010
4	Canadian Imperial Bank of Commerce, New York	3.87	13,003	2.15	20,013
5	Harris Trust Co. of California, Los Angeles	3.80	122	-0.52	(33)
6	Yasuda Bank & Trust Co. USA, New York	3.15	2,105	0.77	708
7	Harris Bank Winnetka, Ill.	2.73	2,633	2.03	3,899
8	Harris Bank Hinsdale NA, Ill.	2.58	4,012	2.15	6,236
9	First Omni Bank NA, Millsboro, Del.	2.39	6,131	3.00	15,174
10	LTCB Trust Co., New York	1.98	7,002	1.35	7,663
11	Kyowa Bank of California, Los Angeles	1.97	993	1.18	1,194
12	Grossmont Bank, La Mesa, Calif.	1.93	2,887	1.46	4,124
13	Wolfeboro National Bank, N.H.	1.84	1,210	1.00	1,323
14	Harris Bank Wilmette NA, Ill.	1.82	363	1.03	399
15	Chinese American Bank, New York	1.81	4,466	1.12	5,343
16	Harris Trust Bank of Arizona, Phoenix	1.79	250	-2.75	(566)
17	Korea First Bank of New York	1.65	697	1.47	1,109
18	European American Bank, New York	1.61	42,875	1.74	97,298
19	Harris Bank Glencoe-Northbrook NA, Ill.	1.59	1,567	1.56	2,953
20	La Salle Bank Lake View, Chicago	1.56	4,350	1.43	8,345
21	State Bank of India (California), Los Angeles	1.56	180	0.47	102
22	Harris Bank Roselle, Ill.	1.55	1,862	1.24	3,050
23	La Salle Bank of Lisle, Ill.	1.54	1,009	1.77	2,244
24	Harris Bank Argo, Summit, Ill.	1.54	701	1.23	1,080
25	Harris Bank NA, Barrington, Ill.	1.50	2,946	1.25	5,056
26	Century Bank, San Francisco	1.48	488	1.91	1,297
27	National Bank of Long Beach, Calif.	1.43	1,870	1.23	3,071
28	Exeter Banking Co., N.H.	1.37	1,581	0.71	1,620
29	La Salle Northwest National Bank, Chicago	1.34	4,762	1.24	8,799
30	First State Bk of So. Calif., Santa Fe Springs	1.34	732	N.A.	1,004
31	Extebank, Stony Brook, N.Y.	1.24	3,667	0.98	5,525
32	Scotiabank de Puerto Rico, San Juan	1.23	3,140	1.18	5,295
33	La Salle Bank Westmont, Ill.	1.23	795	1.19	1,453
34	Dai-Ichi Kangyo Bank of California, Los Angeles	1.22	2,385	0.56	1,837
35	Harris Bank Naperville, Ill.	1.20	2,217	1.13	4,001
36	Harris Bank St. Charles, Ill.	1.19	833	0.87	1,170
37	Banco de Santander-Puerto Rico, San Juan	1.15	10,946	1.01	17,018
38	International Bank of California, Los Angeles	1.14	543	0.94	826
39	First New Hampshire Bank NA, Manchester	1.09	3,327	0.60	3,389
40	Marine Midland Bank (Delaware) NA, Wilmington	1.07	10,910	1.03	20,225
41	California Korea Bank, Los Angeles	1.05	1,552	0.65	1,815
42	First State Bank Taos, N.M.	1.04	218	0.25	105
43	La Salle National Bank, Chicago	1.04	7,005	1.00	15,350
44	First New Hampshire Bank, Lebanon	0.99	688	0.68	913
45	Barclays Bank of North Carolina, Charlotte	0.96	1,198	0.46	1,096
46	Tokai Bank of California, Los Angeles	0.93	4,523	0.39	7,185
47	National Westminster Bank N.J., Jersey City	0.92	23,011	0.79	40,629
48	National Westminster Bank USA, New York	0.91	61,486	0.94	121,138
49	Union Bank, San Francisco	0.91	67,527	0.40	60,770
50	UBAF Arab American Bank, New York	0.87	3,848	-7.11	(81,577)
51	Bank of the West, San Francisco	0.85	7,262	0.66	10,240
52	Sumitomo Bank of California, San Francisco	0.84	15,685	0.69	24,444
53	Harris Bank Batavia NA, Ill.	0.84	203	0.14	68
54	La Salle Bank Northbrook, Ill.	0.82	842	0.72	1,390
55	Royal Bank de Puerto Rico, San Juan	0.81	2,099	0.52	2,642
56	First National Bank Santa Fe, N.M.	0.80	712	-1.44	(2,902)
57	Mitsui Manfacturers Bank, Los Angeles	0.79	5,706	0.20	3,254
58	First National Bank of Maryland, Baltimore	0.78	21,968	0.65	35,545
59	Citizens Trust Co., Providence, R.I.	0.77	2,082	0.48	2,659
60	Bank of Tokyo Trust Co., New York	0.77	28,672	0.54	37,239
61	Bank of California NA, San Francisco	0.76	26,321	-1.07	(71,737)
62	First Cheshire Bank, Keene, N.H.	0.74	331	0.83	740
63	Banco Central Corp., San Juan, P.R.	0.73	5,238	0.79	10,992
64	Banco Commercial de Mayaquez, P.R.	0.72	1,350	0.63	2,449
65	California Commerce Bank, Los Angeles	0.72	1,512	0.92	3,144
66	Oceanic Bank, San Francisco	0.72	165	0.59	281
67	Union Chelsea National Bank, New York	0.68	1,019	0.47	1,517
68	Bank Audi, New York	0.66	1,262	0.56	1,909
69	Harris Trust & Savings Bank, Chicago	0.64	29,996	0.72	67,383
70	Mitsubishi Trust & Banking Corp., New York	0.60	781	0.11	361
71	Daiwa Bank Trust Co., New York	0.58	5,787	0.03	502
72	Israel Discount Bank of New York	0.57	12,223	0.42	17,320
73	Industrial Bank of Japan Trust Co., New York	0.56	13,024	0.36	15,394
74	Marine Midland Bank NA, Buffalo, New York	0.56	60,488	0.35	77,538
75	Barclays Bank of New York NA	0.53	8,176	0.63	18,330
76	Sanwa Bank California, San Francisco	0.53	17,231	0.54	31,789
77	Safra National Bank, New York	0.51	1,186	0.39	1,318
78	First Los Angeles Bank	0.48	1,975	0.38	3,003
79	Bank Leumi Trust Co., New York	0.48	7,398	0.39	11,634
80	Pacific National Bank, Miami	0.42	297	0.16	210
81	Eagle National Bank, Miami	0.41	408	-0.39	(824)
82	Banco de Bogota Trust Co., New York	0.38	428	-1.47	(2,996)
83	UMB Bank & Trust Co., New York	0.28	722	0.20	1,220
84	Barclays Bank of Delaware NA, Wilmington	0.25	880	-1.63	(8,550)
85	IBJ Shroder Bank & Trust Co., New York	0.22	4,417	0.22	9,059
86	First NH Bank, Portland, Maine	0.21	57	0.03	17
87	Taiyo Kobe Bank & Trust Co., New York	0.21	55	N.A.	(449)
88	Marine Bank, Chicago	0.19	40	-2.72	(706)
89	Banco Central of New York	0.06	137	-0.02	(81)
90	LBS Bank, New York	0.04	25	0.03	30
91	Fuji Bank & Trust Co., New York	-0.02	(491)	0.25	11,579
92	Atlantic Bank of New York	-0.02	(118)	0.70	7,492
93	Korea Commercial Bank of New York	-0.18	(69)	0.02	14
94	Manilabank California, Los Angeles	-0.49	(79)	-1.37	(424)
95	Maimi National Bank	-1.18	(281)	-2.05	(1,043)
96	National Bank Albuquerque, N.M.	-2.07	(573)	-1.42	(997)
97	Seoul Bank of California, Los Angeles	-2.44	(324)	N.A.	(1,391)
98	Dominion Bank, New York	-3.78	(587)	-12.25	(3,472)

Data Source: **ADP Data Services Division, New York**. Data are from the federal regulatory Report of Income for June 30, 1989, and December 31, 1988. ADP calculates the **return on average assets** for the first half of 1989 by annualizing net income for the first half of 1989 and dividing that figure by average assets over the period. Net income and ROA for 1988 are for the entire year. Data have been adjusted for mergers over the period. **Note:** Caution is advised in interpreting the profitability of foreign banks' U.S. operations. A foreign bank's global revenue maximization strategy may find it more profitable not to show sizable profits in its U.S. bank subsidiary.

Copyright American Banker, 1990.

Five-Year Profitability of Foreign Banks' U.S. Banks

Ranked by the return on average assets over the period 1985 through 1989

		5 Yr. ROA	1989 ROA	Income Growth	Asset Growth
1	Harris Trust Co. of California, Los Angeles	2.42	3.80	-50.53	0.11
2	Harris Bank Hinsdale NA, Ill.	2.14	2.58	253.72	68.19
3	Harris Bank Winnetka, Ill.	2.07	2.73	238.78	27.09
4	Canadian Imperial Bk of Commerce, Los Angeles	2.05	6.93	431.68	-63.41
5	Canadian Imperial Bank of Commerce, New York	2.04	3.87	560.31	13.99
6	Harris Bank Glencoe-Northbrook NA, Ill.	1.53	1.59	170.73	49.08
7	Harris Bank Argo, Summit, Ill.	1.52	1.54	84.12	35.14
8	Grossmont Bank, La Mesa, Calif.	1.44	1.93	242.91	36.02
9	Korea First Bank of New York	1.34	1.65	351.53	151.34
10	Harris Bank Wilmette NA, Ill.	1.31	1.82	317.73	71.23
11	Harris Bank Naperville, Ill.	1.26	1.20	131.58	64.44
12	Harris Bank Roselle, Ill.	1.24	1.55	125.99	21.22
13	Marine Midland Bank (Delaware) NA, Wilmington	1.21	1.07	759.81	330.20
14	Kyowa Bank of California, Los Angeles	1.19	1.97	266.65	-9.32
15	National Bank of Long Beach, Calif.	1.18	1.43	330.34	88.49
16	Banco de Santander-Puerto Rico, San Juan	1.14	1.15	164.08	83.53
17	Extebank, Stony Brook, N.Y.	1.07	1.24	129.37	55.94
18	Royal Bank & Trust Co., New York	0.98	14.36	-290.40	-97.88
19	Atlantic Bank of New York	0.95	-0.02	- 103.31	64.09
20	Scotiabank de Puerto Rico, San Juan	0.93	1.23	286.67	40.61
21	State Bank of India (California), Los Angeles	0.88	1.56	903.00	120.88
22	La Salle National Bank, Chicago	0.86	1.04	156.30	-11.38
23	International Bank of California, Los Angeles	0.75	1.14	675.39	60.21
24	Banco Commercial de Mayaquez, P.R.	0.74	0.72	-2.82	0.95
25	California Korea Bank, Los Angeles	0.72	1.05	217.52	36.63
26	Dai-Ichi Kangyo Bank of California, Los Angeles	0.65	1.22	1710.92	80.60
27	Sumitomo Bank of California, San Francisco	0.64	0.84	293.98	36.70
28	Union Bank, San Francisco	0.62	0.91	198.32	4.76
29	Barclays Bank of New York NA	0.62	0.53	153.83	60.56
30	Royal Bank de Puerto Rico, San Juan	0.60	0.81	140.63	24.29
31	California Commerce Bank, Los Angeles	0.60	0.72	973.89	137.64
32	Bank Audi, New York	0.59	0.66	470.91	100.73
33	Harris Trust & Savings Bank, Chicago	0.58	0.64	-87.78	29.56
34	Bank of the West, San Francisco	0.54	0.85	-820.29	44.06
35	Banco Central Corp., San Juan, P.R.	0.54	0.73	11.32	2.64
36	Bank of Tokyo Trust Co., New York	0.52	0.77	266.08	50.80
37	First Los Angeles Bank	0.50	0.48	131.59	48.85
38	UMB Bank & Trust Co., New York	0.48	0.28	-41.00	-12.87
39	Tokai Bank of California, Los Angeles	0.46	0.93	1121.29	91.82
40	Oceanic Bank, San Francisco	0.44	0.72	388.25	34.65
41	Sanwa Bank California, San Francisco	0.44	0.53	224.84	47.36
42	European American Bank, New York	0.44	1.61	419.94	-17.72
43	Israel Discount Bank of New York	0.44	0.57	118.40	20.86
44	Bank Leumi Trust Co., New York	0.37	0.48	92.94	14.28
45	Industrial Bank of Japan Trust Co., New York	0.34	0.56	378.02	62.70
46	National Westminster Bank USA, New York	0.28	0.91	-292.16	42.53
47	Daiwa Bank Trust Co., New York	0.27	0.58	-502.75	106.64
48	Fuji Bank & Trust Co., New York	0.26	-0.02	-78.03	58.50
49	Eagle National Bank, Miami	0.26	0.41	22.47	23.95
50	Banco Central of New York	0.16	0.06	-88.67	3.39
51	Century Bank, San Francisco	0.14	1.48	-262.00	-3.62
52	Bank of California NA, San Francisco	0.12	0.76	618.03	40.28
53	Marine Midland Bank NA, Buffalo, New York	-0.08	0.56	95.94	-5.08
54	Union Chelsea National Bank, New York	-0.09	0.68	-1956.26	15.34
55	Banco de Bogota Trust Co., New York	-0.17	0.38	208.44	30.45
56	IBJ Shroder Bank & Trust Co., New York	-0.17	0.22	89.13	91.51
57	Manilabank California, Los Angeles	-0.22	-0.49	-63.23	10.58
58	Marine Bank, Chicago	-0.26	0.19	-53.23	-80.51
59	Korea Commercial Bank of New York	-0.51	-0.18	-162.35	116.43
60	Mitsui Manufacturers Bank, Los Angeles	-0.74	0.79	342.54	-28.60
61	UBAF Arab American Bank, New York	-1.43	0.87	63.56	-40.16
62	Miami National Bank	-2.26	-1.18	-56.07	-19.34

Data Source: **ADP Data Services Division, New York**. Data are from the federal regulatory Report of Income, and ADP adjusts the data for mergers over the period. **5-Yr ROA** is the return on average assets over the five-year period 1985-1989. ROA is calculated by summing net income for 1985 through 1989 (annualizing 1989 net income as described below) and dividing by the sum of average assets over the period. **1989 ROA** is the return on average assets for the first half of 1989. It is calculated by annualizing net income for the first half of 1989 and dividing that figure by average assets over the period. **Income growth** is annualized net income for 1989 divided by net income for 1985. **Asset growth** is total assets on June 30, 1989, divided by total assets on Dec. 31, 1985. **Note:** Caution is advised in interpreting the profitability of foreign banks' U.S. operations. A foreign bank's global revenue maximization strategy may find it more profitable not to show sizable profits in its U.S. bank subsidiary.

Copyright American Banker, 1990.

BEST AVAILABLE COPY

FOREIGN BANKS IN THE U.S.

BEST AVAILABLE COPY

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
CALIFORNIA	Los Angeles	1	**Bangkok Bank Ltd. (H,x)**	14,059	17,122	58,091	56,205	7,442	7,366
		2	**Bank Hapoalim (d,H,x)**	76,207	83,313	164,251	155,683	154,680	148,843
		3	**Bank Leumi le-Israel (e,H)**	74,467	72,423	241,053	250,656	211,914	226,913
		4	**Bank of China**	3,841	0	21,555	0	10,211	0
		5	**Banque Indosuez**	106,326	98,639	117,475	108,431	2,526	1,087
		6	**Commerzbank**	327,818	317,690	437,226	354,678	3	20
		7	**Credit Lyonnais (H)**	3,691	5,115	33,320	13,051	119	218
		8	**Credit Suisse (H)**	117,290	223,809	145,345	240,253	31,479	22,497
		9	**Deutsche Genossenschaft Bank (H,x)**	113,720	115,898	382,584	324,756	202,747	95,729
		10	**Hongkong & Shanghai Banking Corp.**	101,641	112,673	149,059	176,398	34,266	83,055
		11	**International Commercial Bank of China**	42,650	48,140	106,737	100,224	80,927	62,997
		12	**Istituto Bancario San Paolo di Torino (H,x)**	196,470	110,062	931,765	405,272	575,870	222,528
		13	**Ka Wah Bank Ltd. (H)**	5,840	4,655	10,643	25,985	29,551	10,303
		14	**Lloyds Bank Plc (H)**	0	N.A.	0	N.A.	0	N.A.
		15	**Mitsubishi Bank Ltd. (H,x)**	1,343,523	1,128,776	5,102,676	6,055,845	6,489	0
		16	**Philippine National Bank (H,x)**	4,527	4,175	14,616	17,911	2,428	8,922
		17	**Saitama Bank Ltd. (H,x)**	511,968	407,259	824,650	839,990	305,286	441,730
		18	**Sanwa Bank, Ltd. (H)**	359,201	13,189	471,026	13,230	0	0
		19	**Shizuoka Bank Ltd. (H,x)**	140,750	126,229	1,021,243	933,136	789,867	746,322
		20	**Siam Commercial Bank Ltd. (H,x)**	16,252	18,319	46,575	39,122	4,741	4,468
		21	**Societe Generale**	52,136	53,347	79,088	76,685	829	288
		22	**Standard Chartered Bank (H)**	41,663	10,973	48,468	11,697	3	0
		23	**Sumitomo Bank Ltd. (H)**	970,695	1,097,310	2,865,066	2,513,895	1,619,261	327,940
		24	**Union Bank of Switzerland (H,x)**	51,881	44,843	65,711	205,065	10,283	9,331
		25	**United Mizrahi Bank Ltd. (H,x)**	49,867	59,679	102,599	91,821	87,664	80,885
		26	**Westpac Banking Corp.**	7,363	22,162	12,259	32,126	337	229
		27	**Wing Lung Bank Ltd. (H)**	2,149	5,196	13,837	22,363	10,935	11,533
	San Francisco	1	**Bank Hapoalim (H)**	39,376	34,930	40,369	35,540	10,903	8,873
		2	**Dah Sing Bank Ltd.**	0	415	12,836	5,824	12,600	2,793
		3	**Hongkong & Shanghai Banking Corp (x)**	23,452	51,890	206,989	262,767	9,531	188,260
		4	**Nanyang Commercial Bank Ltd. (H)**	23,470	20,225	36,853	28,010	23,009	14,883
		5	**Sanwa Bank Ltd. (H,x)**	297,125	314,724	1,789,421	3,479,622	10	13
		6	**Swiss Bank Corp. (H)**	20,279	82,200	341,577	601,874	125,532	180,399
		7	**Westpac Banking Corp.**	1,000	5,000	72,121	106,962	322	287
	San Jose	1	**Bank of Communications (H)**	5,000	0	10,282	0	3,940	0
DISTRICT OF COLUMBIA		1	**Abu Dhabi International Bank Inc.**	20,372	26,081	126,268	154,892	78,999	77,890
		2	**Banco Real (x)**	646	3,681	3,596	5,881	3,126	467
		3	**National Bank of Pakistan (x)**	884	14	219,223	133,744	50,257	36,524
GUAM	Agana	1	**Allied Banking Corp.**	4,414	6,664	6,983	9,114	254	354
		2	**First Commercial Bank**	34,015	21,134	35,929	22,074	9,299	10,585
		3	**Hongkong & Shanghai Banking Corp.**	42,665	29,351	59,826	47,505	43,344	34,063
		4	**Metropolitan Bank & Trust Co.**	1,279	2,666	10,411	8,236	5,925	3,422
ILLINOIS	Chicago	1	**Algemene Bank Nederland (H)**	268,436	185,117	371,308	236,952	3,296	4,126
		2	**Allied Irish Bank Plc**	0	0	675	765	16	18
		3	**Australia & New Zealand Bkg Group Ltd.**	224,031	253,091	284,575	319,546	955	33
		4	**Banca Commerciale Italiana (x)**	167,796	234,853	243,055	438,636	42,333	82,527
		5	**Banca Nazionale del Lavoro (x)**	116,696	131,575	519,659	433,326	15,689	12,780
		6	**Banco di Roma (x)**	752,538	665,760	2,366,799	1,789,733	180,931	130,838
		7	**Bank Hapoalim (x)**	66,824	60,304	110,706	88,534	78,706	51,707
		8	**Bank Leumi le-Israel**	77,358	66,832	184,792	156,903	156,581	128,799
		9	**Bank of Montreal (H)**	2,092,040	2,315,138	3,415,765	3,960,932	380,722	1,303,477
		10	**Banque Indosuez**	127,238	150,010	131,731	171,424	5,585	11,612
		11	**Banque Nationale de Paris (x)**	319,530	218,697	486,461	434,211	113,620	125,946
		12	**Banque Paribas**	145,870	205,320	223,529	232,619	0	0
		13	**Barclays Bank International**	119	0	822	3,407	0	0
		14	**Bayerische Vereinsbank**	53,687	46,492	486,028	83,495	463,477	75,519
		15	**Canadian Imperial Bank of Commerce**	0	N.A.	0	N.A.	0	N.A.
		16	**Commercial Bank of Korea Ltd.**	17,208	16,061	88,865	82,104	13,681	5,002
		17	**Commerzbank (x)**	88,368	137,317	835,534	619,140	601,990	366,182
		18	**Commonwealth Bank of Australia**	0	0	4,136	4,240	0	0
		19	**Credit Agricole Mutuel (H,x)**	14,321	61,106	422,980	210,831	165,877	150,996
		20	**Credit Lyonnais**	132,593	240,412	149,067	280,896	120	136
		21	**Dai-Ichi Kangyo Bank, Ltd. (x)**	1,135,350	864,578	2,074,805	1,567,966	700,848	446,805
		22	**Daiwa Bank Ltd.**	216,905	125,649	252,920	182,644	37	105
		23	**Deutsche Bank**	5,355	0	10,275	0	0	0
		24	**Dresdner Bank**	135,948	59,904	165,049	105,395	57	7,062
		25	**Fuji Bank Ltd. (x)**	1,243,541	495,171	3,774,061	3,286,547	159,890	258,377
		26	**Hongkong & Shanghai Banking Corp.**	26,407	18,570	70,945	80,639	6,211	20,744
		27	**Industrial Bank of Japan**	583,200	399,090	2,835,773	2,252,351	1,200,600	708,383
		28	**International Commercial Bank of China (x)**	7,426	3,594	47,039	45,631	24,435	24,025
		29	**Korea Exchange Bank (x)**	9,431	13,821	124,240	111,140	17,829	11,174
		30	**Korea First Bank**	9,749	12,904	38,919	32,995	12,796	10,963
		31	**Kyowa Bank Ltd.**	308,233	157,004	882,294	593,107	241,987	252,077
		32	**Lloyds Bank Plc (x)**	1,454,187	1,236,830	1,684,621	1,479,933	66,578	44,705
		33	**Long-Term Credit Bank of Japan Ltd. (x)**	430,666	0	554,304	0	103,000	0
		34	**Mitsubishi Bank Ltd. (x)**	754,389	1,013,106	2,147,897	2,478,165	209,488	508,117
		35	**Mitsui Bank Ltd. (x)**	514,039	310,785	994,586	588,741	4,858	3,439
		36	**Mitsui Trust & Banking Co.**	110,347	30,986	850,854	655,422	434,952	155,004
		37	**National Australia Bank**	17,321	17,279	31,953	31,733	1,534	19
		38	**National Bank of Canada (x)**	115,407	106,117	154,496	168,455	47	60
		39	**National Bank of Greece**	8,772	9,363	60,344	61,930	50,741	50,650
		40	**National Bank of Pakistan**	90	319	3,450	3,182	2,615	3,099
		41	**National Westminster Bank, Plc**	371,870	590,663	403,284	663,557	4,543	1,208
		42	**Saitama Bank Ltd. (x)**	287,939	110,529	499,808	217,969	51,441	67,304
		43	**Sanwa Bank Ltd. (x)**	754,832	719,321	2,941,319	1,639,876	79,363	73,915
		44	**Societe Generale**	65,294	26,293	74,867	35,979	558	405
		45	**Standard Chartered Bank Plc**	144,344	64,231	201,183	113,232	22,166	25,650
		46	**State Bank of India**	22,536	23,560	34,728	34,911	22,814	22,014
		47	**Sumitomo Bank Ltd. (x)**	1,352,110	939,481	2,451,314	1,716,990	926,227	423,618
		48	**Swiss Bank Corp.**	175,786	821,149	306,646	889,521	82,101	15,187
		49	**Taiyo Kobe Bank Ltd.**	458,374	281,092	853,443	677,330	1,087	218,474
		50	**Tokai Bank Ltd. (x)**	424,974	416,944	2,255,197	1,698,745	1,896,242	1,043,500
		51	**Toronto Dominion Bank**	128,597	230,918	132,127	263,228	55	79
		52	**Union Bank of Switzerland**	87,552	100,918	233,738	356,696	0	0
		53	**Westpac Banking Corp.**	1,359	12,050	15,059	23,783	582	237

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(d)**— Includes Encino branch. **(e)**— Includes branches in Beverly Hills and Encino. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state." **N.A.**— not available.

Compiled by American Banker, Copyright 1990.

FOREIGN BANKS IN THE U.S.

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
MASSACHUSETTS	Boston	1	**Algemene Bank Nederland**	77,995	52,877	85,584	55,595	263	331
		2	**Bank Hapoalim (x)**	65,315	70,622	110,585	108,050	73,837	54,942
		3	**Bank of Nova Scotia**	116,941	290,676	314,746	453,982	37,446	51,829
		4	**Barclays Bank Plc**	9,881	10,523	10,546	11,500	3,010	2,737
		5	**Lloyds Bank International Plc**	0	0	0	0	0	0
		6	**National Bank of Greece (g,H)**	17,577	15,533	76,163	59,327	60,821	48,948
		7	**National Westminster Bank Plc.**	0	0	0	0	0	0
		8	**Sanwa Bank**	227,675	131,021	418,560	220,542	0	748
NEW YORK	New York	1	**Algemene Bank Nederland (f,x)**	375,036	343,600	2,716,250	2,060,381	1,722,729	1,246,786
		2	**Allied Irish Bank, Ltd.**	51,271	22,239	161,424	141,159	105,768	80,823
		3	**Amsterdam Rotterdam Bank (H,x)**	166,209	109,784	1,487,284	2,169,427	376,525	511,570
		4	**Arab African International Bank (H,x)**	0	0	171,935	203,115	36,562	25,361
		5	**Arab Bank Ltd. (H,x)**	24,165	27,513	189,967	126,617	71,881	24,253
		6	**Arab Banking Corp. (H,x)**	49,046	50,564	396,860	330,788	297,648	298,196
		7	**Ashikaga Bank, Ltd. (H,x)**	107,373	0	313,528	0	236,520	0
		8	**ASLK-CGER Bank (H)**	0	0	7,038	0	0	0
		9	**Australia & New Zealand Banking Corp. (H,x)**	15,529	13,762	321,750	283,371	27,340	230,517
		10	**Banca Commerciale Italiana (H,x)**	620,157	573,168	3,288,109	2,482,369	262,255	265,449
		11	**Banca della Svizzera Italiana (H,x)**	430,927	341,894	749,350	669,945	152,970	160,283
		12	**Banca Nazionale del Lavoro (H,x)**	680,670	469,812	6,997,375	6,406,326	347,939	2,895,141
		13	**Banca Nazionale dell'Agricoltura (H,x)**	107,607	153,662	710,264	1,116,955	297,559	739,519
		14	**Banca Popolare di Milano (H)**	591,396	542,261	1,457,777	1,334,077	1,161,345	792,146
		15	**Banco Bamerindus do Brasil (H,x)**	22,055	16,633	72,824	65,908	27,926	12,368
		16	**Banco Bandeirantes (H)**	0	0	5,659	5,029	0	0
		17	**Banco Bilbao Vizcaya (H,x)**	99,721	55,801	226,457	260,097	127,158	152,582
		18	**Banco Brasileiro de Descontos (H,x)**	5,859	3,009	66,102	95,112	25,868	26,306
		19	**Banco Central (H,x)**	679,547	553,289	1,132,187	965,065	97,096	125,957
		20	**Banco Consolidado (f,H,x)**	15,721	6,881	117,516	200,925	174,692	184,105
		21	**Banco de Bogota (H,m,x)**	9,168	2,310	46,720	51,418	35,646	37,174
		22	**Banco de Chile (H,x)**	5,298	6,534	95,066	60,572	82,578	55,381
		23	**Banco de Credito del Peru (H,x)**	17,822	8,471	27,348	15,264	4,464	4,245
		24	**Banco de Credito Nacional (H,x)**	37,792	65,561	223,946	289,621	2,911	22,592
		25	**Banco de la Nacion Argentina (H,x)**	109,424	62,645	413,211	231,306	172,256	104,633
		26	**Banco de la Republica Oriental del Uruguay (H,x)**	95	130	331,372	225,031	43,675	38,197
		27	**Banco de Santander (f,x)**	46,035	72,474	1,555,648	774,883	1,366,583	547,774
		28	**Banco di Napoli (H,x)**	2,634,541	2,330,183	7,652,571	5,135,500	4,075,956	2,924,900
		29	**Banco di Roma (H,x)**	937,630	891,888	4,543,001	4,343,445	3,241,769	3,200,040
		30	**Banco di Santo Spirito (H)**	104,179	0	567,187	0	73,790	0
		31	**Banco di Sicilia (H,x)**	289,514	183,035	1,018,428	727,990	91,834	30,488
		32	**Banco do Brasil (x)**	93,447	69,363	702,929	592,802	246,210	191,457
		33	**Banco do Estado de Sao Paulo (H,m,x)**	50,625	55,326	326,062	276,433	163,435	9,071
		34	**Banco do Estado do Parana (H)**	130	202	15,395	19,188	15,328	14,266
		35	**Banco do Estado do Rio de Janiero (H,x)**	0	0	36,600	37,459	21,045	31,064
		36	**Banco do Estado do Rio Grande do Sul (H)**	1,651	0	22,511	35,420	0	628
		37	**Banco Economico (H,x)**	1,574	4,108	54,705	45,417	4,809	1,810
		38	**Banco Espanol de Credito (H,x)**	221,475	166,714	330,745	326,896	309,061	307,696
		39	**Banco Espirito Santo e Commercial de Lisboa (H)**	15,931	2,500	234,745	19,175	188,394	0
		40	**Banco Hispano-Americano (H,x)**	2,580	8,654	411,083	336,362	7,817	6,865
		41	**Banco Itau (H,x)**	12,864	17,931	64,041	73,826	329	1,738
		42	**Banco Mercantil de Sao Paulo (H,x)**	11,693	26,629	94,171	98,938	41	118
		43	**Banco Nacional (H,m,x)**	14,147	13,229	105,900	72,668	36,707	42,887
		44	**Banco Nacional de Panama (H,m,x)**	0	0	907	808	563	795
		45	**Banco Portugues do Atlantico (H,x)**	90,608	76,469	240,006	227,899	5,813	9,245
		46	**Banco Real (H,x)**	41,905	53,043	281,312	230,383	28,095	23,382
		47	**Banco Rio de la Plata (H,m,x)**	7,850	5,842	76,392	65,722	17,851	7,014
		48	**Banco Union (H,m,x)**	18,936	677	91,343	52,286	85,753	35,386
		49	**Bangkok Bank Ltd. (x)**	1,652	12,716	216,633	214,084	10,740	16,292
		50	**Bank Julius Baer & Co. Ltd. (H,x)**	41,056	47,886	490,197	314,390	333,309	238,270
		51	**Bank Bumi Daya (H,x)**	114,946	132,115	473,774	463,461	356,014	318,056
		52	**Bank Bumiputra Malaysia Berhad (H,x)**	36,911	21,312	367,992	231,345	6,080	103,679
		53	**Bank Ekspor Impor Indonesia (H,m,x)**	48,203	23,852	450,357	625,430	377,997	590,636
		54	**Bank fuer Gemeinwirtschaft (H,x)**	5,094	1,197	293,147	245,813	146,037	120,823
		55	**Bank Hapoalim (h,x)**	381,159	393,932	1,743,851	1,342,935	1,420,996	1,130,748
		56	**Bank Leu Ltd. (H,x)**	599	24,933	46,317	320,395	32,412	265,801
		57	**Bank Negara Indonesia 1946 (H,m,x)**	295,567	64,375	806,521	445,159	477,918	247,623
		58	**Bank of Baroda (H)**	22,815	25,963	61,100	71,083	29,935	21,443
		59	**Bank of China (f,H,x)**	159,802	99,485	783,591	518,238	285,077	138,820
		60	**Bank of East Asia (f,H,x)**	18,993	17,589	160,577	118,691	22,149	24,197
		61	**Bank of Fukuoka, Ltd. (H,x)**	25,000	0	341,243	0	208,300	0
		62	**Bank of India (H)**	123,490	105,959	157,061	130,119	69,929	21,812
		63	**Bank of Ireland (x)**	21,026	26,838	204,525	245,274	129,933	101,025
		64	**Bank of Kyoto, Ltd. (H,x)**	12,070	0	262,998	0	445,946	0
		65	**Bank of Montreal (x)**	80,000	0	3,496,332	3,321,157	727,274	1,101,236
		66	**Bank of New Zealand (H,x)**	185,601	254,128	621,954	645,504	505,783	459,794
		67	**Bank of Nova Scotia (H,m,x)**	702,793	1,489,410	3,202,080	3,709,138	1,703,324	1,022,816
		68	**Bank of Oman, Ltd. (H)**	740	0	6,847	0	5,763	0
		69	**Bank of Scotland (H)**	129,309	168,109	204,541	222,553	2,886	4,070
		70	**Bank of Seoul (H,m,x)**	78,402	56,697	266,931	177,468	1,558	2,120
		71	**Bank of the Philippine Islands (H,x)**	1,753	1,210	44,052	34,296	22,771	18,781
		72	**Bank of Tokyo Ltd. (m,x)**	3,474,972	2,596,002	18,972,853	15,664,431	6,420,347	6,170,391
		73	**Bank of Yokohama (H,x)**	368,256	311,941	2,320,587	1,957,436	1,600,386	1,407,906
		74	**Banque Bruxelles Lambert (H,x)**	9,416	94,022	843,334	648,377	587,361	415,434
		75	**Banque Francaise du Commerce Exterieur (H,x)**	115,267	80,205	694,239	1,051,937	371,364	290,242
		76	**Banque Indosuez (H,x)**	113,566	149,370	2,095,973	3,375,620	719,400	2,021,064
		77	**Banque Nationale de Paris (H,x)**	487,290	429,532	4,212,347	3,518,592	3,242,801	2,770,994
		78	**Banque Paribas (H,x)**	36,324	62,673	1,068,845	1,362,967	738,245	882,812
		79	**Barclays Bank, Plc (H,k,x)**	730,636	902,671	3,584,998	2,796,532	1,731,716	1,724,248
		80	**Bayerische Hypotheken -und Wechsel Bank (H,x)**	9,818	7,029	268,769	319,984	247,252	302,964
		81	**Bayerische Landesbank Girozentrale (H,x)**	554	3,116	1,264,501	785,630	1,221,956	755,635
		82	**Bayerische Vereinsbank (x)**	135,015	42,715	1,073,746	1,074,460	831,280	414,740
		83	**Bergen Bank (H)**	12,585	0	24,164	0	2,068	0
		84	**Berliner Handels und-Frankfurter Bank (H,x)**	125,311	165,616	319,991	262,364	232,030	175,696
		85	**Canadian Imperial Bank of Commerce (H,m,x)**	228,160	266,060	2,596,611	3,427,981	1,425,952	1,509,812
		86	**Cassa di Risparmio delle Provincie Lombarde (H,x)**	205,044	215,962	940,827	905,447	700,639	712,391

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(f)**— Has 2 branches in New York. **(g)**— Includes Cambridge branch. **(h)**— Includes 4 New York branches, one of which is not FDIC insured. **(i)**— Includes 9 New York branches. **(k)**— Has 3 branches in New York. **(m)**— An agency under state law, but considered a branch by Federal Reserve because it has special powers, granted under New York state law, to issue large denomination deposits to both foreign and domestic residents. **(t)**— Includes branch in St. Thomas. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state." **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

BEST AVAILABLE COPY

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

NEW YORK (Continued)

		C&I Loans		Assets		Deposits	
		6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
87	Cassa di Risparmio di Torino (H,x)	433,964	305,393	1,640,987	1,229,167	156,519	112,225
88	Chiba Bank Ltd. (H,x)	169,182	292,825	2,481,451	2,424,939	2,044,751	1,811,497
89	Cho Hung Bank (H,x)	68,448	64,480	372,842	263,092	89,042	77,916
90	Christiana Bank og Kreditkasse (H)	471,939	356,009	704,177	405,216	479,823	298,892
91	Chuo Trust & Banking Co. (H,m,x)	531,898	327,998	2,126,654	2,521,492	1,604,575	2,349,847
92	CIC-Union Europeenne, International et Cie. (H,x)	603,172	317,792	1,197,188	1,319,201	803,717	857,204
93	Commercial Bank of Korea (H,m,x)	51,666	57,601	349,772	288,816	8,691	6,370
94	Commercial Bank of Kuwait (H,x)	42,062	29,214	486,734	294,784	457,282	217,862
95	Commerzbank (H,x)	365,011	360,746	2,186,040	2,302,072	1,800,925	1,834,482
96	Commonwealth Bank of Australia (H,x)	4,472	3,840	236,738	140,332	44,066	48,281
97	Copenhagen Handelsbank (H)	25,671	23,118	73,849	186,783	3,295	2,315
98	Credit Agricole Mutuel (x)	70,028	104,082	249,896	212,944	30,098	1,353
99	Credit Commerciale de France (H,x)	51,247	137,298	455,244	484,354	202,682	407,755
100	Credit du Nord (H,x)	506	5,529	255,594	185,957	238,967	168,764
101	Credit Lyonnais (x)	493,469	505,721	7,999,919	4,960,908	4,391,673	2,855,685
102	Creditanstalt-Bankverein (H,x)	113,236	97,052	377,734	337,292	155,578	200,361
103	Credito Italiano (H,x)	252,212	223,902	1,907,115	1,705,184	176,544	182,025
104	Dai-Ichi Kangyo Bank Ltd. (x)	4,406,000	3,615,780	25,387,000	21,440,949	12,150,000	10,433,838
105	Daiwa Bank Ltd. (H,x)	1,155,309	1,739,661	7,502,747	5,900,536	4,859,268	3,228,346
106	Danske Bank (H)	18,574	23,074	719,089	704,488	52,826	23,167
107	Deutsche Bank (H,x)	355,612	402,535	1,954,771	1,726,385	237,451	418,089
108	Deutsche Genossenschaftsbank (x)	19,727	28,515	454,663	417,051	358,851	192,956
109	Doha Bank Ltd. (H,x)	46	23	124,603	80,932	124,603	78,471
110	Dresdner Bank (x)	197,240	261,202	550,333	803,204	203,707	231,899
111	Fuji Bank Ltd. (H,x)	3,597,000	2,950,000	18,190,273	15,123,000	10,241,791	9,596,000
112	Generale Bank (H)	42,823	44,358	1,696,923	1,523,288	1,562,194	1,399,721
113	Girozentrale Bank Vienna (H,x)	2,596	0	648,206	640,171	559,416	464,557
114	Gulf International Bank (H,x)	0	0	275,196	563,640	257,160	98,009
115	Gunma Bank (H,x)	34,844	30,000	352,782	108,909	205,510	30,513
116	Habib Bank (H,x)	58	169	78,535	90,179	20,737	27,895
117	Hachijuni Bank Ltd. (H)	157,408	104,278	1,014,963	1,055,675	808,177	586,475
118	Hang Seng Bank Ltd. (H,x)	20,739	20,486	203,260	173,208	182,662	141,819
119	Hessiche Landesbank Girozentrale (H,x)	3,081	0	157,039	47,601	119,227	4,903
120	Hiroshima Bank, Ltd. (H,x)	58,491	0	1,172,186	0	975,693	0
121	Hokkaido Bank, Ltd. (H,x)	70,008	13,472	277,075	277,827	44,795	3,472
122	Hokkaido Takushoku Bank Ltd. (x)	643,671	475,429	3,240,580	2,784,646	2,507,688	2,450,536
123	Hokuriku Bank Ltd. (H,x)	459,944	467,346	1,805,542	2,278,635	1,598,817	2,115,457
124	Hongkong & Shanghai Banking Corp. (H,i,x)	486,664	704,587	1,289,687	1,558,258	789,022	1,052,166
125	Hyakujushi Bank Ltd. (H,x)	107,197	81,407	1,215,501	1,459,754	976,759	874,794
126	Industrial Bank of Japan Ltd. (H,x)	2,509,768	1,982,750	9,661,421	9,435,302	6,427,179	4,163,079
127	Israel Discount Bank (H)	5,856	5,011	7,901	8,489	0	0
128	Istituto Bancario San Paolo di Torino (x)	783,642	615,829	3,184,377	2,671,011	132,156	37,617
129	Iyo Bank, Ltd. (H,x)	0	0	23,741	0	13,700	0
130	Joyo Bank Ltd. (H,x)	106,010	0	1,964,967	0	1,750,198	0
131	Jugobanka-United Bank (H,m,x)	115,684	120,875	214,900	255,111	60,447	67,606
132	Ka Wah Bank Ltd. (x)	23,422	13,753	116,848	68,866	114,906	52,317
133	Kansallis-Osake-Pankki (H)	52,038	28,497	884,184	434,684	194,748	149,273
134	Korea Exchange Bank (f,H,x)	172,790	169,115	965,503	973,377	324,939	436,633
135	Korea Exchange Bank (Queens) (H)	5,577	14,053	45,453	40,148	39,728	33,083
136	Korea First Bank (H,m,x)	230,974	113,551	418,126	212,117	1,572	1,439
137	Kredietbank N.V. (H)	28,711	48,244	584,415	466,575	44,242	22,732
138	Krung Thai Bank Ltd. (H,x)	69,582	52,255	87,289	67,046	24,057	46,460
139	Kyowa Bank Ltd. (x)	820,049	984,615	2,724,622	3,053,719	1,587,327	1,573,692
140	Libra Bank Plc (H,m,x)	0	0	214,918	219,468	199,752	209,468
141	Lloyds Bank Plc (x)	13,200	31,264	2,505,385	2,749,118	1,168,659	1,327,494
142	Long-Term Credit Bank of Japan (H,x)	2,783,065	2,520,321	7,086,964	6,366,882	3,331,814	2,536,133
143	Malayan Banking Berhad (H)	12,169	19,608	381,709	263,613	283,144	128,875
144	Metropolitan Bank & Trust Co.	2,213	1,436	22,674	17,130	11,131	7,618
145	Middle East Bank Ltd. (H,x)	13,965	16,043	21,475	22,993	5,368	8,096
146	Midland Bank Plc (x)	32,458	142,907	2,135,756	2,019,105	1,182,506	1,121,774
147	Mitsubishi Bank Ltd. (x)	4,169,000	3,830,435	17,034,000	15,964,836	10,848,000	9,134,513
148	Mitsubishi Trust & Banking Corp. (H,x)	1,846,731	1,418,656	7,516,519	8,520,987	4,706,672	5,533,486
149	Mitsui Bank Ltd. (x)	2,016,139	1,934,926	7,196,315	5,798,607	5,042,324	1,111,095
150	Mitsui Trust & Banking Co. Ltd. (H,x)	2,040,292	1,259,728	8,399,091	7,313,111	6,712,750	4,730,614
151	Monte dei Paschi di Siena (H,x)	321,195	392,332	2,222,719	2,137,329	395,764	284,186
152	National Australia Bank, Ltd. (H,x)	80,375	123,078	1,181,223	300,818	67,396	62,873
153	National Bank of Canada (H,x)	25,891	83,029	1,141,725	1,383,265	1,110,777	1,050,865
154	National Bank of Kuwait (H,x)	9,674	8,660	491,179	435,927	303,105	275,910
155	National Bank of Pakistan (f,H,x)	6,983	5,707	240,819	187,007	237,849	181,312
156	National Commercial Bank (H,x)	10,890	25,734	343,515	463,225	90,171	131,754
157	National Westminster Bank, Plc (H,x)	441,380	625,110	2,228,294	2,626,178	1,218,282	1,370,607
158	Nederlandsche Middenstandsbank (H,x)	612,378	247,656	1,423,424	1,293,619	756,886	1,176,249
159	Nippon Credit Bank (H,x)	3,056,400	2,025,087	4,868,750	3,674,731	1,560,364	1,289,104
160	Norinchukin Bank (H)	128,169	352,120	4,169,641	4,714,951	3,407,734	2,411,970
161	Norske Creditbank (H)	0	0	27,403	14,004	6,923	6,038
162	Oesterreichische Laenderbank (H,x)	9,453	1,100	609,025	346,570	381,733	291,816
163	Overseas-Chinese Banking Corp. (H,m,x)	500	500	51,697	24,942	4,570	5,616
164	Overseas Union Bank Ltd. (H,m,x)	5,000	0	178,082	83,194	9,628	1,139
165	PT Bank Central Asia (H,x)	37,136	34,602	85,760	84,762	27,075	26,676
166	Philippine Commercial International Bank (H,x)	2,570	1,200	31,798	27,970	7,317	3,726
167	Philippine National Bank	0	249	26,575	22,723	17,726	18,720
168	Privatbanken (H,x)	77,652	32,020	372,479	196,128	84,582	76,618
169	Provinsbanken (H,x)	235,306	262,002	457,282	454,312	205,256	313,790
170	Rabobank Nederland (H,x)	669,810	549,741	1,583,471	1,473,959	40,118	65,309
171	Royal Bank of Canada (f,H,x)	836,522	1,073,387	2,822,338	3,186,597	1,298,305	1,463,424
172	Royal Bank of Scotland Plc (H)	89,662	60,103	171,687	146,566	4,535	3,728
173	Saitama Bank Ltd. (x)	1,029,741	471,572	2,902,529	2,136,454	1,481,982	1,378,312
174	Sanwa Bank Ltd. (x)	3,789,000	3,491,589	15,438,000	13,350,151	9,586,000	8,903,701
175	Saudi International Bank (H,x)	0	0	8,895	6,758	0	1,829
176	Scandinavian Bank Group Plc, N.Y. (H)	0	0	54,601	0	0	0
177	Shanghai Commercial Bank Ltd.	28,613	28,260	75,508	50,815	60,470	39,947
178	Shinhan Bank (H)	0	0	25,815	0	6,240	0
179	Shoko Chukin Bank (H,x)	87,516	87,345	1,140,020	894,083	753,480	527,933

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(f)**— Has 2 branches in New York. **(m)**— An agency under state law, but considered a branch by Federal Reserve because it has special powers, granted under New York state law, to issue large denomination deposits to both foreign and domestic residents. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state." **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
NEW YORK (Continued)		180	**Siam Commercial Bank Ltd. (m,x)**	98,902	115,472	165,846	155,884	113,040	135,868
		181	**Skandinaviska Enskilda Bank (H,x)**	3,914	6,818	182,359	229,223	16,030	23,390
		182	**Societe Generale (H,x)**	186,363	109,896	3,643,513	2,530,876	2,914,542	2,314,186
		183	**Standard Chartered Bank Plc (f,x)**	229,500	222,778	721,252	744,648	381,981	483,230
		184	**State Bank of India (H,k)**	92,347	99,936	245,073	243,340	57,839	75,524
		185	**State Bank of New South Wales (H,x)**	23,851	58,089	187,956	185,529	76,350	39,264
		186	**Sumitomo Bank Ltd. (x)**	3,924,000	4,845,921	13,705,000	13,495,336	10,332,000	9,734,463
		187	**Sumitomo Trust & Banking Co. Ltd. (H,x)**	1,151,776	949,739	8,023,769	6,574,471	2,896,575	4,376,411
		188	**Swiss Bank Corp. (f,x)**	3,137,000	4,480,000	10,072,000	12,113,000	5,996,000	7,730,000
		189	**Swiss Credit Bank (x)**	122,180	123,476	2,822,574	1,828,850	1,690,575	1,208,157
		190	**Swiss Volksbank (H,x)**	0	0	226,570	0	175,384	0
		191	**Taiyo Kobe Bank Ltd. (H,x)**	1,551,319	1,452,422	5,770,564	4,955,377	3,661,724	2,479,313
		192	**Thai Farmers Bank, Ltd. (H,x)**	6,133	9,678	49,499	29,589	4,010	4,477
		193	**Tokai Bank Ltd. (x)**	2,335,081	1,253,162	9,685,228	9,357,772	4,941,482	4,498,878
		194	**Toronto Dominion Bank (H,x)**	432,108	415,630	4,831,571	3,758,971	1,059,354	2,137,532
		195	**Toyo Trust & Banking Co. Ltd. (H,x)**	1,020,632	509,416	2,865,031	3,100,344	1,693,742	1,809,797
		196	**Turkiye Cumhuriyeti Ziraat Bankasi (H,x)**	51,202	53,958	294,253	238,068	132,614	142,932
		197	**Udruzena Beogradska Banka (H,m,x)**	109,175	72,122	244,592	348,910	132,440	232,474
		198	**Uniao de Bancos Brasileros (H,x)**	7,764	9,002	126,499	115,568	16,767	6,456
		199	**Union Bank of Finland Ltd. (H,x)**	130,057	97,826	1,070,027	530,898	686,053	457,033
		200	**Union Bank of Switzerland (x)**	313,719	234,168	4,037,150	3,926,097	1,497,085	1,583,000
		201	**United Bank for Africa Ltd. (H,x)**	5,758	137	182,475	173,092	66,396	46,322
		202	**United Bank Ltd. (H,x)**	3,669	2,333	34,775	43,188	28,859	21,105
		203	**United Bank of Kuwait Plc (H,x)**	60,295	43,596	243,087	105,524	238,088	93,364
		204	**Westdeutsche Landesbank (H,x)**	226,803	172,292	1,340,986	1,495,765	583,809	718,700
		205	**Westpac Banking Corp. (H,x)**	65,696	79,063	1,728,855	1,169,689	1,476,373	901,691
		206	**Yasuda Trust & Banking Co. Ltd. (H,x)**	664,485	1,461,989	4,686,130	4,484,330	3,531,712	3,498,931
		207	**Zenshinren Bank (H,x)**	820	0	1,068,859	946,785	876,231	411,000
OREGON	Portland	1	**Bank of Nova Scotia**	53,273	64,347	853,857	1,282,557	848,013	1,275,472
		2	**Bank of Tokyo Ltd.**	361,593	180,778	2,045,057	619,340	1,883,030	576,974
		3	**Canadian Imperial Bank of Commerce**	0	29,268	0	544,418	0	538,419
		4	**Hongkong & Shanghai Banking Corp.**	31,747	81,012	94,725	130,185	9,632	31,861
		5	**Royal Bank of Canada**	61,676	97,079	100,640	195,616	3,816	2,976
PENNSYLVANIA	Philadelphia	1	**Bank Hapoalim (x)**	92,309	59,793	173,793	133,733	71,960	59,477
		2	**Bank Leumi le-Israel**	40,272	45,762	113,426	98,570	96,122	84,911
	Pittsburgh	1	**Algemene Bank Nederland**	24,897	156,008	37,980	164,141	1,147	1,751
		2	**Lloyds Bank Plc (x)**	0	389,331	0	399,239	0	2,104
PUERTO RICO	Hato Rey	1	**Royal Bank of Canada**	208,243	226,919	385,255	419,456	377,887	348,309
VIRGIN ISLANDS	Charlotte Amalie	1	**Bank of Nova Scotia (s)**	61,098	57,948	155,461	134,197	133,258	131,427
		2	**Barclays Bank International (t)**	94	72,042	16,156	547,699	3,602	72,321
WASHINGTON	Seattle	1	**Algemene Bank Nederland**	7,120	59,284	9,740	65,903	1,020	18
		2	**Bank of Tokyo Ltd.**	332,511	293,778	462,882	404,280	210,499	143,144
		3	**Barclays Bank Plc**	0	46,858	0	56,703	0	763
		4	**Canadian Imperial Bank of Commerce**	0	23,427	0	53,118	0	13,180
		5	**Hokkaido Takushoku Bank Ltd. (x)**	287,199	214,421	438,796	411,298	172,999	134,923
		6	**Hongkong & Shanghai Banking Corp.**	27,209	27,797	53,024	59,310	28,945	23,594
		7	**Korea Exchange Bank (x)**	49,147	57,097	293,218	328,395	1,089	1,590
		8	**Standard Chartered Bank**	8,472	12,016	51,827	45,215	5,315	9,898
		9	**Taiyo Kobe Bank Ltd. (x)**	293,688	266,257	732,821	862,077	181,797	235,907

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(f)**— Has 2 branches in New York. **(k)**— Has 3 branches in New York. **(m)**— An agency under state law, but considered a branch by Federal Reserve because it has special powers, granted under New York state law, to issue large denomination deposits to both foreign and domestic residents. **(s)**— Includes branches in Christiansted and Frederiksted. **(t)**— Includes branch in St. Thomas. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state." **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

New York Investment Company Subsidiaries of Foreign Banks

(Dollar Amounts in Thousands)

Name and Location of Subsidiary Name of Parent	Date Office Opened	C&I Loans Outstanding		Total Assets		Total Deposits And Credit Balances	
		6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
American Scandinavian Banking Corp., New York Union Bank of Finland, Ltd., Helsinki	March 21, 1981	85,284	68,322	680,808	410,728	1,275	1,445
BAII Banking Corp., New York BAII Bank Group, Paris	May 7, 1984	22,416	29,351	346,080	425,119	70,247	34,969
Banesto Banking Corp., New York Banco Espanol de Credito, Madrid, Spain	July 1978	99,863	61,493	207,546	129,913	40,718	27,145
Christiana Banking (US) Corp., New York Christiana Bank og Kreditkasse, Oslo, Norway	Jan. 1, 1986	20,000	51,881	39,914	91,714	0	0
DnC America Banking Corp., New York Norske Creditbank, Oslo, Norway	August 1985	561,522	577,404	584,465	670,351	11,683	6,894
French-American Banking Corp., New York Banque Nationale de Paris	1919	694,330	605,523	1,978,522	2,017,803	230,667	264,182
Generale Investment Banking Corp., New York Generale Banque, Brussels, Belgium	July 1984	14,267	21,776	30,345	39,173	0	0
IBJ Schroder Banking Corp., New York Industrial Bank of Japan Ltd., Tokyo	N.A.	2,161	4,911	17,198	16,919	5,809	7,458
PKBanken International U.S. Banking, New York PK Banken, Stockholm, Sweden	Oct. 22, 1986	525,317	243,155	674,161	388,449	2,702	599
Skandinaviska Enskilda Banking Corp., New York Skandinaviska Enskilda Banken, Stockholm, Sweden	N.A.	130,574	....	297,888	....	0	....
Venezuelan American Banking Corp., New York See Footnote (a) below	March 2, 1984	13,431	7,218	37,644	46,638	20,554	4,547

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of condition for York State Investment Companies. All data are as of June 30. **C&I loans** are commercial and industrial loans. The definition of a **New York Investment Company** see appears on page **X** in the table entitled "Definitions and Data Sources." **(a)**— Owned by a group of individuals; Venezuelan industrial companies; and Banco la Guaira International, Caracas. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

U.S. Agencies of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
CALIFORNIA	Beverly Hills	1	Israel Discount Bank Ltd.	30,733	36,050	70,416	64,101	33,485	26,904
	Irvine	1	National Bank of Canada	0	0	0	0	0	0
	Long Beach	1	Aktivbanken (H)	18,939	11,807	51,947	49,099	0	0
	Los Angeles	1	Algemene Bank Nederland	23,106	81,139	40,095	101,613	1,928	1,907
		2	Australia & New Zealand Banking Group (x)	112,616	133,815	260,752	240,203	34,257	10,517
		3	Banca Commerciale Italiana (x)	116,662	162,959	179,041	240,550	5,510	1,143
		4	Banca Nazionale del Lavoro (x)	55,805	68,944	531,964	645,523	300	220
		5	Banca Serfin (x)	121,699	78,433	204,719	165,202	48,983	53,067
		6	Banco Agricola Comm'l de el Salvador	0	0	840	851	0	0
		7	Banco di Sicilia (x)	83,345	102,897	183,689	233,786	438	720
		8	Banco do Brasil (H)	57,978	4,345	549,465	509,006	186,640	118,048
		9	Banco Exterior de Espana (x)	61,224	70,552	79,841	134,619	5,371	6,990
		10	Banco Nacion de Mexico (H,x)	20,570	35,283	70,950	84,516	753	0
		11	Banco Real (x)	0	0	61,994	80,697	488	415
		12	Bancomer (H,x)	556,186	226,623	818,932	403,670	114,795	49,568
		13	Bank Bumiputra Malaysia Berhad (x)	10,057	11,486	44,083	42,644	323	712
		14	Bank Dagang Negara	155,737	24,368	433,692	136,258	517,163	46,733
		15	Bank Melli Iran	0	0	5,542	3,290	72	89
		16	Bank of Credit & Commerce Int'l (x)	14,275	28,375	36,731	64,973	21,002	37,849
		17	Bank of New Zealand (x)	34,180	107,529	52,001	187,186	7,549	94,999
		18	Bank of Seoul (x)	81,951	60,503	149,612	109,987	394	254
		19	Bank of Tokyo Ltd. (H,x)	834,105	931,546	1,845,121	1,789,264	7	2
		20	Bank of Yokohama Ltd. (x)	222,135	150,001	384,053	318,730	165,918	124,025
		21	Banque Nationale de Paris	69,348	50,807	72,867	51,980	0	0
		22	Banque Paribas	175,665	196,886	362,856	359,730	174	169
		23	Barclays Bank Plc	0	0	0	0	0	0
		24	Bayerische Vereinsbank (H)	15,187	70,678	40,775	73,725	0	0
		25	Canadian Imperial Bank of Commerce	32,556	2,931	65,183	19,198	0	0
		26	Chuo Trust & Banking Co.	114,886	107,453	310,396	280,442	118,551	70,027
		27	Commercial Bank of Korea (x)	63,817	60,134	212,213	125,629	353	423
		28	Commonwealth Bank of Australia (x)	30,973	68,227	80,352	123,072	0	0
		29	Copenhagen Handelsbank (x)	36,646	65,288	54,469	107,793	230	201
		30	Credito Italiano (x)	89,717	29,454	267,941	185,101	513	795
		31	Dai-Ichi Kangyo Bank (H,x)	956,856	1,001,145	5,593,250	5,824,972	2,834,021	2,415,828
		32	Daiwa Bank Ltd. (x)	483,810	335,426	1,649,385	1,298,511	1,880	2,795
		33	Development Bankf Singapore, Ltd.	4,781	869	26,627	12,977	10,187	9,967
		34	Dresdner Bank (H)	163,871	138,802	195,881	167,899	629	607
		35	Fuji Bank Ltd. (x)	897,263	906,849	3,086,158	5,602,391	1,941	2,369
		36	Hanil Bank Ltd. (H	65,532	33,216	202,261	105,118	701	3,655
		37	Hokkaido Takushoku Bank Ltd. (H,x)	302,488	312,894	775,227	622,072	1,361	690
		38	Industrial Bank of Japan Ltd. (x)	1,826,886	1,490,465	7,380,395	4,736,609	5,500,773	3,098,546
		39	Korea Exchange Bank (x)	118,533	92,446	393,859	305,061	639	678
		40	Korea First Bank (x)	60,623	36,878	169,449	164,787	246	267
		41	Kyowa Bank (H,x)	319,396	420,783	1,416,199	1,476,620	0	0
		42	Long-Term Credit Bank of Japan, Ltd. (x)	1,486,899	1,173,060	2,075,776	1,504,769	11,088	2,317
		43	Mitsubishi Trust & Banking Corp. (x)	800,165	801,815	2,451,368	2,885,707	456	249
		44	Mitsui Bank Ltd. (H,x)	822,479	773,175	1,640,575	1,598,332	103	99
		45	Mitsui Trust & Banking Co. Ltd. (x)	1,476,233	859,229	2,729,318	2,853,251	159	566
		46	National Australia Bank Ltd. (x)	91,370	340,754	189,152	503,744	6,415	80,357
		47	National Bank of Canada	0	0	0	0	0	0
		48	Nippon Credit Bank Ltd. (x)	516,015	398,389	1,630,578	1,480,342	485,473	285,483
		49	Overseas Union Bank Ltd. (x)	8,705	12,773	38,716	38,452	10,641	13,680
		50	PT Bank Niaga (x)	71,714	28,955	97,477	47,830	61,252	38,530
		51	Philippine Commercial International Bank (x)	23	566	14,354	17,036	1,706	1,934
		52	Scandinavian Bank Group, Plc (x)	37,042	63,679	47,432	93,197	8,740	8,870
		53	State Bank of India	17,581	26,572	69,557	93,460	862	3,265
		54	Sumitomo Trust & Banking Co. Ltd. (x)	701,381	447,609	1,489,030	1,337,242	150,055	215,548
		55	Taiyo Kobe Bank Ltd.	621,518	720,154	1,047,185	1,252,552	56,162	301,608
		56	Thai Farmers Bank Ltd. (x)	44,822	30,798	53,679	42,579	124	126
		57	Tokai Bank Ltd. (H,x)	726,579	513,876	4,697,397	3,405,388	0	0
		58	Toyo Trust & Banking Co. Ltd. (x)	270,148	229,005	857,843	1,201,316	312,970	624,483
		59	United Overseas Bank Ltd.	6,697	4,358	24,761	19,385	3,387	1,341
		60	Yasuda Trust & Banking Co. Ltd. (x)	751,529	575,434	2,756,786	2,085,825	2,785	307
	San Francisco	1	Algemene Bank Nederland	43,806	149,821	55,145	159,315	2,043	1,065
		2	Banco Agricola Comm'l de el Salvador	0	0	81	73	46	32
		3	Banco Bilbao Vizcaya (x)	8,707	5,315	169,524	152,253	42,683	44,279
		4	Banco Central (x)	16,688	42,657	103,850	75,923	4,211	2,579
		5	Banco de la Nacion Argentina (x)	14,297	10,617	103,545	101,003	15,292	10,877
		6	Banco di Roma (x)	391,673	277,084	1,810,309	1,515,942	2,873	2,857
		7	Banco do Brasil (H,x)	0	0	440,053	472,102	91,796	111,023
		8	Banco do Estado de Sao Paulo (x)	9,804	4,621	166,365	138,172	3,197	2,350
		9	Bangkok Metropolitan Bank Ltd. (x)	8,084	7,311	30,067	21,364	1,363	3,338
		10	Bank of Credit & Commerce Hong Kong Ltd. (x)	6,466	6,915	37,207	95,467	10,500	91,808
		11	Bank of India	23,713	27,504	68,396	79,966	41,113	41,343
		12	Bank of Nova Scotia	158,801	382,445	1,448,147	2,683,584	2,431	840
		13	Bank of Tokyo Ltd. (H,x)	193,517	50,871	209,199	64,109	2	2
		14	Banque Francaise du Commerce Exterieur	15,637	17,112	16,472	17,943	0	0
		15	Banque Nationale de Paris (x)	51,899	78,977	584,566	722,135	99,566	129,959
		16	Barclays Bank Plc	0	189	5,580	86,913	0	0
		17	Canadian Imperial Bank of Commerce	26,439	6,190	53,815	35,298	0	0
		18	Chekiang First Bank Ltd.	17,817	17,112	167,430	106,379	165,335	103,418
		19	Cho Hung Bank Ltd. (x)	73,922	88,775	128,905	122,808	2,214	737
		20	Credit Lyonnais (H)	3,500	15,494	3,854	17,009	0	0
		21	Fuji Bank Ltd.	343,915	165,639	422,061	215,424	456	40
		22	International Bank of Singapore Ltd.	4,523	3,023	18,443	7,651	1,131	2,750
		23	Liu Chong Hing Bank	3,013	638	43,009	30,271	39,706	29,725
		24	National Westminster Bank Plc	33,626	187,758	389,049	575,911	2,631	2,541
		25	Royal Bank of Canada	0	0	851	933	0	0
		26	Royal Bank of Scotland Plc	16,720	10,506	19,514	20,871	7,909	65
		27	Shanghai Commercial Bank Ltd.	27,116	10,311	179,099	144,535	176,973	143,233
		28	Sumitomo Bank Ltd. (H,x)	584,569	160,192	896,206	447,401	312,056	163,463

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state."

Compiled by American Banker, Copyright 1990.

FOREIGN BANKS IN THE U.S.

U.S. Agencies of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
FLORIDA	Boca Raton	1	Bank of Credit & Commerce Int'l	2,118	2,688	21,590	45,040	21,429	44,759
	Coral Gables	1	Banco Bilbao Vizcaya (x)	0	4,511	0	88,940	0	88,428
		2	Banco Mercantil	0	0	0	0	0	0
		3	Bank of Tokyo Ltd. (x)	60,917	15,111	244,310	177,442	234,967	173,857
	Miami	1	Algemene Bank Nederland (x)	37,499	21,960	281,365	233,825	274,202	230,291
		2	Atlantic Security Bank	33,837	39,068	119,622	103,345	103,315	88,768
		3	Banca Nazionale del Lavoro (x)	27,392	24,130	223,698	186,537	220,225	179,547
		4	Banco Atlantico	3,886	2,343	205,170	191,595	198,486	183,485
		5	Banco Bilbao Vizcaya (x)	121,307	46,985	230,397	99,590	217,876	81,462
		6	Banco Central (x)	18,110	22,290	78,708	60,307	69,636	35,335
		7	Banco Colpatria (x)	106	125	3,006	3,008	0	0
		8	Banco de la Nacion Argentina (x)	568	679	154,822	152,035	41,436	23,323
		9	Banco de Santander (H,x)	0	0	1,005	4,702	15	26
		10	Banco del Pichincha	3,148	2,570	79,226	32,264	25,654	13,848
		11	Banco do Brasil (x)	14,186	0	191,348	198,469	27,204	36,649
		12	Banco do Estado de Sao Paulo (x)	50,607	44,454	267,220	145,481	138,416	68,885
		13	Banco Espanol de Credito (x)	53,089	5,783	103,119	58,105	101,828	57,677
		14	Banco Exterior de Espana (x)	55,734	36,452	193,148	159,340	172,844	131,654
		15	Banco Exterior de los Andes	2,689	0	49,922	0	39,919	0
		16	Banco Ganadero International (x)	4,676	7,579	141,698	135,581	135,730	133,691
		17	Banco Industrial de Venezuela	309	309	51,852	56,125	4,046	3,375
		18	Banco International de Costa Rica (x)	36,135	23,314	175,234	189,784	97,948	92,791
		19	Banco Mercantil (x)	45,182	57,327	452,310	486,139	399,549	375,574
		20	Banco Nacional	18,905	15,408	115,992	74,105	110,385	73,287
		21	Banco Portugues do Atlantico (x)	0	0	43,983	21,026	34,479	14,177
		22	Banco Real (x)	2,751	2,985	165,741	123,297	27,017	21,218
		23	Bank of Credit & Commerce International Ltd. (x)	17,414	36,147	336,116	528,673	320,809	493,753
		24	Banque Nationale de Paris	47,230	48,244	103,797	82,232	102.323	80,221
		25	Banque Sudameris (x)	58,046	116,097	676,033	614,438	587,020	496,473
		26	Barclays Bank Plc (x)	26,336	30,967	847,459	685,800	685,376	531,049
		27	Credit Lyonnais (x)	0	130	49,983	39,602	49,463	39,166
		28	Credit Suisse (x)	27,708	38,741	271,258	262,633	268,058	260,140
		29	Deutsch Sudamerikanische Bank (x)	69,292	86,879	1,188,911	1,791,719	1,104,098	999,041
		30	Israel Discount Bank, Ltd.	20,755	20,951	207,193	206,759	203,325	204,322
		31	Lloyds Bank Plc (x)	1,945	2,102	360,684	283,109	356,080	280,440
		32	Royal Bank of Canada (x)	22,210	20,873	617,282	515,319	603,358	503,198
		33	Standard Chartered Bank	61,036	79,275	77,649	86,551	71,393	53,949
		34	Swiss Bank Corp.	2,665	0	241,898	85,806	239,790	85,373
		35	Vereins und Westbank (x)	162,695	225,071	524,188	445,392	453,151	212,712
	Miami Beach	1	Bank Hapoalim (x)	7,220	16,873	124,326	106,552	122,656	105,438
		2	Bank Leumi le-Israel (x)	34,301	24,753	287,755	236,030	281,629	233,077
		3	Israel Discount Bank Ltd.	20,755	20,767	207,193	185,866	203,325	183,661
	Tampa	1	Bank of Credit & Commerce Int'l	3,909	N.A.	30,644	N.A.	30,103	N.A.
GEORGIA	Atlanta	1	Algemene Bank Nederland	91,149	158,654	121,494	184,442	68	439
		2	Banca Nazionale del Lavoro (x)	260,176	216,712	785,694	780,825	61,864	34,365
		3	Bank of Nova Scotia	1,321,995	1,255,353	1,565,758	1,672,136	1,386	1,854
		4	Barclays Bank Plc	0	0	0	131	0	0
		5	Bayerische Vereinsbank (x)	15,930	7,261	19,400	7,737	0	0
		6	Canadian Imperial Bank of Commerce	362,186	129,131	382,416	201,870	0	29
		7	Commerzbank	148,434	84,872	149,729	86,109	0	0
		8	Dai-Ichi Kangyo Bank Ltd.	379,813	189,835	415,674	197,966	0	0
		9	Deutsche Genossenschaftsbank	10,850	0	11,013	0	0	0
		10	Fuji Bank Ltd.	153,854	5,000	184,542	49,582	0	0
		11	Sanwa Bank Ltd.	367,753	406,240	510,055	479,526	40	89
		12	Standard Chartered Bank Plc	95,164	149,520	115,193	191,510	5,375	3,308
		13	Sumitomo Bank Ltd.	284,677	219,216	316,010	261,610	483	234
		14	Swiss Bank Corp.	160,755	383,286	182,205	418,749	37	85
		15	Toronto-Dominion Bank	262,608	261,094	659,478	812,141	0	0
HAWAII	Honolulu	1	Bank of Tokyo Ltd.	107,072	51,773	146,490	67,915	56	95
		2	Philippine National Bank	0	0	212	473	0	0
NEW YORK	New York	1	Bahrain Middle East Bank (x)	121,175	96,349	128,599	101,464	15,059	30,231
		2	Banca Serfin (x)	192,306	188,631	395,543	378,308	11,977	17,894
		3	Banco Atlantico (x)	62,008	21,398	255,114	107,949	82,558	65,124
		4	Banco de la Provincia de Buenos Aires (x)	14,578	3,474	300,355	222,108	9,876	6,132
		5	Banco de Venezuela (x)	1,553	1,620	25,373	5,316	25,011	1,629
		6	Banco Fonsecas & Burnay (x)	53,022	51,603	168,915	188,228	82,946	151,539
		7	Banco Industrial de Venezuela (x)	13,104	15,364	451,737	479,954	125,912	142,796
		8	Banco Internacional (x)	25,672	13,435	427,175	471,351	148,253	146,209
		9	Banco Latinoamericano de Exportaciones (x)	0	0	116,977	0	0	0
		10	Banco Mercantil (x)	1,967	5,108	46,276	16,217	29,464	5,347
		11	Banco Mexicano (x)	14,813	0	21,453	19,630	408	177
		12	Banco Nacional de Mexico (x)	379,437	140,274	867,603	916,298	72,649	26,407
		13	Banco Totta & Acores (x)	134,089	58,573	237,465	169,921	109,905	58,757
		14	Bancomer (x)	276,717	380,895	585,866	610,296	430,099	416,386
		15	Bangkok Metropolitan Bank Ltd. (x)	21,577	18,871	212,488	162,637	60,059	82,350
		16	Bank Dagang Negara	12,557	10,427	160,905	89,864	118,766	23,849
		17	Bank Leumi le-Israel	1,950	1,950	15,080	24,143	0	0
		18	Bank Melli Iran	24	13	7,125	5,722	1,691	1,720
		19	Bank of Credit & Commerce International (x)	46,316	40,871	204,056	293,528	169.295	241,198
		20	Bank Rakyat Indonesia (x)	46,530	0	230,176	26,127	183,527	1,191
		21	Bank Saderat Iran	0	0	8,701	4,663	2,435	740
		22	Bank Sepah Iran	0	0	41	107	7	34
		23	Banque Internationale pour L'Afrique Occidentale (H)	1,626	1,928	5,139	3,707	1,944	59
		24	Credit Nacional	25,782	0	26,783	0	0	0
		25	Development Bank of Singapore Ltd. (x)	9,879	663	288,598	130,596	62,639	3,352
		26	Hanil Bank Ltd. (x)	57,515	69,819	275,964	193,151	47,432	12,539
		27	International Commercial Bank of China (H,x)	120,399	166,602	1,751,290	2,063,833	52,378	49,775
		28	London & Continental Bankers	0	0	387	397	0	0
		29	Multibanco Comermex (x)	79,965	82,345	348,809	458,759	204,251	206,033

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state." **N.A.**— not available.

Compiled by American Banker, Copyright 1990.

BEST AVAILABLE COPY

U.S. Agencies of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1989, Compared with June 30, 1988 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88
NEW YORK (Continued)		30	**Saudi European Bank (x)**	53,855	114,141	75,724	149,811	1,000	0
		31	**Shizuoka Bank Ltd.**	0	0	215,870	0	79,000	0
		32	**State Bank of South Australia (x)**	0	0	3,810	0	0	0
		33	**State Bank Victoria**	0	0	114,123	56,440	239	118
		34	**United Mizrahi Bank Ltd.**	717	7,905	1,540	8,817	0	0
		35	**United Overseas Bank Ltd. (x)**	1,144	3,799	7,004	6,006	195	617
TEXAS	Dallas	1	**Sanwa Bank Ltd.**	326,334	57,270	491,138	185,915	0	3
	Houston	1	**Algemene Bank Nederland Inc.**	157,751	168,435	204,579	204,054	31	304
		2	**Australia & New Zealand Banking Group**	0	0	109	55	0	0
		3	**Banco Nacional de Mexico**	104,659	77,077	115,847	82,932	46,643	0
		4	**Banco di Roma**	20,000	0	20,079	0	0	0
		5	**Bank of Montreal**	0	0	0	0	0	0
		6	**Banque Indosuez**	0	0	1,769	638	0	0
		7	**Banque Paribas**	305,835	285,512	323,499	301,234	0	1,177
		8	**Fuji Bank Ltd.**	301,740	170,500	334,122	219,143	31	32
		9	**Hongkong & Shanghai Banking Corp.**	6,954	24,889	27,883	73,789	107	204
		10	**Mitsubishi Bank Ltd.**	239,360	71,533	462,210	372,354	154	86
		11	**Societe Generale**	109,802	191,821	236,949	249,272	0	0
		12	**Sumitomo Bank Ltd.**	110,364	83,440	264,371	254,019	4,130	49
		13	**Swiss Bank Corp.**	164,920	217,243	254,075	305,641	0	0
		14	**Union Bank of Switzerland**	0	21,046	970	22,186	0	25

Data Sources: Compiled from data taken from **American Banker** questionnaire and the **Federal Reserve Board's** report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1989. All data are as of June 30. **C&I loans** are commercial and industrial loans. **(x)**— Has a international banking facility (IBF) office. **(H)**— Office is located in the bank's "home state." **N.A.**— not available.

Compiled by American Banker, Copyright 1990.

C&I Loans Outstanding at Foreign Banks' Edge Banks

Listed Alphabetically with C&I Loans, Assets, and Deposits on June 30, 1989, Compared with June 30, 1988
(Dollar Amounts in Thousands)

Name and Location of Edge Subsidiary Name of Parent	C&I Loans Outstanding		Total Assets		Total Deposits		Deposit Rank
	6/30/89	6/30/88	6/30/89	6/30/88	6/30/89	6/30/88	12/31/88
ABN Bank International USA, Chicago (h) Algemene Bank Nederland, Amsterdam, Netherlands	0	0	5,151	6,039	0	0	58
ABN Bank International USA, Houston (b) Algemene Bank Nederland, Amsterdam, Netherlands	310	548	29,849	16,787	19,922	16,538	58
BNP International Corp., Houston Banque Nationale de Paris	2,987	2,497	10,527	5,706	6,603	1,926	13
Banco Cafetero International Corp., Miami Banco Cafetero, Bogota, Colombia	44,705	47,313	213,588	138,974	166,472	125,191	...
Banco Latino International, Miami Banco Latino, Caracas, Venezuela	31,348	29,343	183,424	180,283	165,873	152,331	...
Banco Real International, Inc., Chicago (h) Banco Real, Sao Paulo, Brazil	0	750	6,103	6,018	17	95	...
Banco Real International, Inc., Houston (b) Banco Real, Sao Paulo, Brazil	300	300	4,966	5,304	4,878	5,233	...
Banco de Bogota International Corp., Miami Banco de Bogota, Colombia	6,489	2,993	43,056	34,471	37,732	31,823	...
Banco de Santander International Inc., Miami Banco de Santander, Spain	12,111	4,677	572,492	511,855	536,022	483,584	143
Banco de Venezuela International, Miami (h) Banco de Venezuela, Caracas	9,778	6,571	323,524	269,1	237,952	...	
Banco de Venezuela International, New York (b) Banco de Venezuela, Caracas	32,733	87,532	130,005	110,235	80,487	77,256	...
Bank of California International, New York (b) Mitsubishi Bank Ltd., Tokyo	2,023	1,721	163,282	148,913	162,128	147,223	4
Bank of California International, San Francisco (h) Mitsubishi Bank Ltd., Tokyo	0	0	10,399	318	0	0	4
Bank of Oman Overseas (USA), New York Bank of Oman, Ltd., Dubai, U.A.E.	10,133	9,121	20,671	26,361	12,882	13,406	803
Bank of Tokyo International USA, Coral Gables, Fla. Bank of Tokyo Ltd.	1,097	1,562	15,703	16,603	10,286	11,211	22
Consolidado International Bank, New York Banco Consolidado, Caracas, Venezuela	27,484	9,154	129,983	140,742	118,816	125,140	...
Fuji Bank International, Inc., San Francisco Fuji Bank Ltd., Tokyo	0	0	9,687	8,750	3,967	3,007	3
Harris Bank International Corp., New York Bank of Montreal	5,998	810	458,256	137,407	166,143	88,282	59
IBJ Schroder International Bank, Miami Industrial Bank of Japan Ltd., Tokyo	6,365	3,956	74,947	30,877	65,906	24,282	6
Indosuez Bank International, Houston Banque Indosuez, Paris	0	....	2,649	....	0	....	99
Marine Midland International Bank, Miami Hongkong & Shanghai Banking Corp., Hong Kong	4,138	5,715	414,504	175,330	385,716	149,648	28
National Westminster USA International Bank, Miami National Westminster Bank Plc, London	30,935	18,926	348,331	222,839	310,226	190,035	16
Petra International Banking Corp., Washington, D.C. Petra Bank, Amman, Jordan	30,941	40,607	82,057	76,650	25,916	25,713	...
Societe Generale International, Inc., Houston Societe Generale, Paris	32,249	8,758	33,797	10,392	0	0	24
Tokyo Bancorp International (Houston) (a) Bank of Tokyo Ltd.	5,608	4,026	6,563	10,325	1,457	4,885	22
Union Chelsea International Corp., Miami Banco Union, Caracas, Venezuela	440	2,666	56,793	50,531	53,033	47,030	...

Source of data: Regulatory report of condition submitted to the **Federal Reserve Board** by Edge Act banks. **Deposit rank** is parent's rank among world commercial banks on 12/88. **(a)**— An agreement corporation. **(b)**— Branch office. **(h)**— Head office. **N.A.**— Not available. **Please note:** Some of the Edge banks in this listing are direct subsidiaries of U.S. commercial banks, which are in turn owned by the foreign banks listed here.

Compiled by American Banker, Copyright 1990.

FOREIGN BANKS IN THE U.S.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
ARGENTINA	**Banco Rio de la Plata, Buenos Aires**	6/30/89	1	7.9	76.4	17.9	5.7	NY*(B)
	1,335	6/30/88	1	5.8	65.7	7.0	7.5	
	Banco de la Nacion Argentina, Buenos Aires	6/30/89	3	124.3	671.6	229.0	5.3	SF(A);MIA(A);NY*(B)
	12,758	6/30/88	3	73.9	484.3	138.8	6.9	
	Banco de la Provincia de Buenos Aires	6/30/89	1	14.6	300.4	9.9	5.7	NY(A)
	5,243	6/30/88	1	3.5	222.1	6.1	6.2	
AUSTRALIA	**Australia & New Zealand Bkg Gp Ltd., Melbourne**	6/30/89	4	352.2	867.2	62.6	1.9	LA(A);CHI(B);NY*(B);HOU(A)
	44,910	6/30/88	4	400.7	843.2	241.1	2.2	
	Commonwealth Bank of Australia, Sydney	6/30/89	3	35.4	321.2	44.1	1.0	LA(A);CHI(B);NY*(B)
	32,915	6/30/88	3	72.1	267.6	48.3	1.0	
	National Australia Bank Ltd., Melbourne	6/30/89	3	189.1	1,402.3	75.3	3.4	LA(A);CHI(B);NY*(B)
	40,807	6/30/88	3	481.1	836.3	143.2	2.5	
	State Bank Victoria, Melbourne	6/30/89	1	0.0	114.1	0.2	0.7	NY(A)
	15,964	6/30/88	1	0.0	56.4	0.1	0.5	
	State Bank of New South Wales, Sydney	6/30/89	1	23.9	188.0	76.4	2.3	NY*(B)
	8,137	6/30/88	1	58.1	185.5	39.3	3.0	
	State Bank of South Australia, Adelaide	6/30/89	1	0.0	3.8	0.0	....	NY(A)
	8,759	6/30/88	..	.....	.....	.....	....	
	Westpac Banking Corp., Sydney	6/30/89	4	75.4	1,828.3	1,477.6	3.0	LA(B);SF(B);CHI(B);NY*(B)
	60,072	6/30/88	4	118.3	1,332.6	902.4	3.0	
AUSTRIA	**Creditanstalt-Bankverein, Vienna, Austria**	6/30/89	1	113.2	377.7	155.6	1.0	NY*(B)
	39,407	6/30/88	1	97.1	337.3	200.4	0.8	
	Girozentrale und Bank der Osterreichischen Sparkassen, Vienna	6/30/89	1	2.6	648.2	559.4	2.8	NY*(B)
	22,839	6/30/88	1	0.0	640.2	464.6	2.7	
	Oesterreichische Laenderbank, Vienna	6/30/89	1	9.5	609.0	381.7	2.9	NY*(B)
	20,777	6/30/88	1	1.1	346.6	291.8	1.6	
BAHRAIN	**Arab Banking Corp., Manama**	6/30/89	1	49.0	396.9	297.6	2.1	NY*(B)
	19,127	6/30/88	1	50.6	330.8	298.2	1.9	
	Bahrain Middle East Bank, Manama	6/30/89	1	121.2	128.6	15.1	25.0	NY(A)
	514	6/30/88	1	96.3	101.5	30.2	20.2	
	Gulf International Bank, Manama	6/30/89	1	0.0	275.2	257.2	3.0	NY*(B)
	9,141	6/30/88	1	0.0	563.6	98.0	6.3	
BELGIUM	**ASLK-CGER Bank, Brussels**	6/30/89	1	0.0	7.0	0.0	....	NY*(B)
	36,517	6/30/88	..	.....	.....	.....	....	
	Banque Bruxelles Lambert, Brussels	6/30/89	1	9.4	843.3	587.4	1.9	NY*(B)
	45,143	6/30/88	1	94.0	648.4	415.4	1.3	
	Generale Banque, Brussels	6/30/89	2	57.1	1,727.3	1,562.2	2.8	NY*(B);NY*(I)
	62,006	6/30/88	2	66.1	1,562.5	1,399.7	2.4	
	Kredietbank N.V., Brussels	6/30/89	1	28.7	584.4	44.2	1.5	NY*(B)
	38,639	6/30/88	1	48.2	466.6	22.7	1.4	
BRAZIL	**Banco Bamerindus do Brasil, Curitiba**	6/30/89	1	22.1	72.8	27.9	0.9	NY*(B)
	7,703	6/30/88	1	16.6	65.9	12.4	....	
	Banco Bandeirantes, Sao Paulo	6/30/89	1	0.0	5.7	0.0	1.1	NY*(B)
	521	6/30/88	1	0.0	5.0	0.0	....	
	Banco Brasileiro de Descontos, Sao Paulo	6/30/89	1	5.9	66.1	25.9	0.5	NY*(B)
	14,434	6/30/88	1	3.0	95.1	26.3	0.7	
	Banco Economico, Salvador	6/30/89	1	1.6	54.7	4.8	2.9	NY*(B)
	1,919	6/30/88	1	4.1	45.4	1.8	1.4	
	Banco Itau, Sao Paulo	6/30/89	1	12.9	64.0	0.3	0.7	NY*(B)
	9,340	6/30/88	1	17.9	73.8	1.7	0.8	
	Banco Mercantil de Sao Paulo	6/30/89	1	11.7	94.2	0.0	5.7	NY*(B)
	1,645	6/30/88	1	26.6	98.9	0.1	6.2	
	Banco Nacional, Rio de Janeiro	6/30/89	2	33.1	221.9	147.1	....	MIA(A);NY*(B)
	N.A.	6/30/88	2	28.6	146.8	116.2	4.4	
	Banco Real, Sao Paulo	6/30/89	6	45.6	523.7	63.6	10.5	LA(A);DC(B);MIA(A);CHI(E)
	5,006	6/30/88	6	60.8	451.6	50.8	8.6	NY*(B);HOU(E)
	Banco Safra, Sao Paulo	6/30/89	1	21.2	512.9	433.9	19.2	NY(C)
	2,675	6/30/88	1	11.2	315.9	275.0	11.8	
	Banco de Credito Nacional, Sao Paulo	6/30/89	1	37.8	223.9	2.9	8.0	NY*(B)
	2,816	6/30/88	1	65.6	289.6	22.6	20.3	
	Banco do Brasil, Brasilia	6/30/89	4	165.6	1,883.8	551.8	2.3	LA*(A);SF*(A);MIA(A);NY(B)
	83,475	6/30/88	4	73.7	1,772.4	457.2	2.3	
	Banco do Estado de Sao Paulo	6/30/89	3	111.0	759.6	305.0	7.7	SF(A);MIA(A);NY*(B)
	9,854	6/30/88	3	104.4	560.1	80.3	6.1	
	Banco do Estado do Parana, Curitiba	6/30/89	1	0.1	15.4	15.3	....	NY*(B)
	N.A.	6/30/88	1	0.2	19.2	14.3	....	
	Banco do Estado do Rio Grande do Sul, Porto Allegre	6/30/89	1	1.7	22.5	0.0	....	NY*(B)
	N.A.	6/30/88	1	0.0	35.4	0.6	....	
	Banco do Estado do Rio de Janeiro	6/30/89	1	0.0	36.6	21.0	....	NY*(B)
	N.A.	6/30/88	1	0.0	37.5	31.1	....	
	Uniao de Bancos Brasileros, Rio de Janiero	6/30/89	1	7.8	126.5	16.8	....	NY*(B)
	N.A.	6/30/88	1	9.0	115.6	6.5	2.8	
CANADA	**Bank of Montreal**	6/30/89	16	5,408.9	18,936.0	9,666.6	30.7	Phoenix, Ariz.(C);LA(C);CHI*(B);CHI*(C)
	61,616	6/30/88	14	5,374.6	18,588.9	10,793.2	30.2	Barrington, Ill.*(C);Batavia, Ill.(C) Glencoe, Ill.*(C);Hinsdale, Ill.*(C) Naperville, Ill.*(C);Roselle, Ill.*(C) St. Charles, Ill.*(C);Summit, Ill.*(C) Wilmette, Ill.*(C);Winetka, Ill.*(C) NY(B);HOU(A)
	Bank of Nova Scotia, Toronto	6/30/89	9	2,621.1	8,123.0	3,218.4	14.4	SF(A);ATL(A);BOS(B);NY*(B)
	56,460	6/30/88	9	3,641.8	10,370.0	2,852.8	20.1	Portland, Ore.(B);San Juan, P.R.(C) Charlotte Amalie, V.I.(3B)
	Canadian Imperial Bank of Commerce, Toronto[1]	6/30/89	9	1,037.7	3,899.3	1,477.2	5.5	LA(A);LA(C);SF(A);ATL(A);CHI(B)
	71,336	6/30/88	9	1,396.2	5,764.3	2,122.9	9.2	NY*(B);NY*(C);Portland, Ore.(B); SEA(B)
	National Bank of Canada, Montreal	6/30/89	4	141.3	1,296.2	1,110.8	5.6	Irvine, Calif.(A);LA(A);CHI(B);NY*(B)
	23,335	6/30/88	2	189.1	1,551.7	1,050.9	6.8	
	Royal Bank of Canada, Montreal	6/30/89	8	1,166.6	4,467.1	2,767.0	5.0	SF(A);MIA(A);NY*(2B);NY*(C);Portland(B)
	90,024	6/30/88	8	1,480.5	4,958.5	2,869.5	6.9	Hato Rey, P.R.(B);Santurce, P.R.(C)
	Toronto Dominion Bank	6/30/89	4	823.3	5,642.8	1,070.0	13.1	ATL(A);CHI(B);NY*(B);NY*(C)
	43,102	6/30/88	4	908.6	4,835.3	2,138.6	12.8	

For footnotes see page 39A

FOREIGN BANKS IN THE U.S.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
CAYMAN ISLES	**Atlantic Security Bank**	6/30/89	1	33.8	119.6	103.3	34.4	MIA(A)
	348	6/30/88	1	39.1	103.3	88.8	38.7	
CHILE	**Banco de Chile, Santiago**	6/30/89	1	5.3	95.1	82.6	2.0	NY*(B)
	4,835	6/30/88	1	6.5	60.6	55.4	1.2	
CHINA	**Bank of China, Peking**	6/30/89	3	163.6	805.1	295.3	....	LA(B);NY*(2B)
	N.A.	6/30/88	2	99.5	518.2	138.8	....	
COLOMBIA	**Banco Cafetero, Bogota**	6/30/89	1	44.7	213.6	166.5	16.7	MIA(E)
	1,282	6/30/88	1	47.3	139.0	125.2	....	
	Banco Colpatria, Bogota	6/30/89	1	0.1	3.0	0.0	2.2	MIA(A)
	134	6/30/88	1	0.1	3.0	0.0	2.4	
	Banco Ganadero, Bogota	6/30/89	1	4.7	141.7	135.7	....	MIA(A)
	N.A.	6/30/88	1	7.6	135.6	133.7	14.2	
	Banco de Bogota	6/30/89	3	111.1	320.4	249.8	31.8	MIA(E);NY*(B);NY*(C)
	1,009	6/30/88	3	61.2	283.9	219.4	27.3	
	Banco de Colombia, Bogota	6/30/89	1	46.7	197.0	179.0	....	MIA*(C)
	N.A.	6/30/88	1	44.2	207.4	189.6	16.1	
DENMARK	**Aktivbanken, Vejle**	6/30/89	2	118.2	321.2	232.5	18.6	Long Beach, Calif.*(A);Long Beach, Calif.*(C)
	1,729	6/30/88	2	87.7	299.8	225.1	20.2	
	Copenhagen Handelsbank	6/30/89	2	62.3	128.3	3.5	0.7	LA(A);NY*(B)
	17,936	6/30/88	2	88.4	294.6	2.5	1.6	
	Danske Bank, Copenhagen	6/30/89	1	18.6	719.1	52.8	3.1	NY*(B)
	23,263	6/30/88	1	23.1	704.5	23.2	3.1	
	Privatbanken, Copenhagen	6/30/89	1	77.7	372.5	84.6	2.5	NY*(B)
	14,871	6/30/88	1	32.0	196.1	76.6	1.2	
	Provinsbanken, Aarhus	6/30/89	1	235.3	457.3	205.3	4.9	NY*(B)
	9,276	6/30/88	1	262.0	454.3	313.8	4.8	
ECUADOR	**Banco del Pacifico, Guayaquil**	6/30/89	1	6.9	141.6	129.6	59.0	MIA*(C)
	240	6/30/88	1	11.3	135.3	127.6	41.1	
	Banco del Pichincha, Quito	6/30/89	1	3.1	79.2	25.7	44.5	MIA(A)
	178	6/30/88	1	2.6	32.3	13.8	12.6	
EGYPT	**Arab African International Bank, Cairo**	6/30/89	1	0.0	171.9	36.6	6.9	NY*(B)
	2,479	6/30/88	1	0.0	203.1	25.4	5.5	
EL SALVADOR	**Banco Agricola Commercial de El Salvador, San Salvador**	6/30/89	2	0.0	0.9	0.0	0.3	LA(A);SF(A)
	276	6/30/88	2	0.0	0.9	0.0	....	
FINLAND	**Kansallis-Osake-Pankki, Helsinki**	6/30/89	1	52.0	884.2	194.7	2.6	NY*(B)
	34,648	6/30/88	1	28.5	434.7	149.3	1.5	
	Union Bank of Finland, Ltd.	6/30/89	2	215.3	1,750.8	687.3	5.5	NY(I);NY*(B)
	31,828	6/30/88	2	166.1	941.6	458.5	3.3	
FRANCE	**BAII Bank Group, Paris**	6/30/89	1	22.4	346.1	70.2	....	NY(I)
	......	6/30/88	1	29.4	425.1	35.0	....	
	Banque Francaise du Commerce Exterieur, Paris	6/30/89	2	130.9	710.7	371.4	1.9	SF(A);NY*(B)
	36,624	6/30/88	2	97.3	1,069.9	290.2	2.8	
	Banque Indosuez, Paris	6/30/89	5	347.1	2,349.6	727.5	4.9	LA(B);CHHI(B);NY*(B);HOU(A);HOU(E)
	47,560	6/30/88	4	398.0	3,656.1	2,033.8	....	
	Banque Internationale pour L'Afrique Occidentale, Paris	6/30/89	1	1.6	5.1	1.9	....	NY*(A)
	N.A.	6/30/88	1	1.9	3.7	0.1	0.1	
	Banque Nationale de Paris[2]	6/30/89	8	2,011.9	9,261.3	5,230.3	4.8	LA(A);SF(C);SF(A);MIA(A)
	194,516	6/30/88	8	1,709.0	8,309.3	4,538.1	4.5	CHI(B);NY*(B);NY*(I);HOU(E)
	Banque Paribas, Paris	6/30/89	4	663.7	1,978.7	738.4	2.7	LA(A);CHI(B);NY*(B);HOU(A)
	72,144	6/30/88	4	750.4	2,256.5	884.2	3.1	
	Banque Sudameris, Paris	6/30/89	1	58.0	676.0	587.0	12.1	MIA(A)
	5,574	6/30/88	1	116.1	614.4	496.5	12.0	
	CIC-Union Europeenne, International et Cie, Paris	6/30/89	1	603.2	1,197.2	803.7	15.7	NY*(B)
	7,633	6/30/88	1	317.8	1,319.2	857.2	18.0	
	Credit Agricole Mutuel, Paris	6/30/89	2	84.3	672.9	196.0	0.3	CHI*(B);NY(B)
	207,988	6/30/88	2	165.2	423.8	152.3	0.2	
	Credit Commercial de France, Paris	6/30/89	1	51.2	[illegible]	202.7	1.2	NY*(B)
	38,038	6/30/88	1	137.3	484.4	407.8	1.3	
	Credit Lyonnais, Paris	6/30/89	5	633.3	8,236.1	4,441.4	4.7	LA*(B);SF*(A);MIA(A);CHI(B);NY(B)
	176,663	6/30/88	5	766.9	5,311.5	2,895.2	3.1	
	Credit Nacional, Paris	6/30/89	1	25.8	26.8	0.0	....	NY(A)
	N.A.	6/30/88	..	.....	.....	.....	....	
	Credit du Nord, Lille	6/30/89	1	0.5	255.6	239.0	1.3	NY*(B)
	19,718	6/30/88	1	5.5	186.0	168.8	0.9	
	Saudi European Bank, Paris	6/30/89	1	53.9	75.7	1.0	17.9	NY(A)
	424	6/30/88	1	114.1	149.8	0.0	23.4	
	Societe Generale, Paris	6/30/89	5	445.8	4,068.2	2,915.9	2.8	LA(B);CHI(B);NY*(B);HOU(A);HOU(E)
	143,857	6/30/88	5	390.1	2,903.2	2,314.9	1.9	
GERMANY	**Bank fuer Gemeinwirtschaft, Frankfurt**	6/30/89	1	5.1	293.1	146.0	0.8	NY*(B)
	35,958	6/30/88	1	1.2	245.8	120.8	0.7	
	Bayerische Hypotheken -und Wechsel Bank, Munich	6/30/89	1	9.8	268.8	247.3	0.4	NY*(B)
	75,697	6/30/88	1	7.0	320.0	303.0	0.4	
	Bayerische Landesbank Girozentrale, Munich	6/30/89	1	0.6	1,264.5	1,222.0	1.8	NY*(B)
	71,696	6/30/88	1	3.1	785.6	755.6	1.0	
	Bayerische Vereinsbank, Munich	6/30/89	4	219.8	1,619.9	1,294.8	1.8	LA*(A);ATL(A);CHI(B);NY(B)
	90,965	6/30/88	4	167.1	1,239.4	490.3	1.3	
	Berliner Handels und-Frankfurter Bank, Frankfurt	6/30/89	1	125.3	320.0	232.0	1.7	NY*(B)
	18,777	6/30/88	1	165.6	262.4	175.7	1.4	
	Commerzbank, Frankfurt	6/30/89	4	929.6	3,608.5	2,402.9	3.6	LA(B);ATL(A);CHI(B);NY*(B)
	100,815	6/30/88	4	900.6	3,362.0	2,200.7	3.3	
	Deutsch Sudamerikanische Bank, Hamburg	6/30/89	1	69.3	1,188.9	1,104.1	30.3	MIA(A)
	3,920	6/30/88	1	86.9	1,791.7	999.0	41.6	
	Deutsche Bank, Frankfurt	6/30/89	2	361.0	1,965.0	237.5	1.2	CHI(B);NY*(B)
	170,290	6/30/88	1	402.5	1,726.4	418.1	1.0	
	Deutsche Genossenschaftsbank, Frankfurt	6/30/89	3	144.3	848.3	561.6	1.1	LA*(B);ATL(A);NY(B)
	73,789	6/30/88	2	144.4	741.8	288.7	0.9	
	Dresdner Bank, Frankfurt	6/30/89	3	497.1	911.3	204.4	0.7	LA*(A);CHI(B);NY(B)
	129,340	6/30/88	3	459.9	1,076.5	239.6	0.8	

For footnotes see page 39A.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
GERMANY (Continued)	**Hessiche Landesbank Girozentrale, Frankfort**	6/30/89	1	3.1	157.0	119.2	0.4	NY*(B)
	38,748	6/30/88	1	0.0	47.6	4.9	0.1	
	Vereins und Westbank, Hamburg	6/30/89	1	162.7	524.2	453.2	4.7	MIA(A)
	11,150	6/30/88	1	225.1	445.4	212.7	3.8	
	Westdeutsche Landesbank Girozentrale, Duesseldorf	6/30/89	1	226.8	1,341.0	583.8	1.5	NY*(B)
	92,100	6/30/88	1	172.3	1,495.8	718.7	1.5	
GREECE	**National Bank of Greece, Athens**	6/30/89	4	245.9	1,222.6	973.0	4.7	CHI(B);BOS*(2B);NY(C)
	25,923	6/30/88	4	187.2	1,205.6	854.9	4.7	
HONG KONG	**Bank of East Asia Ltd.**	6/30/89	2	19.0	160.6	22.1	4.4	NY*(2B)
	3,673	6/30/88	1	17.6	118.7	24.2	4.0	
	Chekiang First Bank Ltd.	6/30/89	1	17.8	167.4	165.3	10.6	SF(A)
	1,587	6/30/88	1	17.1	106.4	103.4	8.5	
	Dah Sing Bank Ltd.	6/30/89	1	0.0	12.8	12.6	1.7	SF(B)
	740	6/30/88	1	0.4	5.8	2.8	1.7	
	Hang Seng Bank Ltd.	6/30/89	1	20.7	203.3	182.7	1.2	NY*(B)
	16,597	6/30/88	1	20.5	173.2	141.8	1.3	
	Hongkong & Shanghai Banking Corp.	6/30/89	18	6,457.1	25,380.0	18,490.2	22.4	LA(B);SF(B);Wilmington, Del.(C)
	113,115	6/30/88	20	7,098.1	26,586.5	19,115.9	25.1	Agana, Guam(B);CHI(B);Buffalo, N.Y.*(C)
								NY*(9B);Portland, Ore.(B);HOU(A);SEA(B)
	Ka Wah Bank Ltd.	6/30/89	2	29.3	127.5	144.5	12.0	LA*(B);NY(B)
	1,065	6/30/88	2	18.4	94.9	62.6	....	
	Liu Chong Hing Bank	6/30/89	1	3.0	43.0	39.7	4.2	SF(A)
	1,029	6/30/88	1	0.6	30.3	29.7	3.7	
	Nanyang Commercial Bank Ltd.	6/30/89	1	23.5	36.9	23.0	0.9	SF*(B)
	3,946	6/30/88	1	20.2	28.0	14.9	....	
	Shanghai Commercial Bank Ltd.	6/30/89	2	55.7	254.6	237.4	9.7	SF(A);NY(B)
	2,623	6/30/88	2	38.6	195.3	183.2	8.6	
	Wing Lung Bank Ltd.	6/30/89	1	2.1	13.8	10.9	0.8	LA*(B)
	1,667	6/30/88	1	5.2	22.4	11.5	1.6	
INDIA	**Bank of Baroda, Bombay**	6/30/89	1	22.8	61.1	29.9	0.8	NY*(B)
	7,578	6/30/88	1	26.0	71.1	21.4	1.0	
	Bank of India, Bombay	6/30/89	2	147.2	225.5	111.0	2.4	SF(A);NY*(B)
	9,291	6/30/88	2	133.5	210.1	63.2	2.4	
	State Bank of India, Bombay	6/30/89	6	138.2	374.5	104.2	0.8	LA(A);LA(C);CHI(B);NY*(3B)
	44,667	6/30/88	6	157.0	397.3	123.0	1.0	
INDONESIA	**Bank Bumi Daya, Jakarta**	6/30/89	1	114.9	473.8	356.0	7.3	NY*(B)
	6,450	6/30/88	1	132.1	463.5	318.1	8.0	
	Bank Dagang Negara, Jakarta	6/30/89	2	168.3	594.6	635.9	10.1	LA(A);NY(A)
	5,869	6/30/88	2	34.8	226.1	70.6	....	
	Bank Ekspor Impor Indonesia, Jakarta	6/30/89	1	48.2	450.4	378.0	....	NY*(B)
	N.A.	6/30/88	1	23.9	625.4	590.6	....	
	Bank Negara Indonesia 1946, Jakarta	6/30/89	1	295.6	806.5	477.9	9.3	NY*(B)
	8,678	6/30/88	1	64.4	445.2	247.6	....	
	Bank Rakyat Indonesia, Jarkarta	6/30/89	1	46.5	230.2	183.5	3.7	NY(A)
	6,183	6/30/88	1	0.0	26.1	1.2	0.6	
	PT Bank Central Asia, Jakarta	6/30/89	1	37.1	85.8	27.1	6.3	NY*(B)
	1,357	6/30/88	1	34.6	84.8	26.7	9.2	
	PT Bank Niaga, Jakarta	6/30/89	1	71.7	97.5	61.3	....	LA(A)
	N.A.	6/30/88	1	29.0	47.8	38.5	....	
IRAN	**Bank Melli Iran, Tehran**	6/30/89	2	0.0	12.7	1.8	....	LA(A);NY(A)
	53,062	6/30/88	2	0.0	9.0	1.8	....	
	Bank Saderat Iran, Tehran	6/30/89	1	0.0	8.7	2.4	....	NY(A)
	39,180	6/30/88	1	0.0	4.7	0.7	....	
	Bank Sepah, Tehran	6/30/89	1	0.0	0.0	0.0	....	NY(A)
	N.A.	6/30/88	1	0.0	0.1	0.0	....	
IRELAND	**Allied Irish Banks Plc, Dublin**	6/30/89	4	1,410.8	6,654.3	4,916.8	31.6	Millsboro, Del.(C);CHI(B)
	21,039	6/30/88	4	1,204.5	6,095.2	4,535.6	39.3	Baltimore, Md.*(C);NY(B)
	Bank of Ireland, Dublin	6/30/89	7	299.8	1,515.7	1,269.9	9.6	Portland, Me.(C);Exeter, N.H.*(C)
	15,854	6/30/88	1	26.8	245.3	101.0	1.7	Keene, N.H.*(C);Lebanon, N.H.*(C)
								Manchester, N.H.*(C);Wolfeboro, N.H.*(C)
								NY(B)
ISRAEL	**Bank Hapoalim, Tel-Aviv**	6/30/89	11	728.4	2,467.9	1,933.7	7.0	LA*(2B);SF*(B);Miami Beach, Fla.(A);CHI(B)
	35,362	6/30/88	11	719.8	1,971.0	1,560.0	6.5	BOS(B);NY(4B);PHI(B)
	Bank Leumi le-Israel, Tel-Aviv	6/30/89	8	1,534.6	4,067.6	3,670.8	13.5	LA*(3B);Miami Beach, Fla.(A);CHI(B);NY(A)
	30,071	6/30/88	8	1,543.7	3,666.6	3,314.5	14.3	NY(C);PHI(B)
	Israel Discount Bank, Tel-Aviv	6/30/89	5	831.7	5,004.8	4,584.3	31.0	Beverly Hills, Calif.(A);MIA(A)
	16,126	6/30/88	5	795.5	4,509.8	4,121.2	33.2	Miami Beach, Fla.(A);NY*(B);NY*(C)
	United Mizrahi Bank Ltd., Tel-Aviv	6/30/89	3	113.7	642.0	478.4	8.5	LA*(B);NY*(C);NY(A)
	7,565	6/30/88	3	156.1	698.7	431.0	10.7	
ITALY	**Banca Commerciale Italiana, Milan**	6/30/89	3	904.6	3,710.2	310.1	5.9	LA(A);CHI(B);NY*(B)
	62,634	6/30/88	3	971.0	3,161.6	349.1	5.0	
	Banca Nazionale del Lavoro, Rome	6/30/89	5	1,140.7	9,058.4	646.0	10.0	LA(A);MIA(A);ATL(A);CHI(B);NY*(B)
	91,025	6/30/88	5	911.2	8,452.5	3,122.1	9.0	
	Banca Nazionale dell Agricoltura, Rome	6/30/89	1	107.6	710.3	297.6	3.1	NY*(B)
	22,789	6/30/88	1	153.7	1,117.0	739.5	4.9	
	Banco Popolare di Milano, Milan	6/30/89	1	591.4	1,457.8	1,161.3	7.3	NY*(B)
	19,894	6/30/88	1	542.3	1,334.1	792.1	6.6	
	Banco di Napoli, Naples	6/30/89	1	2,634.5	7,652.6	4,076.0	13.3	NY*(B)
	57,333	6/30/88	1	2,330.2	5,135.5	2,924.9	8.5	
	Banco di Roma	6/30/89	5	2,101.8	8,786.1	3,467.7	16.1	SF(A);CHI(B);CHI(C);NY*(B);HOU(A)
	54,699	6/30/88	4	1,849.4	7,677.1	3,355.1	....	
	Banco di Santo Spirito, Rome	6/30/89	1	104.2	567.2	73.8	3.0	NY*(B)
	18,990	6/30/88	..	.....	.....	.....	....	
	Banco di Sicilia, Palermo	6/30/89	2	372.9	1,202.1	92.3	3.9	LA(A);NY*(B)
	30,955	6/30/88	2	285.9	961.8	31.2	3.0	
	Cassa di Risparmio delle Provincie Lombarde, Milan	6/30/89	1	205.0	940.8	700.6	1.4	NY*(B)
	65,411	6/30/88	1	216.0	905.4	712.4	1.4	
	Cassa di Risparmio di Torino, Turin	6/30/89	1	434.0	1,641.0	156.5	9.8	NY*(B)
	16,671	6/30/88	1	305.4	1,229.2	112.2	7.0	

For footnotes see page 39A.

BEST AVAILABLE COPY

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
ITALY (Continued)	**Credito Italiano, Milan**	6/30/89	2	341.9	2,175.1	177.1	3.8	LA(A);NY*(B)
	56,882	6/30/88	2	253.4	1,890.3	182.8	3.6	
	Istituto Bancario San Paolo di Torino, Turin	6/30/89	3	1,237.2	4,981.6	1,491.1	6.1	LA*(C);LA*(B);NY(B)
	81,699	6/30/88	3	937.6	3,841.7	919.4	47.8	
	Monte dei Paschi di Siena	6/30/89	1	321.2	2,222.7	395.8	3.3	NY*(B)
	66,489	6/30/88	1	392.3	2,137.3	284.2	3.4	
JAPAN	**Ashikaga Bank, Ltd., Utsunomiya**	6/30/89	1	107.4	313.5	236.5	0.7	NY*(B)
	42,820	6/30/88	..	.....	.....	.....	....	
	Bank of Fukuoka, Ltd.	6/30/89	1	25.0	341.2	208.3	0.9	NY*(B)
	38,536	6/30/88	..	.....	.....	.....	....	
	Bank of Kyoto, Ltd.	6/30/89	1	12.1	263.0	445.9	1.2	NY*(B)
	22,192	6/30/88	..	.....	.....	.....	....	
	Bank of Tokyo Ltd.	6/30/89	11	12,821.1	47,209.9	25,543.6	27.2	LA*(A);SF*(A);SF*(C);Coral Gables, Fla.(E) Coral Gables, Fla.(A);Honolulu(A) NY(B);NY(C);Portland, Ore.(B) HOU(E);SEA(B)
	173,575	6/30/88	11	9,049.8	32,215.4	18,070.1	22.2	
	Bank of Yokohama Ltd.	6/30/89	2	590.4	2,704.6	1,766.3	3.3	LA(A);NY*(B)
	81,777	6/30/88	2	461.9	2,276.2	1,531.9	3.0	
	Chiba Bank Ltd.	6/30/89	1	169.2	2,481.5	2,044.8	4.3	NY*(B)
	58,138	6/30/88	1	292.8	2,424.9	1,811.5	4.9	
	Chuo Trust & Banking Co. Ltd., Tokyo	6/30/89	2	646.8	2,437.0	1,723.1	3.4	LA(A);NY*(B)
	72,641	6/30/88	2	435.5	2,801.9	2,419.9	3.7	
	Dai-Ichi Kangyo Bank Ltd., Tokyo	6/30/89	5	6,960.4	33,912.5	16,069.6	8.8	LA*(A);LA*(C);ATL(A);CHI(B);NY(B)
	386,937	6/30/88	5	5,760.7	29,360.9	13,587.5	8.5	
	Daiwa Bank Ltd., Osaka	6/30/89	4	2,378.4	11,670.5	6,295.9	7.5	LA(A);CHI(B);NY*(B);NY*(C)
	156 169	6/30/88	4	2,706.6	9,650.3	4,917.9	6.7	
	Fuji Bank Ltd., Tokyo	6/30/89	8	7,837.6	30,371.7	13,009.1	8.3	LA(A);SF(E);SF(A);ATL(A);CHI(B) NY*(B);NY*(C);HOU(A)
	364,044	6/30/88	8	5,595.3	29,124.2	12,514.2	9.3	
	Gunma Bank, Ltd., Maebashi	6/30/89	1	34.8	352.8	205.5	1.2	NY*(B)
	30,644	6/30/88	1	30.0	108.9	30.5	0.4	
	Hachijuni Bank Ltd., Nagano	6/30/89	1	157.4	1,015.0	808.2	3.0	NY*(B)
	33,995	6/30/88	1	104.3	1,055.7	586.5	3.4	
	Hiroshima Bank, Ltd.	6/30/89	1	58.5	1,172.2	975.7	2.9	NY*(B)
	40,421	6/30/88	..	.....	.....	.....	....	
	Hokkaido Bank, Ltd., Sapporo	6/30/89	1	70.0	277.1	44.8	1.2	NY*(B)
	22,882	6/30/88	1	13.5	277.8	3.5	1.3	
	Hokkaido Takushoku Bank Ltd., Sapporo	6/30/89	3	1,233.4	4,454.6	2,682.0	5.9	LA*(A);NY(B);SEA(B)
	75,430	6/30/88	3	1,002.7	3,818.0	2,586.1	5.4	
	Hokuriku Bank Ltd., Toyama	6/30/89	1	459.9	1,805.5	1,598.8	3.3	NY*(B)
	54,007	6/30/88	1	467.3	2,278.6	2,115.5	5.0	
	Hyakujushi Bank Ltd., Takamatsu	6/30/89	1	107.2	1,215.5	976.8	5.7	NY*(B)
	21,497	6/30/88	1	81.4	1,459.8	874.8	7.0	
	Industrial Bank of Japan Ltd., Tokyo	6/30/89	7	7,886.0	28,707.9	17,699.7	11.1	LA(A);MIA(E);CHI(B);NY*(C) NY*(I);NY*(B);NY*(C)
	257,578	6/30/88	7	5,988.4	25,625.1	12,023.8	10.7	
	Iyo Bank, Ltd., Matsuyama	6/30/89	1	0.0	23.7	13.7	0.1	NY*(B)
	20,501	6/30/88	..	.....	.....	.....	....	
	Joyo Bank Ltd., Mito	6/30/89	1	106.0	1,965.0	1,750.2	3.9	NY*(B)
	50,777	6/30/88	..	.....	.....	.....	....	
	Kyowa Bank Ltd., Tokyo	6/30/89	4	1,467.5	5,125.1	1,909.0	4.9	LA*(A);LA*(C);CHI(B);NY(B)
	104,218	6/30/88	4	1,581.6	5,222.2	1,903.8	5.1	
	Long-Term Credit Bank of Japan Ltd., Tokyo	6/30/89	4	5,223.4	10,542.8	3,663.5	6.1	LA(A);CHI(B);NY*(B);NY*(C)
	172,339	6/30/88	3	4,029.7	8,514.2	2,616.2	5.1	
	Mitsubishi Bank Ltd., Tokyo	6/30/89	5	8,357.4	31,741.7	15,681.2	9.0	LA*(B);SF*(C);CHI(B);NY(B);HOU(A)
	351,251	6/30/88	5	7,891.8	31,218.2	14,191.0	10.1	
	Mitsubishi Trust & Banking Corp., Tokyo	6/30/89	3	2,705.3	10,180.0	4,768.1	4.8	LA(A);NY*(B);NY*(C)
	210,466	6/30/88	3	2,323.3	11,797.3	5,716.1	6.2	
	Mitsui Bank Ltd., Tokyo	6/30/89	4	3,970.5	11,209.0	6,253.7	5.1	LA*(A);LA*(C);CHI(B);NY(B)
	219,666	6/30/88	4	3,721.7	9,680.1	2,648.4	5.0	
	Mitsui Trust & Banking Co. Ltd., Tokyo	6/30/89	4	3,647.3	12,081.4	7,177.4	6.6	LA(A);CHI(B);NY*(C);NY*(B)
	183,873	6/30/88	4	2,166.6	10,893.0	4,888.8	6.4	
	Nippon Credit Bank Ltd., Tokyo	6/30/89	2	3,572.4	6,499.3	2,045.8	5.5	LA(A);NY*(B)
	118,784	6/30/88	2	2,423.5	5,155.1	1,574.6	4.7	
	Norinchukin Bank, Tokyo	6/30/89	1	128.2	4,169.6	3,407.7	1.7	NY*(B)
	241,947	6/30/88	1	352.1	4,715.0	2,412.0	2.1	
	Saitama Bank Ltd., Urawa	6/30/89	3	1,829.6	4,227.0	1,838.7	4.4	LA*(B);CHI(B);NY(B)
	96,130	6/30/88	3	989.4	3,194.4	1,887.3	3.7	
	Sanwa Bank Ltd., Osaka	6/30/89	8	7,859.1	28,762.5	15,189.7	8.3	LA*(B);SF*(C);SF*(B);ATL(A);CHI(B) BOS(B);NY(B);DAL(A)
	348,358	6/30/88	8	6,895.1	25,228.0	13,627.5	8.5	
	Shizuoka Bank Ltd.	6/30/89	2	140.7	1,237.1	868.9	2.7	LA*(B);NY(A)
	46,621	6/30/88	1	126.2	933.1	746.3	....	
	Shoko Chukin Bank, Tokyo	6/30/89	1	87.5	1,140.0	753.5	1.3	NY*(B)
	91,072	6/30/88	1	87.3	894.1	527.9	1.0	
	Sumitomo Bank Ltd., Osaka	6/30/89	7	7,914.4	24,471.5	16,551.0	6.5	LA*(B);SF*(A);SF*(C);ATL(A) CHI(B);NY(B);HOU(A)
	376,088	6/30/88	7	8,030.7	22,168.6	13,785.6	6.9	
	Sumitomo Trust & Banking Co. Ltd., Osaka	6/30/89	3	1,925.6	9,829.6	3,218.0	5.0	LA(A);NY*(B);NY*(C)
	196,589	6/30/88	3	1,420.3	8,024.1	4,676.2	4.5	
	Taiyo Kobe Bank Ltd., Kobe	6/30/89	5	2,938.5	8,452.6	3,929.1	4.9	LA(A);CHI(B);NY*(B);NY*(C);SEA(B)
	173,670	6/30/88	4	2,719.9	7,747.3	3,235.3	4.7	
	Tokai Bank Ltd., Nagoya	6/30/89	4	4,065.8	17,663.0	7,728.9	7.8	LA*(A);LA*(C);CHI(B);NY(B)
	225,121	6/30/88	4	3,185.2	16,684.4	6,389.5	8.0	
	Toyo Trust & Banking Co. Ltd., Tokyo	6/30/89	2	1,290.8	3,722.9	2,006.7	3.0	LA(A);NY*(B)
	123,204	6/30/88	2	738.4	4,301.7	2,434.3	3.4	
	Yasuda Trust & Banking Co. Ltd., Tokyo	6/30/89	3	1,478.8	7,636.1	3,598.4	4.9	LA(A);NY*(C);NY*(B)
	155,514	6/30/88	3	2,046.9	6,692.3	3,560.6	4.5	
	Zenshinren Bank, Tokyo	6/30/89	1	0.8	1,068.9	876.2	1.2	NY*(B)
	85,981	6/30/88	1	0.0	946.8	411.0	1.1	
JORDAN	**Arab Bank Ltd., Amman**	6/30/89	1	24.2	190.0	71.9	1.4	NY*(B)
	13,332	6/30/88	1	27.5	126.6	24.3	1.0	
	Petra Bank, Amman	6/30/89	1	30.9	82.1	25.9		DC(E)
	N.A.	6/30/88	1	40.6	76.6	25.7	8.7	

For footnotes see page 39A.

FOREIGN BANKS IN THE U.S.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
KOREA	**Bank of Seoul**	6/30/89	3	161.4	449.1	28.1	1.2	LA(A);LA(C);NY*(B)
	37,270	6/30/88	2	117.2	287.5	2.4	1.1	
	Cho Hung Bank Ltd., Seoul	6/30/89	2	142.4	501.7	91.3	3.1	SF(A);NY*(B)
	16,342	6/30/88	2	153.3	385.9	78.7	3.3	
	Commercial Bank of Korea Ltd., Seoul	6/30/89	4	151.8	733.0	95.5	4.1	LA(A);CHI(B);NY*(B);NY*(C)
	18,059	6/30/88	4	142.8	571.8	78.7	4.3	
	Hanil Bank Ltd., Seoul	6/30/89	3	149.4	589.9	145.3	4.3	LA*(A);Santa Fe Springs, Calif.*(C);NY(A)
	13,628	6/30/88	3	124.6	407.4	112.6	3.5	
	Korea Exchange Bank, Seoul	6/30/89	7	460.4	2,137.2	668.9	9.2	LA(C);LA(A);CHI(B);NY*(2B);NY*(B);SEA(B)
	23,323	6/30/88	7	448.3	2,038.1	736.4	10.3	
	Korea First Bank, Seoul	6/30/89	4	306.0	718.4	91.8	4.4	LA(A);CHI(B);NY*(B);NY*(C)
	16,474	6/30/88	4	168.4	484.0	73.2	4.0	
	Shinhan Bank, Seoul, Korea	6/30/89	1	0.0	25.8	6.2	0.6	NY*(B)
	4,338	6/30/88	..	.....	.....	.....	....	
KUWAIT	**Commercial Bank of Kuwait**	6/30/89	1	42.1	486.7	457.3	7.7	NY*(B)
	6,341	6/30/88	1	29.2	294.8	217.9	4.7	
	National Bank of Kuwait	6/30/89	1	9.7	491.2	303.1	4.0	NY*(B)
	12,341	6/30/88	1	8.7	435.9	275.9	3.9	
LUXEMBOURG	**Bank of Credit & Commerce International**	6/30/89	6	90.5	666.3	573.1	9.0	LA(A);SF(A);Boca Raton, Fla.(A)
	7,403	6/30/88	6	116.0	1,028.7	910.4	13.1	MIA(A);Tampa, Fla.(A);NY(A)
MALAYSIA	**Bank Bumiputra Malaysia Berhad, Kuala Lumpur**	6/30/89	2	47.0	412.1	6.4	5.6	LA(A);NY*(B)
	7,405	6/30/88	2	32.8	274.0	104.4	....	
	Malayan Banking Berhad, Kuala Lumpur	6/30/89	1	12.2	381.7	283.1	4.4	NY*(B)
	8,588	6/30/88	1	19.6	263.6	128.9	3.4	
MEXICO	**Banca Serfin, Mexico City**	6/30/89	2	314.0	600.3	61.0	9.2	LA(A);NY(A)
	6,505	6/30/88	2	267.1	543.5	71.0	11.6	
	Banco Internacional, Mexico City	6/30/89	1	25.7	427.2	148.3	19.3	NY(A)
	2,217	6/30/88	1	13.4	471.4	146.2	23.7	
	Banco Mexicano Somex, Mexico City	6/30/89	1	14.8	21.5	0.4	1.3	NY(A)
	1,669	6/30/88	1	0.0	19.6	0.2	1.5	
	Banco Nacional de Mexico, Mexico City	6/30/89	4	630.5	1,503.3	527.5	10.7	LA*(A);LA*(C);NY(A);HHOU(A)
	14,085	6/30/88	4	342.2	1,398.2	318.4	13.4	
	Bancomer, Mexico City	6/30/89	3	909.3	1,723.9	825.5	13.3	LaMesa, Calif. *(C);LA*(A);NY(A)
	12,917	6/30/88	3	680.3	1,289.6	711.2	14.2	
	Multibanco Comermex, Mexico City	6/30/89	1	80.0	348.8	204.3	12.4	NY(A)
	2,823	6/30/88	1	82.3	458.8	206.0	18.4	
NETHERLANDS	**Algemene Bank Nederland, Amsterdam**	6/30/89	19	1,830.3	7,124.1	4,779.4	8.4	LA(A);SF(A);MIA(A);ATL(A);CHI(E)
	84,814	6/30/88	15	2,096.9	5,134.0	2,648.9	6.0	CHI*(B);CHI*(C);CHI*(C);CHI*(C) Lisle, Ill.*(C);Northbrook, Ill.*(C) Westmont, Ill.*(C);BOS(B);NY(2B);PIT(B) HOU(E);HOU(A);SEA(B)
	Amsterdam Rotterdam Bank, Amsterdam	6/30/89	1	166.2	1,487.3	376.5	1.8	NY*(B)
	83,715	6/30/88	1	109.8	2,169.4	511.6	2.7	
	Nederlandsche Middenstandsbank, Amsterdam	6/30/89	1	612.4	1,423.4	756.9	3.3	NY*(B)
	43,123	6/30/88	1	247.7	1,293.6	1,176.2	2.9	
	Rabobank Nederland, Utrecht	6/30/89	1	669.8	1,583.5	40.1	2.0	NY*(B)
	80,465	6/30/88	1	549.7	1,474.0	65.3	1.8	
NEW ZEALAND	Bank of New Zealand Ltd., Wellington	6/30/89	2	219.8	674.0	513.3	6.7	LA(A);NY*(B)
	10,058	6/30/88	2	361.7	832.7	554.8	7.3	
NIGERIA	United Bank for Africa, Ltd., Lagos	6/30/89	1	5.8	182.5	66.4	....	NY*(B)
	N.A.	6/30/88	1	0.1	173.1	46.3	11.1	
NORWAY	Bergen Bank	6/30/89	1	12.6	24.2	2.1	0.1	NY*(B)
	16,217	6/30/88	..	.....	.....	.....	....	
	Christiana Bank og Kreditkasse, Oslo	6/30/89	2	491.9	744.1	479.8	4.2	NY*(B);NY*(I)
	17,687	6/30/88	2	407.9	496.9	298.9	3.0	
	Norske Creditbank, Oslo	6/30/89	2	561.5	611.9	18.6	3.9	NY(I);NY*(B)
	15,611	6/30/88	2	577.4	684.4	12.9	3.3	
PAKISTAN	**Habib Bk Ltd., Karachi**	6/30/89	1	0.1	78.5	20.7	1.3	NY*(B)
	6,119	6/30/88	1	0.2	90.2	27.9	1.5	
	National Bank of Pakistan	6/30/89	4	8.0	463.5	290.7	10.7	DC(B);CHI(B);NY*(2B)
	4,328	6/30/88	4	6.0	323.9	220.9	7.0	
	United Bank Ltd., Karachi	6/30/89	1	3.7	34.8	28.9	1.0	NY*(B)
	3,586	6/30/88	1	2.3	43.2	21.1	1.2	
PANAMA	**Banco International de Costa Rica**	6/30/89	1	36.1	175.2	97.9	68.7	MIA(A)
	255	6/30/88	1	23.3	189.8	92.8	81.8	
	Banco Latinoamericano de Exportaciones	6/30/89	1	0.0	117.0	0.0	14.0	NY(A)
	836	6/30/88	..	.....	.....	.....	....	
	Banco Nacional de Panama, Panama City	6/30/89	1	0.0	0.9	0.6	....	NY*(B)
	N.A.	6/30/88	1	0.0	0.8	0.8	....	
PERU	**Banco Credito del Peru, Lima**	6/30/89	1	17.8	27.3	4.5	5.7	NY*(B)
	482	6/30/88	1	8.5	15.3	4.2	2.0	
PHILIPPINES	**Allied Banking Corp., Manila**	6/30/89	2	10.9	55.6	36.8	12.7	SF*(C);Agana, Guam(B)
	437	6/30/88	2	14.4	60.0	39.5	17.1	
	Bank of the Philippine Islands, Manila	6/30/89	1	1.8	44.1	22.8	....	NY*(B)
	N.A.	6/30/88	1	1.2	34.3	18.8	....	
	Manila Banking Corp.	6/30/89	1	3.3	34.6	30.7	....	LA*(C)
	N.A.	6/30/88	1	5.1	32.4	26.3	....	
	Metropolitan Bank & Trust Co. Co., Manila	6/30/89	3	35.4	135.1	104.3	11.2	LA*(C);Agana, Guam(B);NY(B)
	1,206	6/30/88	3	32.3	111.7	85.6	12.1	
	Philippine Commercial International Bank, Makati	6/30/89	2	2.6	46.2	9.0	....	LA(A);NY*(B)
	N.A.	6/30/88	2	1.8	45.0	5.7	5.4	
	Philippine National Bank, Manila	6/30/89	3	4.5	41.4	20.2	2.2	LA*(B);Honolulu(A);NY(B)
	1,872	6/30/88	3	4.4	41.1	27.6	2.7	
PORTUGAL	**Banco Espirito Santo e Comercial, Lisbon**	6/30/89	1	15.9	234.7	188.4	3.4	NY*(B)
	6,827	6/30/88	1	2.5	19.2	0.0	0.3	
	Banco Fonsecas & Burnay, Lisbon	6/30/89	1	53.0	168.9	82.9	6.2	NY(A)
	2,727	6/30/88	1	51.6	188.2	151.5	7.4	
	Banco Portugues do Atlantico, Oporto	6/30/89	2	90.6	284.0	40.3	3.[illegible]	MIA(A);NY*(B)
	8,380	6/30/88	2	76.5	248.9	23.4	3.0	

For footnotes see page 39A.

BEST AVAILABLE COPY

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
PORTUGAL (Continued)	**Banco Totta & Acores, Lisbon**	6/30/89	1	134.1	237.5	109.9	5.1	NY(A)
	4,633	6/30/88	1	58.6	169.9	58.8	3.8	
QATAR	**Doha Bank Ltd.**	6/30/89	1	0.0	124.6	124.6	....	NY*(B)
	N.A.	6/30/88	1	0.0	80.9	78.5	17.6	
SAUDI ARABIA	**National Commercial Bank, Jeddah**	6/30/89	1	10.9	343.5	90.2	1.7	NY*(B)
	20,375	6/30/88	1	25.7	463.2	131.8	2.5	
SINGAPORE	**Development Bank of Singapore Ltd.**	6/30/89	2	14.7	315.2	72.8	2.9	LA(A);NY(A)
	10,854	6/30/88	2	1.5	143.6	13.3	1.8	
	Overseas Union Bank Ltd.	6/30/89	3	18.2	235.2	21.4	5.1	LA(A);SF(A);NY*(B)
	4,569	6/30/88	3	15.8	129.3	17.6	3.0	
	Overseas-Chinese Banking Corp.	6/30/89	1	0.5	51.7	4.6	0.8	NY*(B)
	6,879	6/30/88	1	0.5	24.9	5.6	0.4	
	United Overseas Bank Ltd.	6/30/89	2	7.8	31.8	3.6	0.4	LA(A);NY(A)
	7,405	6/30/88	2	8.2	25.4	2.0	0.4	
SPAIN	**Banco Atlantico, Barcelona**	6/30/89	2	65.9	460.3	281.0	7.9	MIA(A);NY(A)
	5,820	6/30/88	2	23.7	299.5	248.6	5.7	
	Banco Bilbao Vizcaya, Bilbao[3]	6/30/89	7	254.5	899.7	637.7	1.4	SF(A);Coral Gables, Fla.(A);MIA(A)
	62,465	6/30/88	7	169.0	912.0	648.6	3.0	Albuquerque, N.M.(C);Santa Fe, N.M.(C) Taos, N.M.(C);NY*(B)
	Banco Central, Madrid	6/30/89	5	1,162.8	3,217.3	1,574.4	7.9	SF(A);MIA(A);NY*(B);NY*(C)
	40,685	6/30/88	5	1,016.2	2,822.1	1,515.7	7.0	Hato Rey, P.R.(C)
	Banco Espanol de Credito, Madrid	6/30/89	3	374.4	641.4	451.6	1.1	MIA(A);NY*(B);NY(I)
	57,241	6/30/88	3	234.0	514.9	392.5	0.8	
	Banco Exterior de Espana, Madrid	6/30/89	3	425.9	963.9	790.9	4.5	LA(A);MIA(A);Stony Brook, N.Y.*(C)
	21,573	6/30/88	3	384.2	870.5	648.3	3.6	
	Banco Hispano-Americano, Madrid	6/30/89	1	2.6	411.1	7.8	1.5	NY*(B)
	27,790	6/30/88	1	8.7	336.4	6.9	1.1	
	Banco Occidental de Madrid	6/30/89	1	42.9	374.5	319.1	....	San Juan, P.R.(C)
	N.A.	6/30/88	1	41.7	366.9	307.0	....	
	Banco Zaragozano	6/30/89	1	6.6	49.5	46.3	1.7	MIA*(C)
	2,904	6/30/88	1	7.0	53.0	48.4	2.0	
	Banco de Santander[5]	6/30/89	6	443.0	5,280.7	4,538.4	17.9	MIA*(A);MIA*(E);NY(2B);Bayamon, P.R.(T)
	29,481	6/30/88	5	448.5	2,944.9	2,484.6	10.8	Hato Rey, P.R.(C)
SWEDEN	**PK Banken, Stockholm**	6/30/89	1	525.3	674.2	2.7	1.7	NY(I)
	39,730	6/30/88	1	243.2	388.4	0.6	1.2	
	Skandinaviska Enskilda Banken, Stockholm	6/30/89	3	171.5	527.7	24.8	1.1	LA(A);NY*(B);NY(I)
	47,133	6/30/88	2	70.5	322.4	32.3	....	
SWITZERLAND	**Banca della Svizzera Italiana, Lugano**	6/30/89	1	430.9	749.3	153.0	12.3	NY*(B)
	6,108	6/30/88	1	341.9	669.9	160.3	10.5	
	Bank Julius Baer & Co. Ltd., Zurich	6/30/89	1	41.1	490.2	333.3	19.0	NY*(B)
	2,583	6/30/88	1	47.9	314.4	238.3	11.8	
	Bank Leu, Zurich	6/30/89	1	0.6	46.3	32.4	0.5	NY*(B)
	9,878	6/30/88	1	24.9	320.4	265.8	2.8	
	Credit Suisse, Zurich[4]	6/30/89	3	267.2	3,239.2	1,990.1	4.3	LA*(B);MIA(A);NY(B)
	75,400	6/30/88	3	386.0	2,331.7	1,490.8	2.8	
	Swiss Bank Corp., Basle[1]	6/30/89	7	3,661.4	11,398.4	6,443.5	11.1	SF*(B);MIA(A);ATL(A);CHI(B)
	102,482	6/30/88	7	5,983.9	14,414.6	8,011.0	12.5	NY(2B);HOU(A)
	Swiss Volksbank, Berne	6/30/89	1	0.0	226.6	175.4	1.0	NY*(B)
	22,988	6/30/88	..	.....	.....	.....	....	
	Union Bank of Switzerland	6/30/89	4	453.2	4,337.6	1,507.4	3.9	LA*(B);CHI(B);NY(B);HOU(A)
	110,778	6/30/88	4	401.0	4,510.0	1,592.4	3.6	
TAIWAN	**Bank of Communications, Taipei**	6/30/89	1	5.0	10.3	3.9	0.1	San Jose, Calif.*(B)
	8,286	6/30/88	..	.....	.....	.....	....	
	First Commercial Bank, Taipei	6/30/89	1	34.0	35.9	9.3	0.2	Agana, Guam(B)
	21,379	6/30/88	1	21.1	22.1	10.6	0.1	
	International Commercial BBank of China, Taipei	6/30/89	4	187.4	2,425.0	627.8	36.9	LA(B);CHI(B);NY*(C);NY*(A)
	6,578	6/30/88	4	231.5	2,707.0	592.0	39.7	
THAILAND	**Bangkok Bank Ltd.**	6/30/89	2	15.7	274.7	18.2	2.0	LA*(B);NY(B)
	13,821	6/30/88	2	29.8	270.3	23.7	2.3	
	Bangkok Metropolitan Bank Ltd.	6/30/89	2	29.7	242.6	61.4	12.9	SF(A);NY(A)
	1,879	6/30/88	2	26.2	184.0	85.7	11.9	
	Krung Thai Bank Ltd., Bangkok	6/30/89	1	69.6	87.3	24.1	1.3	NY*(B)
	6,860	6/30/88	1	52.3	67.0	46.5	1.2	
	Siam Commercial Bank Ltd., Bangkok	6/30/89	2	115.2	212.4	117.8	6.0	LA*(B);NY(B)
	3,566	6/30/88	2	133.8	195.0	140.3	5.7	
	Thai Farmers Bank, Bangkok	6/30/89	2	51.0	103.2	4.1	1.7	LA(A);NY*(B)
	6,207	6/30/88	2	40.5	72.2	4.6	1.4	
TURKEY	**Turkiye Cumhuriyeti Ziraat Bankasi, Ankara**	6/30/89	1	51.2	294.3	132.6	4.1	NY*(B)
	7,178	6/30/88	1	54.0	238.1	142.9	2.7	
UNITED ARAB EMIRATES	**Bank of Oman, Ltd., Dubai**	6/30/89	2	10.9	27.5	18.6	1.0	NY*(B);NY(E)
	2,869	6/30/88	1	9.1	26.4	13.4	1.0	
	Middle East Bank, Dubai	6/30/89	1	14.0	21.5	5.4	2.3	NY*(B)
	921	6/30/88	1	16.0	23.0	8.1	....	
	National Bank of Abu Dhabi	6/30/89	1	20.4	126.3	79.0	1.9	DC*(B)
	6,693	6/30/88	1	26.1	154.9	77.9	....	
UNIT[illegible]NGDOM	**Bank of Scotland, Edinburgh**	6/30/89	1	129.3	204.5	2.9	0.8	NY*(B)
	24,487	6/30/88	1	168.1	222.6	4.1	1.1	
	Barclays Plc, London	6/30/89	15	1,318.4	8,654.4	5,295.1	4.6	LA(A);SF(A);Wilmington, Del.(C);MIA(A)
	189,198	6/30/88	15	1,618.7	7,797.4	4,820.8	4.7	ATL(A);CHI(B);BOS(B);NY*(3B);NY*(C) Charlotte, NC(C);Charlotte Amalie, VI(2B) SEA(B)
	Libra Bank Plc, London	6/30/89	1	0.0	214.9	199.8	8.7	NY*(B)
	2,479	6/30/88	1	0.0	219.5	209.5	7.0	
	Lloyds Bank Plc, London	6/30/89	6	1,469.3	4,550.7	1,591.3	4.9	LA*(B);MIA(A);CHI(B);BOS(B)
	93,716	6/30/88	6	1,660.5	4,912.4	1,655.7	5.8	NY(B);PIT(B)
	London & Continental Bankers	6/30/89	1	0.0	0.4	0.0	....	NY(A)
	N.A.	6/30/88	1	0.0	0.4	0.0	....	
	Midland Bank Plc, London	6/30/89	1	32.5	2,135.8	1,182.5	2.1	NY(B)
	100,758	6/30/88	1	142.9	2,019.1	1,121.8	2.2	

For footnotes see page 39A.

FOREIGN BANKS IN THE U.S.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/88		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (%)	Location of Offices and Type
U.K. (continued)	**National Westminster Bank Plc, London[1]**	6/30/89	6	9,594.8	22,189.4	17,280.6	12.4	SF(A);CHI(B);BOS(B);Jersey City, N.J.(C)
	178,345	6/30/88	6	8,224.3	19,740.8	14,539.5	12.0	NY*(B);NY*(C)
	Royal Bank of Scotland, Edinburgh	6/30/89	4	239.7	2,905.1	2,143.3	7.9	SF(A);NY*(B);Providence, R.I.(C)
	36,605	6/30/88	2	70.6	167.4	3.8	0.5	Providence, R.I.(T)
	Saudi International Bank, London	6/30/89	1	0.0	8.9	0.0	0.2	NY*(B)
	4,616	6/30/88	1	0.0	6.8	1.8	0.2	
	Scandinavian Bank Ltd., London	6/30/89	1	0.0	54.6	0.0	1.0	NY*(B)
	5,621	6/30/88	..	.....	.....	.....	....	
	Standard Chartered Bank Plc, London	6/30/89	8	580.2	1,215.6	486.2	2.8	LA*(B);MIA(A);ATL(A);CHI(B)
	42,835	6/30/88	8	538.8	1,192.9	576.0	2.1	NY(3B);SEA(B)
	United Bank of Kuwait Plc, London	6/30/89	1	60.3	243.1	238.1	5.8	NY*(B)
	4,196	6/30/88	1	43.6	105.5	93.4	2.8	
URUGUAY	**Banco de la Republica Oriental del Uruguay, Montevideo**	6/30/89	1	0.1	331.4	43.7	....	NY*(B)
	N.A.	6/30/88	1	0.1	225.0	38.2	....	
VENEZUELA	**Banco Consolidado, Caracas**	6/30/89	3	43.2	247.5	293.5	32.7	NY*(2B);NY(E)
	758	6/30/88	2	16.0	341.7	309.2	42.9	
	Banco Exterior de los Andes, Caracas	6/30/89	1	2.7	49.9	39.9	....	MIA(A)
	N.A.	6/30/88	..	.....	.....	.....	....	
	Banco Industrial de Venezuela, Caracas	6/30/89	2	13.4	503.6	130.0	34.5	MIA(A);NY(A)
	1,461	6/30/88	2	15.7	536.1	146.2	40.6	
	Banco Latino, Caracas	6/30/89	1	31.3	183.4	165.9	20.0	MIA(E)
	916	6/30/88	1	29.3	180.3	152.3	24.0	
	Banco Mercantil, Caracas	6/30/89	3	47.1	498.6	429.0	13.9	Coral Gables, Fla.(A);MIA(A);NY(A)
	3,589	6/30/88	2	62.4	502.4	380.9	38.2	
	Banco Union, Caracas	6/30/89	3	91.2	436.4	403.7	....	MIA(E);NY*(B);NY*(C)
	N.A.	6/30/88	3	117.7	405.7	364.7	53.0	
	Banco de Venezuela, Caracas	6/30/89	3	44.1	478.9	375.0	39.8	MIA(E);NY(A);NY(E)
	1,203	6/30/88	3	95.7	385.5	316.8	35.8	
	Venezuela American Banking Corp., Caracas[6]	6/30/89	1	13.4	37.6	20.6	....	NY(I)
	N.A.	6/30/88	1	7.2	46.6	4.5	....	
YUGOSLAVIA	**Jugobanka United Bank, Belgrade**	6/30/89	1	115.7	214.9	60.4	3.6	NY*(B)
	5,963	6/30/88	1	120.9	255.1	67.6	3.7	
	Ljubljanska Banka, Ljubljana	6/30/89	1	31.8	142.0	104.4	2.0	NY*(C)
	7,111	6/30/88	1	20.0	104.5	41.9	1.3	
	Udruzena Beogradska Banka, Belgrade	6/30/89	1	109.2	244.6	132.4	3.4	NY*(B)
	7,296	6/30/88	1	72.1	348.9	232.5	3.3	
GROUP OWNED BANKS	**Al UBAF Banking Group, Neuilly, France[7]**	6/30/89	1	211.4	735.0	561.7	....	NY(C)
	......	6/30/88	1	299.0	1,162.9	817.1	....	
	Audi Group[8]	6/30/89	1	90.1	411.7	314.1	....	NY(C)
	......	6/30/88	1	69.2	337.2	275.1	....	
	Century Bank[9]	6/30/89	1	8.7	67.8	49.8	....	SF*(C)
	......	6/30/88	1	14.8	63.5	49.3	....	
	European-American Group[10]	6/30/89	1	1,379.7	5,446.6	4,681.1	....	NY(C)
	......	6/30/88	1	1,550.5	5,278.0	4,222.2	....	
	Grupo Financiero Populare, Dominican Republic[11]	6/30/89	1	0.0	34.5	28.7	....	NY*(C)
	......	6/30/88	1	4.6	26.6	22.7	...	

Data Sources: **American Banker** questionnaire and the **Federal Reserve Board's** reports of condition for branches, agencies, Edge banks, and New York State Investment Companies. **Description of table:** foreign banks with full banking offices in the U.S. are listed alphabetically by country. Within each country, the banks are listed alphabetically by name. If data for an office were not available, the office is not listed. The data shown for each bank are combined to include all of the bank's U.S. banking offices. **No. of Offices:** the total number of branches, agencies, Edge banks, commercial banks, thrifts (acquired in 1989) and N.Y. investment companies. **C&I loans** are commercial and industrial loans, which are commonly known as business loans. **Parent company's assets** are shown immediately below the name of the bank and are for 12/31/88, or nearest fiscal yearend, for banks providing data for *American Banker's* World Bank listings published July 25, 1989. **Ratio (%)** represents the June 30,1989 assets of the bank's U.S. office(s) to the bank's total worldwide assets the previous yearend. **Location of Offices and Type:** **A**=Agency; **B**=Branch; **C**=Commercial Bank; **E**=Edge bank; **Eb**=Branch of Edge bank; and **I**=New York Investment Company; **T**= thrift. Abbreviations for locations are:**ATL**=Atlanta; **BOS**=Boston; **CHI**=Chicago; **DAL**=Dallas; **DC**=Washington, D.C.; **LA**=Los Angeles; **MIA**=Miami; **NY**=New York City; **PHI**=Philadelphia. (1)— The bank reported consolidated data for 6/30/88. (2)— Data for 6/30/88 were revised since publication last year. (3)— In Oct. 1988, Banco de Vizcaya and Banco de Bilbao merged. Data for 6/30/88 are the combined data for the two former banks. (4)— Bank is also known as Swiss Credit Bank. New York branch is listed as Swiss Credit Bank. (5)— Deposits and assets for 6/30/89 include thrift acquired during the year. (6)— Owned by a group comprised of individuals; Venezuelan industrial companies; and Banco la Guaira International, Caracas. (7)— The bank—UBAF Arab American Bank, New York— is part of the Al UBAF Banking Group, Neuilly, France. (8)— Owned by three banks of the Audi Group. (9)— The bank is owned by five Philippine institutions. (10)— Owned by five European banks. (11)— A financial services holding company which owns Banco Popular Dominico, Santo Domingo. (*)— Office is in the foregn bank's "Home State". **Compiled by American Banker, Copyright 1990.**

Definitions and Data Sources

American Banker's study of foreign banking in the United States shows the business loans, deposits, and assets of the full banking offices of foreign banks in the U.S. as of June 30, 1989.

Full banking offices include commercial bank subsidiaries more than 50% owned, branches, agencies, Edge Act banks, and New York State investment companies, and thrift subsidiaries.

The sources of the data for this survey are: (1) the **American Banker** survey of each foreign banking offices in the U.S.; (2) the various **Federal Reserve Board** reports for these institutions purchased from the National Technical Information Service, U.S. Department of Commerce, Springfield, Va.; and (3) **ADP Data Services Division, New York.** ADP maintains a computer tape of the the Federal regulatory call reports. The ADP data base was used to identify the most profitable foreign bank-owned banks over the first half of 1989 and over the past five years.

According to the International Banking Act of 1978, **an agency** is "any office or any place of business of a foreign bank located in any state of the United States or District of Columbia at which credit balances are maintained, checks are paid, or money is lent, but at which deposits may not be accepted from a citizen or resident of the United States."

A branch is defined as "any office or any place of business of a foreign bank located in any state of the United States or District of Columbia thay may accept domestic deposits that are incidental to, or for the purpose of, carrying out transactions in foreign countries."

In New York state, a large number of agencies of foreign banks have been granted powers by the state to issue large-denomination deposits to both domestic and foreign residents. For that reason, *American Banker* follows the Federal Reserve Board's policy of classifying these agencies as branches. These agencies are listed in the branch listing and are identified by a footnote 'm" after their name.

The U.S. branches and agencies of foreign banks are required to submit to the Federal Reserve Form FFIEC 002: "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks" on a quarterly basis.

An **Edge Act banking corporation** is a nationally chartered organization set up to engage in international banking and investment, under the rules established in the 1919 Edge Act. The International Banking Act of 1978 permitted foreign banks to establish Edge banking offices.

An Edge bank can make loans, accept deposits, and provide a wide range of banking services, but all of these must be directly related to foreign or international transactions.

An Edge bank is required to submit to the Federal Reserve Board Form FR2886B: "Report of Condition for Edge and Agreement Corporations." These are unconsolidated data for the Edge and for each domestic branch of the Edge.

An investment company, which is established under Article XII New York State banking law, is similar to a state-chartered commercial bank. However there are three major differences: (1) an investment company is not subject to the 10% lending limitation, while a commercial bank cannot lend to any one person an amount greater than 10% of its capital stock, surplus, and undivided profits; (2) an investment company has no restriction on investing in stocks of corporations, while banks cannot acquire the stock of any corporation; and (3) an investment company cannot accept deposits, but can only maintain credit balances incidental to the conduct of its lawful business. Only investment companies more than 50% owned by foreign banks are included in the listings.

An investment company is required to submit to the Federal Reserve Board Form FR2886A: "Quarterly Report of Condition for A New York Investment Company and its Domestic Subsidiaries."

The U.S. commercial bank subsidiaries of foreign banks are required to complete one of four forms— Form FFIEC 031-034— depending on the size of the institution and whether or not it has foreign branches. This report, entitled "Consolidated' Reports of Condition and Income," is generally referred to as the "call report."

Commercial and industrial loans are defined as loans for commercial and industrial purposes to business enterprises (proprietorships, partnerships, and corporations), whether secured or unsecured, single payment or installment. These loans may take the form of direct or purchased loans, such as commercial paper or bankers acceptances.

For commercial banks, data are consolidated, including these banks' domestic and foreign branches and their Edge bank subsidiaries.

To measure the U.S. banking operations of a foreign bank, the total business loans, deposits, and assets in each U.S. office of that foreign bank, including thrifts, are summed. To obtain the aggregate totals for all foreign banks, the data for all U.S. banking office of foreign banks— excluding thrifts— are summed.

FOREIGN BANKS IN THE U.S.

Representative Offices By State

ARIZONA

Tucson
Banco Internacional, Mexico

CALIFORNIA

Los Angeles
Amsterdam-Rotterdam Bank, Netherlands
Banca Nazionale Dell' Agricoltura, Rome
Banco de la Ciudad de Buenos Aires, Argentina
Banco di Napoli, Naples
Bank of Montreal
Bank of Scotland, Edinburgh, U.K.
Bergen Bank, Norway
Berliner Handels-und Frankfurter Bank, Frankfurt
Commerzbank, Dusseldorf, Germany
Deutsche Bank, Frankfurt, Germany
Export-Import Bank of Korea, Seoul
Hongkong and Shanghai Banking Corp., Victoria
Kleinwort, Benson (North America Corp.) (a)
Kredietbank, NV, Brussels, Belgium
Mercantile Bank of Canada, Montreal
Mitsui Trust & Banking Co., Ltd., Tokyo
National Westminster Bank, Plc., London
Nederlandsche Middenstandsbank, Amsterdam
Royal Bank of Canada, Montreal
Royal Bank of Scotland, Plc., Edinburgh
Security Pacific Australia, Ltd., Sydney
State Bank of New South Wales, Sydney, Australia
Swiss Bank Corporation, Basle
Toronto Dominion Bank, Canada

San Diego
Royal Trust Co., Montreal

San Francisco
Bank Julius Baer & Co., Ltd., Zurich, Switzerland
Bank of Montreal
Banque Paribas, Paris
Central Trust of China, Taipei, Taiwan
Christiana Bank og Kreditkasse, Oslo, Norway
Credit Suisse, Zurich
Creditanstalt-Bankverein, Vienna, Austria
Industrial Bank of Japan, Ltd., Tokyo
Interallianz Bank, Zurich, Switzerland
Kyowa Bank, Ltd., Tokyo
Mitsui Bank, Ltd., Tokyo
Samuel Montagu & Co., Ltd., London
Mitsubishi Bank, Ltd., Tokyo
National Australia Bank, Ltd., Melbourne
Rabobank Nederland, Utrecht
Royal Bank of Scotland, Plc., Edinburgh
Societe Generale, Paris
Union Bank of Switzerland, Zurich
Wing Lung Bank, Ltd., Hong Kong

COLORADO

Denver
Canadian Imperial Bank of Commerce, Vancouver
Lloyds Bank Plc., London
Mercantile Bank of Canada
Norske Creditbank, Oslo, Norway

CONNECTICUT

Hartford
Equator Bank, Ltd., Nassau, Bahamas

DISTRICT OF COLUMBIA

Banca Commerciale Italiana, Milan
Banco Nacional do Desenvolvimento Economico, Rio de Janeiro
Bank of Credit & Commerce International, Luxembourg
Bank of Tokyo, Ltd.
Equator Bank, Ltd., Nassau, Bahamas
Export-Import Bank of Japan
Industrial Bank of Japan, Ltd.
Japan Development Bank, Tokyo
Nacional Financiera, Mexico City
State Bank of India, Bombay

FLORIDA

Coral Gables
Banca March, Palma de Mallorca, Spain
Filanbanco, Guayaquil, Equador

Jacksonville
British Linen Bank, Ltd., Edinburgh, U.K.

Miami
Banco Popular Dominicano, Santo Domingo
Banco Regional Sur Medio y Callao, Callao, Peru
Bank Audi (Suisse), Zurich
Credit Suisse, Zurich
Dow Banking Corp., Zurich, Switzerland
Dresdner Bank, Frankfurt, Germany
Fuji Bank, Ltd., Tokyo

Tampa
Lloyds Bank Plc., London

GEORGIA

Atlanta
Bank of Tokyo, Ltd.
Credit Suisse, Zurich
Dai-Ichi Kangyo Bank, Tokyo
Fuji Bank, Ltd., Tokyo
Industrial Bank of Japan, Ltd., Tokyo
Kredietbank, Brussels, Belgium
Long-Term Credit Bank of Japan, Ltd., Tokyo
Mitsui Bank, Ltd., Tokyo
National Australia Bank Ltd., Melbourne
Sumitomo Bank, Osaka, Japan
Tokai Bank, Ltd., Nagoya, Japan
Yasuda Trust & Banking Co., Ltd., Tokyo

ILLINOIS

Chicago
Amsterdam-Rotterdam Bank, Netherlands
Banco di Sicilia, Palermo, Italy
Banco do Brasil, Brasilia
Banco Nacional de Mexico, Mexico City
Bank of Ireland, Dublin
Bank of Nova Scotia, Toronto, Canada
Bank of Scotland, Edinburgh
Bank of Tokyo, Ltd.
Christiana Bank og Kreditkasse, Oslo, Norway
Continental Bank of Canada, Toronto
Credit Commercial de France, Paris
Credit Suisse, Zurich
Credito Italiano, Milan
Hokkaido Takushoku Bank, Ltd., Sapporo, Japan
Hongkong & Shanghai Banking Corp.
Industrial Bank of Japan, Ltd., Tokyo
Jugobanka, Belgrade, Yugoslavia
Kleinwort, Benson (North America Corp.) (a)
Kyowa Bank, Ltd., Tokyo
Long-Term Credit Bank of Japan, Tokyo
Metropolitan Bank & Trust Co., Manila, Philippines
Mitsubishi Trust & Banking Corp., Ltd., Tokyo
Nederlandsche Middenstandsbank, Amsterdam
Post-och Kreditbanken, Stockholm, Sweden
Royal Bank of Canada
Royal Bank of Scotland, Plc., Edinburgh
State Bank of South Australia, Abelaide
Sumitomo Trust & Banking Co., Ltd., Osaka, Japan
Yasuda Trust & Banking Co., Ltd., Tokyo

INDIANA

Gary
Stopanska Banka Skopje, Yugoslavia

IOWA

Des Moines
Rabobank Nederland, Utrecht

KENTUCKY

Lexington
Mitusi Bank, Ltd., Tokyo

LOUISIANA

New Orleans
Banque de l'Union Europeenne, Paris

MARYLAND

Baltimore
Lloyds Bank Plc., London

MASSACHUSETTS

Boston
National Westminster Bank Plc, London
Toronto Dominion, Inc., Canada

Fall River
Banco Comercial Dos Acores, Ponta Delgada, Portugal

MICHIGAN

Detroit
Stopanska Banka Skopje, Yugoslavia

Southfield
Mitsui Bank, Ltd., Tokyo

MINNESOTA

Minneapolis
Barclays Plc., London
Lloyds Bank Plc., London

MISSOURI

St. Louis
Kredietbank, NV, Brussels, Belgium
Lloyds Bank Plc., London

NEW YORK

New York
Akbank, Ankara, Turkey
Al Saudi Banque, Paris
Algemene Bank Nederland, Amsterdam
Andelsbanken, Copenhagen, Denmark
ANZ McCaughn Merchant Bank Ltd., London
Bahrain Middle East Bank, Manama
Banca Cattolica del Veneto, Vicenza, Italy
Banca Nazionale dell'Agricoltura, Rome
Banca Popolare di Novara, Italy
Banca San Paolo, Brescia, Italy
Banco Bolivano Americano, La Paz, Bolivia
Banco Comercial del Norte, Buenos Aires, Argentina
Banco de Galicia y Buenos Aires, Argentina
Banco de la Construccion, San Jose, Costa Rica
Banco de Quilmes, Argentina
Banco de Sabadell, S.A., Spain
Banco de Santiago, Chile
Banco di Santo Spirito, Rome
Banco Espanol del Rio de la Plata, Buenos Aires
Banco Espirito Santo e Comerciale, Lisbon
Banco Exterior de Espana, Madrid, Spain
Banco Hipotecario Dominicano, Santo Domingo
Banco Hipotecario Miramar, Santo Domingo
Banco Interamericano de Ahorro y Prestamo, Caracas, Venezuela
Banco Mercantil, Caracas, Venezuela
Banco Nac'l de Obras y Serv. Pub., Mexico City
Banco Pan de Azucar, Montevideo, Uruguay
Banco Rio de la Plata (Panama), Panama City
Banco Sud Americano, Santiago, Chile
Bank Handlowy W. Warszawie, Poland
Bank Hapoalim, Tel-Aviv, Israel
Bank Indonesia, Jakarta
Bank of Credit & Commerce (Overseas), Ltd., Grand Cayman, Cayman Islands
Bank of Ikeda, Ltd., Japan
Bank of Japan, Tokyo
Bank of Kinki, Ltd., Osaka, Japan
Bank of Korea, Seoul
Bank of Kuwait & the Middle East, KSC, Kuwait City
Bank of Nagoya Bank, Ltd., Japan
Bank of Osaka, Ltd., Japan
Bank of Pusan, Korea
Bank of the Ryukyus, Ltd., Naha, Japan
Bank Polska Kasa Opieka, Warsaw, Poland
Banque Arabe et Internationale d'Investissement, Paris
Banque Audi SAL, Beirut, Lebanon
Banque de Bretagne, Rennes, France
Banque de la Societe Financiere Europeenne, Paris
Banque Francaise du Commerce Exterieur, Paris★
Banque Internationale a Luxembourg
Banque Internationale pour l'Afrique Occidentale, Paris
Banque Nationale de Paris★
Banque Sudameris, Paris
Banque Worms, Paris
Baring Brothers & Co., Ltd., London
Berliner Handels-und Frankfurter Bank, Frankfurt★
Bremar Holdings Ltd., U.K.
British Bank of the Middle East, London
Caisse Centrale des Banques Populaires, Paris
Cassa di Risparmio di Firenze, Florence, Italy
Cassa di Risparmio di Genova e Imperia, Genoa, Italy
Cassa di Risparmio di Torino, Turin, Italy
Cassa di Risparmio di Verona Vicenza e Bulluno, Italy
Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo, Italy
Central Trust of China, Taipei, Taiwan
Charterhouse Group International, Inc., London
Chukyo Bank, Ltd., Nagoya, Japan
Citizens National Bank, Seoul, Korea
Clydesdale Bank Plc., Glasgow, Scotland, U.K.
Compagnie de Banque et d'Investissements, Lausanne
Compagnie Financiere de la Mediterranee, Paris
Country Bank, Ltd., London
Credit Chimique, Paris
Credit du Nord, Lille, France
Credit Lyonnais, Paris★
Credito Romagnolo, Bologna, Italy
Daegu Bank, Ltd., Seoul, Korea
Daisan Bank, Ltd., Matsuzaka, Japan
Daishi Bank Ltd., Nigata, Japan
Danske Bank, Copenhagen, Denmark
Deutsche Genossenschaftsbank, Frankfurt
Donau-Bank AG, Vienna
Dresdner Bank, Frankfurt
Euro Canadian Bank, Nassau, Bahamas
Export-Import Bank of Korea, Seoul
Fenno Scandia Ltd., London, U.K.
Filanbanco, Guayaquil, Ecuador
First Curacao International Bank, Willemstad
First International Bank of Israel, Ltd., Tel-Aviv
First Nat'l Bk of S. Africa Ltd., Johannesburg
Fukui Bank, Ltd., Fukui, Japan
Fukuoka City Bank, Ltd., Japan
Fukutoku Bank, Ltd., Osaka, Japan
Galicia y Buenos Aires Casa Bancaria SA, Montevideo, Uruguay
Genossenschaftliche Zentralbank, Vienna, Austria
Gerrard and National, Plc., London
Guinness Mahon Capital Corp., U.K.
Hambro America (b)
Hill Samuel & Co, Inc., London
Hokkoku Bank, Ltd., Kanazawa, Japan
Hongkong & Shanghai Banking Corp., Victoria
Hyakugo Bank, Tsu, Japan
Hyogo Bank, Ltd., Kobe, Japan
Industrial Bank of Korea, Seoul
Investiciona Banka Titograd-Udruzena Banka, Yugo.
Japan Development Bank, Tokyo
Juroku Bank, Ltd., Gifu, Japan
Kiyo Bank, Ltd., Wakayama, Japan
Kleinwort, Benson (North America Corp.) (a)
Korea Development Bank, Seoul
Kredietbank S.A. Luxembourgeoise
Libra Bank, Ltd., London
Ljubljanska Banka, Ljubljana, Yugoslavia
Meridien International Ltd., London
Metallbank, Frankfurt
Morgan Grenfell Ltd., London
Nacional Financiera, Mexico City, Mexico
National Bank of Hungary, Budapest
National Bank of New Zealand, Wellington
National Mortgage Bank of Greece, Athens
National Westminster Bank, Plc., London
Nedbank Ltd., Johannesburg, South Africa.
Nippon Trust Bank, Ltd., Tokyo
Nishi-Nippon Bank, Ltd., Fukuoka, Japan
North American Bank, Ltd., Tel-Aviv, Israel
Nuovo Banco Ambrosiano, Milan, Italy
Ogaki Kyoritsu Bank, Ltd., Japan
Orion Royal Bank, London
Overland Trust Bank, Lugano, Switzerland
Pierson, Heldring & Pierson, Amsterdam, Netherlands
Post-Och Kredietbanken, Stockholm, Sweden
Postipankki, Ltd., Helsinki, Finland
Privredna Banka Sarajevo, Yugoslavia
Rea Brothers, Ltd., London
Reserve Bank of Australia, Sydney
Romanian Bank for Foreign Trade, Bucharest
Royal Bank of Scotland, Ltd., U.K.
Samuel Montagu & Co., Ltd., London
San-in Godo Bank, Ltd., Matsue, Japan
Saudi European Bank, Paris
Scandinavian Bank, Ltd., London
Senshu Bank, Ltd, Kishiwada, Japan
The 77 Bank, Ltd., Sendai, Japan
Shiga Bank, Ltd., Otsu, Japan
Shizuoka Bank, Ltd., Japan
Skopbank, Helsinki, Finland
Sparebanken Oslo Akershus, Oslo, Norway
Sparbankernas Bank, Stockholm, Sweden
Stopanska Banka, Skopje, Yugoslavia
Suruga Bank, Numazu, Japan
Tokyo Sowa Bank, Ltd.
Tokyo Tomin Bank
Toronto Dominion Bank, Canada
Trans-Arabian Investment Bank, Ltd., Manama, Bahrain
Udruzena Banka Hrvatske, Zagreb, Yugoslavia
Ufficio Italiano dei Cambi (Bank of Italy), Rome
Ulster Investment Bank, Ltd., Ireland
Union Bank of Norway, Oslo
Vereins-und Westbank, Hamburg, Germany
Vojvodjanska Banka-Udruzena Banka, Yugoslavia
Wardley Ltd., Hong Kong
Yapi ve Kredi Bankasi, Ankara, Turkey

White Plains
Bank of Ireland, Dublin

NORTH CAROLINA

Charlotte
Barclays Plc., London

Winston-Salem
Lloyds Bank Plc., London

OHIO

Cleveland
Bank of Nova Scotia, Toronto, Canada
Sanwa Bank, Ltd., Osaka, Japan
Bayerische Vereinsbank, Munich, Germany
Lloyds Bank Plc., London

Columbus
Mitsubishi Bank, Ltd., Tokyo
Westpac Banking Corp., Sydney, Australia

OREGON

Portland
Mitsubishi Bank, Ltd., Tokyo

PENNSYLVANIA

Philadelphia
Barclays Plc., London
Charterhouse Japhet North America, London
Lloyds Bank Plc., London

Pittsburgh
Royal Bank of Canada, Montreal
Toronto Dominion Bank, Canada

Upper Darby
National Mortgage Bank of Greece, Athens

TEXAS

Dallas
Banque Paribas, Paris
Barclays Plc., London
Canadian Imperial Bank of Commerce, Toronto
Lloyds Bank Plc, London
Long-Term Credit Bank of Japan, Ltd.
Mercantile Bank of Canada, Montreal
National Australia Bank, Ltd., Melbourne
National Bank of Canada, Montreal
National Westminster Bank Plc., London
Royal Bank of Canada, Montreal
Saitama Bank, Ltd., Urawa, Japan
Societe Generale, Paris
Swiss Bank, Corp., Basle, Switzerland

Houston
Algemene Bank Nederland, Amsterdam
Amsterdam-Rotterdam Bank, Amsterdam, Netherlands
Arab Banking Corp., Manama, Bahrain
Australia and New Zealand Banking Corp., Melbourne
Banco di Roma, Rome
Banco do Brasil, Brasilia
Banco do Estado de Sao Paulo, Brazil
Banco Nacional de Mexico
Bank of Credit & Commerce International, Luxembourg
Bank of Nova Scotia, Toronto, Canada
Bank of Scotland, Edinburgh
Bank of Seoul, Korea
Bank of Tokyo, Ltd.
Banque Francaise du Commerce Exterieur, Paris
Banque Nationale de Paris
Barclays Plc., London
Bergen Bank, Norway
Canadian Imperial Bank of Commerce, Toronto
Charterhouse Japhet, Ltd., London
Cho-Heung Bank, Ltd., Seoul, Korea
Christiania Bank og Kreditkasse, Olso, Norway
Clydesdale Bank, Ltd., Glasgow, Scotland
Credit Lyonnais, Paris
Credito Italiano, Milan
Credit Suisse, Zurich
Dai-Ichi Kangyo Bank, Ltd., Tokyo
Daiwa Bank, Ltd., Osaka, Japan
Dresdner Bank, Frankfurt, Germany
Fuji Bank, Ltd., Tokyo
Guardian International Bank, Ltd., Montserrat
Hill Samuel & Co., Ltd., London
Hokkaido Takushoku Bank, Ltd., Sapporo, Japan
Hongkong & Shanghai Banking Group, Victoria
Industrial Bank of Japan
International Commercial Bank of China, Taipei
James Capel Bankers, Ltd., London
James Finlay Int'l Inc., London (c)
Lloyds Bank Plc., London
Mitsubishi Bank, Ltd., Tokyo
Mitsui Bank, Ltd., Tokyo
National Australia Bank, Melbourne
National Westminster Bank, Plc., London
Philippine Commercial and Industrial Bank, Makati
Post-och Kreditbanken, Stockholm, Sweden
Royal Bank of Canada, Montreal
Royal Bank of Scotland, Plc., Edinburgh
Sanwa Bank, Ltd., Osaka, Japan
Societe Generale, Paris
Sumitomo Bank, Ltd., Osaka, Japan
Swiss Bank Corporation, Basle
Taiyo Kobe Bank, Ltd., Kobe, Japan
Tokai Bank Ltd., Nagoya, Japan
Toronto Dominion Bank, Canada
Union Bank of Switzerland, Zurich
Westpac Banking Corp., Sydney, Australia

WASHINGTON

Seattle
Fuji Bank, Ltd., Tokyo
Lloyds Bank Plc., London
Mitsubishi Bank, Ltd., Tokyo
Mitsui Bank, Ltd., Tokyo
Sumitomo Bank, Ltd., Osaka, Japan

Representative offices that are new to the listing (last published on Mar. 6, 1989) are shown in bold face. Most are new, having opened in 1989. Some were inadvertantly omitted from the last listing.

(a)— Rep. office for Kleinwort, Benson, Ltd., London. **(b)**— Rep. office for Hambros Bank, Ltd., London. **(c)**— Rep. office for James Finlay Plc., Glasgow, Scotland. **(★)**— Also operates a branch or agency office in the same city.

Primary data sources: **U.S. Treasury;** World Bank Directory— North American and International editions— published by **R.L. Polk & Co.;** and the annual world banking survey conducted by **American Banker**.

800

C0175-1

AMERICAN BANKER

VOL. CLV NO. 44 · Tuesday, March 6, 1990 · 155th year

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Has Big Selloff Of Bank Stocks Been Overdone?

By NORA GREEN

ANALYSIS: *Follow-up on the news*

NEW YORK — When stock prices languish at depressed levels for an extended period, investors begin to wonder if the market is ignoring some fundamentals.

The banking industry, for example, would appear to be in severe trouble, if one judges by stock prices. Since the end of the third quarter, the Keefe, Bruyette & Woods Inc. index of large bank stocks is down nearly 19%, or more than five times as much as the market in general.

Judging from the lack of confidence of bank stock investors, the banking sector would appear to be in for severe trouble.

Certainly, some market analysts think the sell-off has been overdone or, at least, should not have been so indiscriminate.

Investors "have thrown the baby out with the bathwater" in indiscriminately selling bank stocks, said Hugh A. Johnson, chief investment strategist at First Albany Corp.

Concerns about shrinking interest margins and slipping asset quality are overblown, Mr. Johnson and others argue, and the worries do not reflect the strong fundamentals of some banks, even in the Northeast.

Similarly, Goldman, Sachs & Co. issued a bullish report on California banks last week, saying investors had sold off those stocks because of "exaggerated fears of an impending housing collapse." Goldman pointed out that California is not New England, and the economy and real estate market remain strong in the West.

Some Still Bearish

Nevertheless, some analysts are still completely bearish on banks. George Salem of Prudential-Bache Securities Inc., who recently downgraded the industry to "sell," said in his report that, over the last 20 years, "on a case-by-case basis, the fundamentals in banking have not been this weak."

Banks' problems are fundamental rather than cyclical, Mr. Salem said; but he added that the business cycle is not in their favor either – the current cycle is coming to an end, and earnings are expected to continue at a disappointing level through the first quarter. Mr. Salem suggested that "bottom-fishers" should

See **PRICES** back page

INSIDE NEWS

FINANCE

MARKET SPECIALISTS say commercial banks will be issuing securities collateralized by home equity loans in the coming months. *Page 20*

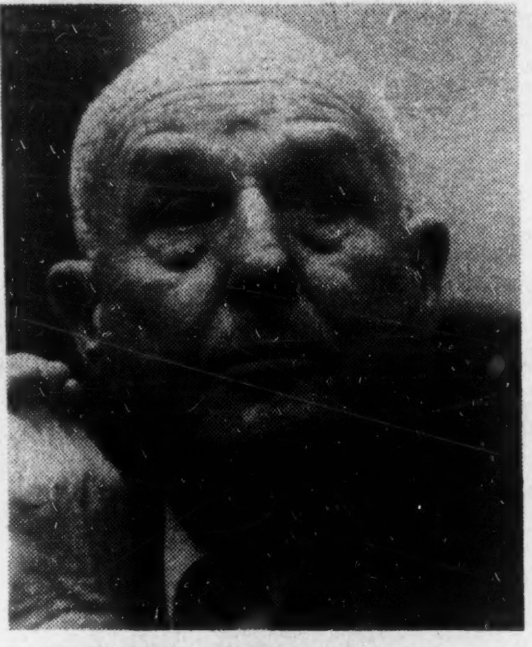
INTERNATIONAL

ARGENTINA IS NOT expected to get another loan from the International Monetary Fund in the near future, and there is concern that U.S. regulators will mandate increased loan-loss reserves for banks with exposure to that nation. *Page 10*

REAL ESTATE

BANKS MUST KEEP close tabs on their real estate loan portfolios in order to avoid a rise in problem credits in a weakening market, experts say. *Page 8*

CONSUMER



L. WILLIAM SEIDMAN, head of the FDIC and the Resolution Trust Corp., created a furor among credit unions by suggesting in a speech that the institutions are not as sound as they claim to be. *Page 6*

TECHNOLOGY

CHASE MANHATTAN plans to consolidate its computer and communications operations in two buildings that will be part of a redevelopment project in downtown Brooklyn. *Page 3*

COMMENT

FIRST MANHATTAN Consulting Group has compiled some useful benchmarks for measuring cost performance, writes Sanford Rose. *Page 4*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Weekly Index of Top Stories 11
Classified Advertising 17
Bank and Thrift Stocks 19

Midlantic Pushes CDs In Funds Bid

By YVETTE D. KANTROW

NEW YORK – Bidding aggressively for consumer deposits in a slowing economy, Midlantic National Bank has begun selling a certificate guaranteed to pay a minimum rate equal to the latest auction yield on two-year Treasury notes.

The Treasury CD, which the bank claims is the first of its kind, is indicative of Midlantic's growing appetite for consumer funds.

Midlantic, which recently extended its "Hungry Banker" corporate advertising theme to retail business, also introduced a nine-month Wait-and-See CD, which can be renewed upon maturity at its opening rate.

Competition for Funds

The moves reflect growing competition for retail funds in New Jersey. The products attract customers who are likely to establish other relationships through cross-selling.

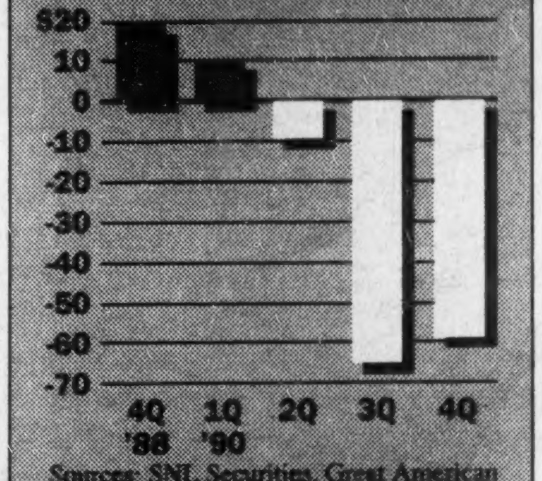
"Everybody wants core deposits," said Keith J. Pilkington, a vice president in charge of marketing at the Midlantic Corp. subsidiary. "The New Jersey market seems to be aggressively priced these days."

See **MIDLANTIC** page 6

A Strapped Great American Seeks Ally on Capital Front

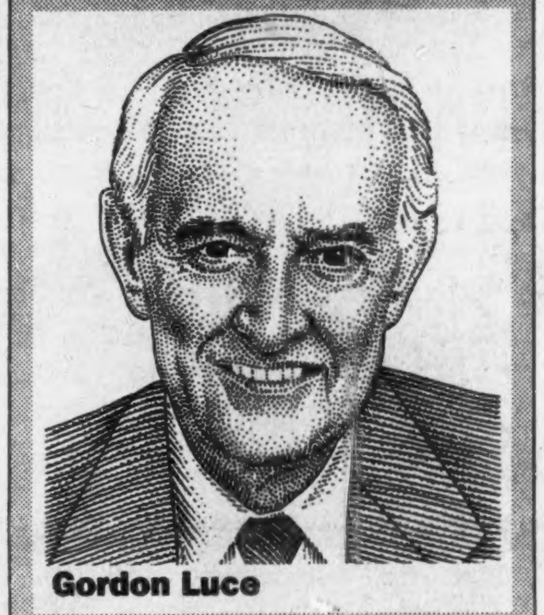
By PHIL ROOSEVELT

Mounting Losses At Great American...
Net income (dollars in millions)



Sources: SNL Securities, Great American

...Are Forcing CEO To Raise Capital



Gordon Luce

Barbara Kelly

NEW YORK — In the wake of mounting real estate problems in Arizona and other parts of the Southwest, Great American Bank disclosed on Monday that it may seek an outside investor to help it meet capital requirements.

San Diego-based Great American, which with $16.1 billion in assets is the nation's eight-largest thrift, also disclosed it would hire an investment bank to explore ways to attract direct investment or sell assets.

Gordon Luce, chairman and chief executive, said in a news release the thrift had "already received a number of inquiries from potential investors." Mr. Luce was unavailable for comment, and a spokesman declined to elaborate on the news release.

Stock Up 62¢ a Share

Speculation that all or part of the company could be sold contributed to a rise in Great American's stock, analysts said. Great American's stock closed at $4.375 a share, up 62.5 cents a share from Friday's close.

Meanwhile, Standard & Poor's Corp. downgraded the rating on about $75 million of Great American's debt, citing the thrift's exposure to the Southwest real estate market. The agency said the thrift's capital position and its "low reserve coverage" for sour loans "impair its financial flexibility, increasing the bank's vulnerability to regulatory operating re-

See **GREAT** page 15

Deposit Insurance Reform Draws a Crowd

By ROBERT TRIGAUX

Some Key Proposals For Reforming Deposit Insurance

Group	Proposal
American Bankers Association	Maintain $100,000 level of coverage; eliminate "too big to fail" doctrine; make uninsured depositors and unsecured creditors suffer some losses of failed bank, based on weighted average of past FDIC losses.
Independent Bankers Association of America	Insure all deposits; assess premiums on foreign deposits of U.S.banks.
Conference of State Bank Supervisors	Maintain $100,000 ceiling; reduce premiums for banks with high capital levels and strong "Camel" ratings, provided that the FDIC's reserve is at least 1.25% of insured deposits.
Minneapolis Fed	Fully insure $10,000 worth of deposits; insure 90% of remaining deposits; allow one fully insured account per person.

WASHINGTON — As the deadline nears for public comment on deposit insurance reform, many segments of the banking industry have already weighed in with their proposals. So far, the American Bankers Association's idea seems to have the best chance on Capitol Hill, according to some financial and political experts.

The ABA proposal would protect small depositors while exposing large depositors to potential loss.

If that sounds like what the current system is supposed to do – it is. But since the collapse of Continental Illinois Corp. in 1984, regulators have spared large depositors from losses when a big bank fails – their so-called "too big to fail" doctrine. This blanket insurance is one of the key factors pushing reform of the system.

The ABA thinks that the insurance ceiling should remain at $100,000, but that all banks should be allowed to fail. Uninsured depositors and unsecured creditors would suffer losses, which would be determined by a formula based on the loss rate of the Federal Deposit Insurance Corp.

The Treasury Department closes its public comment period on deposit insurance reform this Friday and will begin an elaborate review, due out in a study next February, of how the insurance system can be changed for the better. Congress would have to approve any reforms.

Based on the variety of proposed reforms, "better" is in the eye of the beholder.

The Independent Bankers Association of America, which represents small banks, wants all deposits to be guaranteed, unless it is made clear that big banks will be allowed to fail.

Another proposal, from the Conference of State Bank Supervisors, would require banks to pay less in insurance premiums

See **ABA** page 14

COMMENT/*By Sanford Rose*

Is Your Bank Inefficient?

How does a bank know when it has a cost problem? Jon Moynihan, a managing vice president of the First Manhattan Consulting Group, lists some telltale signs.

The bank's ratio of noninterest expenses to assets is not declining relative to that of other banks with a comparable business mix.

It is feeling price pressure from competitors who may be operating with lower overhead.

It does not systematically reward those managers who come in under budgeted expenses and, equally important, systematically penalize those who exceed budgeted expenses.

It does not have a management information system that provides actionable data on, say, cost per transaction or cost per inquiry.

It does not manage its major cost centers (e.g., operations) as aggressively as it manages its major profit centers (e.g., wholesale lending).

And, finally, the principal stock analysts and its new hires from other banks view it as a "fat and happy" institution.

After a bank has determined that it has an overall cost problem, it must of course pinpoint the causes. Which areas of the bank exhibit subpar efficiency — the branches, wholesale lending, operations, the staff, or all of the above?

* * *

The bank may have a cost problem in its branches if:

(1) Branch expenses are greater than 230 basis points of liabilities.

(2) Part-time tellers constitute less than 20% of the total teller work force. (Increased use of part timers is of course one important method of paring outsize branch expenses.)

(3) There are no part-time employees on branch platforms.

(4) Branch staffing is determined by negotiation with branch managers instead of according to a model that reveals how many people are needed at given times of the day and given days of the week to handle expected traffic.

'Banks should adopt a "permanent revolution" approach to cost cutting.'

* * *

The bank may have a cost problem in wholesale lending if:

(1) Direct expenses in wholesale lending are greater than 70% of total expenses in that line of business.

(2) The wholesale-lending return on equity is below 15%.

* * *

The bank may have a cost problem in operations if:

(1) The line businesses keep complaining that their indirect costs are killing them.

(2) The direct cost of operations is above 35 to 40 basis points of assets.

* * *

The bank may have a cost problem in the staff if:

(1) Staff budgets are increasing faster than those of operations or the line businesses:

(2) The direct cost of staff is greater than 40 basis points of assets.

While not a foolproof guide to determining where to trim costs, the foregoing provides some useful benchmarks against which to measure cost performance in various parts of the bank.

Moynihan of FMCG advocates the "permanent revolution" approach to cost cutting. That is, banks should concentrate on reducing branch costs in year one, wholesale-lending costs in year two, operations expenses in year three, and staff expenses in year four. Then, beginning in year five, they should start the whole process over again. ☐

CRIME BLOTTER/*By Tom Leander*

Investigation Set On CIA Links to S&Ls

Rep. Frank Annunzio, D-Ill., chairman of a house panel overseeing financial institutions, has asked the House Intelligence Committee to investigate a newspaper's reports of alleged links between the Central Intelligence Agency and several failed thrifts.

In a letter sent last Thursday to Anthony C. Beilenson, D-Calif., chairman of the Permanent Select Committee on Intelligence, Mr. Annunzio said that he was at first skeptical of the reports, but has become convinced "that at least some of the allegations have validity." The charges were made in a series of articles last month in the *Houston Post*.

Frank Annunzio

Daniel Childs, spokesman for the House Intelligence Committee, said last Friday that an investigation "will start promptly" but a date has not yet been set.

Mr. Annunzio said in the letter that a former Justice Department prosecutor told a House Banking subcommittee staff member that agents from the Federal Bureau of Investigation instructed him to drop an investigation of an individual connected with a thrift failure because that individual had "CIA connections."

The *Houston Post* reported that the CIA effort to raise money for covert operations involved a number of schemes to siphon funds from 22 failed thrifts at the expense of the federal deposit insurance program.

The newspaper also reported that the CIA has intervened in criminal investigations of the S&L crisis.

Mark K. Mansfield, a spokesman for the CIA, said the agency would fully cooperate with the investigation. Regarding charges linking S&L fraud to financing for covert operations, Mr. Mansfield said, "They are not true."

* * *

Chicago Cracks Down On Financial Fraud

In a clear signal that Chicago prosecutors are getting tough on bank and thrift fraud, 36 people last week were charged in 23 cases of defrauding Chicago financial institutions of $1.8 billion.

The charges involve a wide range of schemes, according to Assistant U.S. Attorney Steve Miller.

In one case, 10 people were charged with conspiring to steal $43,000 in cashier's checks from Continental Illinois National Bank and Trust Co. of Chicago, now called Continental Bank. Four other cases involved fraudulent representations on loan applications. One case was a check-kiting scheme. Five of the cases involved sums under $100.

Winifred Crespo of Lemont, Ill., a Chicago suburb, was charged with two counts of embezzling a total of $566,000 – the largest amount cited in the sweeping round of indictments.

Prosecutors said Ms. Crespo stole $378,500 from a $400,000 line of credit at First Chicago Bank of Oak Park by submitting false information about her income and assets. Ms. Crespo allegedly claimed to have an annual income of $260,000 and to own $2.5 million of New York City real estate.

A spokesman for First Chicago Corp., parent company of the Oak Park bank, confirmed the report from the U.S. Attorney's office but declined to make any further comment.

In a second count, Ms. Crespo is charged with taking $187,500 from Buffalo-based Manufacturers and Traders Trust Co. from an unsecured note obtained by providing false information about her assets.

She fraudulently claimed ownership of $688,680 in stock and bonds and $1.9 million in New York City real estate to obtain a $250,000 note from the bank, according to prosecutors.

Ms. Crespo could not be reached for comment.

— **Nanine Alexander**

* * *

Kansas Judge Throws Book at Friendly Felon

An unusually courteous Kansas City man convicted of robbing thrifts in Kansas and Missouri was ordered by Judge Earl O'Conner last week to make $8,972 in restitution payments and sentenced to 37 months in prison.

Kevin Lee Newby pleaded guilty in November to robbing the First Federal Savings and Loan Association in Grandview, Mo., on Aril 24, and the World Savings and Loan Association in Lenexa on Aug. 9. Charges against Mr. Newby in connection with three other robberies were dismissed.

During the robberies, according to police, Mr. Newby used a toy pistol and and told some of the tellers to "have a nice a day." He even offered to send several of them bouquets of roses. ☐

LETTERS

Different View Of Gun Control

To the Editor:

I was disturbed to read a brief item in your Funny Money column on Feb. 16 ["Gun Lobby Takes Aim," page 4]. The item dealt with a petition urging gun control that was circulated by the Royal Bank of Canada. What disturbed me was that the *American Banker* article started with the statement: "Even when a bank tries to do a good deed, it comes under fire."

In the United States, that "good deed" would have been to outlaw the Second Amendment to the U.S. Constitution. Would you still have considered it a good deed if the petition had tried to outlaw the First Amendment?

Robert Leahy
Editor, The Leahy Newsletter
Tustin, Calif.

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for space for a Letters to the Editor column or published separately as commentary.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

LDC *debt news*

Secondary market prices for bank loans to lesser-developed countries in cents per dollar of face value, as quoted by Salomon Brothers Inc.

	2/28 Bid	2/28 Offer	2/15 Bid	2/15 Offer
Algeria	81.00	83.00	81.00	83.00
Argentina	11.50	12.25	10.00	10.75
Bolivia	11.00	12.00	11.00	12.00
Brazil	32.25	33.00	30.25	31.00
Chile	63.75	64.75	63.50	64.50
Colombia	58.00	59.00	59.25	60.25
Costa Rica	19.00	21.00	19.00	21.00
Dominican Republic	13.00	16.00	13.00	16.00
Ecuador	14.50	16.50	14.50	16.50
Honduras	21.00	23.00	21.00	23.00
Ivory Coast	06.00	08.00	06.00	08.00
Jamaica	39.00	40.00	39.00	41.00
Mexico	39.50	40.25	39.75	40.50
Morocco	37.00	39.00	37.00	39.00
Nicaragua	04.00	06.00	01.00	03.00
Nigeria	29.75	30.50	29.50	30.25
Panama	12.00	14.00	19.00	20.00
Peru	05.50	06.50	05.50	06.50
Philippines	49.00	49.75	47.50	48.25
Poland	13.00	15.00	15.00	16.00
Senegal	34.00	36.00	36.00	38.00
Sudan	01.00	02.00	01.00	02.00
Uruguay	48.00	51.00	48.0051.00	
Venezuela	36.25	37.00	35.75	36.50
Yugoslavia	56.50	58.00	56.00	57.00
Zaire	19.25	20.00	19.25	20.00

Source: ***LDC Debt Report***

IMF, World Bank Assess Brady Plan

The staff at the World Bank and International Monetary Fund are assessing their respective roles in Treasury Secretary Nicholas F. Brady's plan to reduce Third World debt, in preparation for a thorough review next month.

Sources at both the World Bank and IMF stressed that their staffs are only preparing a progress report for presentation to their boards in April. But once this review is complete, the two institutions will begin reviewing adjustments and perhaps even alternatives to the Brady plan – depending on how the debt strategy fares in the progress report – for discussion at the World Bank Group's interim committee meetings in early May.

Many international bankers and economists have been critical of the debt-reduction deals negotiated thus far, arguing that Mexico achieved little real debt relief and that the Philippines got insufficient new money.

Moreover, they say continuing talks between the banks and other nations are getting nowhere, due to a fundamental inconsistency in the Brady strategy: Banks as a group cannot lend new money and simultaneously take a hit on old loans.

But U.S. Treasury and multilateral bank officials are more sanguine about the prospects of debt reduction. They point out that the centerpiece of the Brady plan is flexibility, allowing very different deals for very different constituencies of banks to emerge in Mexico, the Philippines, and Costa Rica.

Banks Try to Avert Peru Action

With only days to go before banks can legally foreclose on Peru's debts, the nation's bank advisory committee is working with Lima to forestall such an event.

Peru's bank advisory committee – led by Citibank – agreed to draft a so-called tolling agreement, which states that banks will not invoke the statute of limitations on loan agreements for a period of time. Without this, individual banks could seize Peruvian property or exports overseas for unpaid debts.

Peru is more than $1 billion in arrears on its $3.8 billion in commercial bank debt.

— **Ed Paisley/*LDC Debt Report***

Argentine Status Worries U.S. Banks

Higher Reserve Requirements Seen if IMF Talks Fail

By ED PAISLEY
LDC Debt Report

NEWS ANALYSIS

WASHINGTON — The International Monetary Fund is unlikely to extend another loan to Argentina in the near future, and this has sparked concern among U.S. bankers that regulators this spring will mandate increased loan-loss reserves for commercial banks with exposure to the country.

Negotiations between Argentina and the IMF are continuing, but sources doubt that a credible Argentine economic reform package could be negotiated soon.

"I can't imagine the [IMF] staff would bring a proposal before the board," said one influential board member who spoke on condition of anonymity. "I don't see how they could justify a second tranche."

A Quarter of Debt

U.S. banks account for roughly a quarter of the $37.5 billion Argentina owes its banks. That includes the $5.8 billion in interest arrears on the loans.

The country's top U.S. creditors are Manufacturers Hanover Trust Co., Citicorp, Chase Manhattan Bank, J.P. Morgan & Co., Bank of America, Chemical Bank, and Continental Bank.

Argentina is meeting the interest payments on the $3 billion it owes the IMF and has an additional $1.2 billion in standby credit remaining at the agency.

If the IMF does not release a second tranche this month and fails to negotiate a new accord with Buenos Aires before May, Argentina's options under Treasury Secretary Nicholas Brady's debt-reduction plan may be limited.

This in turn could force U.S. bank regulators to compel banks to increase loan-loss reserves against Argentine assets.

Would Be Third Order

It would be the third time that regulators have ordered banks to either charge off or set aside special reserves for a portion of their loans to Argentina.

Last June, the Interagency Country Exposure Review Committee, a group of federal bank regulators who periodically review the creditworthiness of sovereign debt, ordered banks to be 20% reserved against Argentine loans. In December, the committee ordered banks to raise their reserves to 35%.

Banks have the option of charging off the percentage of the loan mandated by the committee or setting aside an equivalent amount in special loan-loss reserves, known as allocated transfer risk reserves.

The net result of either move is to reduce a bank's capital, since a bank uses its capital to cover its chargeoffs or to add to special reserves.

***LDC Debt Report* is an *American Banker* newsletter. James R.Kraus in New York contributed to this article.**

Argentine Exposure

In millions of dollars

Manufacturers Hanover	$1,123
Citicorp	800
Chase Manhattan	660
J.P. Morgan & Co.	570
BankAmerica Corp.	400
Chemical Bank	349
Continental Bank	240
Bankers Trust	214
Bank of New York	181
First Chicago	78

Source: Keefe, Bruyette & Woods Inc.

Frenchman Calls East Bloc Loans Too Risky

By JOHN EVANS

LONDON — In the strongest warning yet by a senior Western banker on the dangers of lending to Eastern Europe, the president of the French Banking Association declared that none of the nations – including the Soviet Union – can be trusted with loans.

"These countries are experiencing total revolution. And it is never easy to lend to people in a state of revolution," said the official, Dominique Chatillion, in a weekend interview with a French newspaper.

Western commercial banks should not give in to government pressure for lending to Eastern Europe, Mr. Chatillon said. "You don't know who you are lending to, the state apparatus is collapsing, and we haven't yet seen appropriate institutions capable of managing credit risks being set up."

None of the Eastern European governments undergoing radical reform have "set up or even started to set up economic and judicial structures to handle inflows of significant sums of money," Mr. Chatillon said.

The French banker said pressure from government authorities was largely to blame for the rash of risky bank loans to the Third World starting in the 1970s onward.

"We must learn from our previous experiences. . . . It's difficult to compare the Soviet Union and Brazil. But in some ways, the Soviet Union is worse," Mr. Chatillon said. "At least in Brazil there were economic institutions which worked to a certain extent."

$100 Billion in Debt

Mr. Chatillon is the latest in a series of Western bankers to express reservations over lending to Eastern Europe. Including the Soviet Union, Eastern European nations already owe Western banks nearly $100 billion.

The Bank of Montreal Ltd.'s new chairman and chief executive officer, Matthew W. Barrett, has said the financing of lesser-developed nations, including those in Eastern Europe, will have to be undertaken by governments in the industrialized nations.

While Western banks can be the "vehicles for funding" on behalf of governments, they will not extend the financing themselves, Mr. Barrett has said.

Sir Kit McMahon, chairman of Midland Bank PLC, which has the biggest LDC exposure among British banks, said in recent testimony before the British Parliament that Western nations may have to offer guarantees to entice banks into providing new financing. □

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	3/05	3/02	2/26	3/05	3/02	2/26	3/05	3/02	2/26	3/05	3/02	2/26	3/05	3/02	2/26
United States	8.25	8.25	8.31	8.43	8.37	8.37	8.50	8.50	8.43	7.00	7.00	7.00	10.00	10.00	10.00
Japan	6.62	6.62	6.87	7.43	7.43	7.50	7.56	7.56	7.56	4.25	4.25	4.25	4.87	4.87	4.87
Canada	13.25	13.75	13.12	13.33	13.43	13.12	13.18	13.18	12.75	13.41	13.41	13.25	14.25	14.25	14.25
U.K.	15.00	15.00	14.93	15.37	15.25	15.18	15.56	15.43	15.18	14.45	14.45	14.45	15.00	15.00	15.00
West Germany	7.87	8.00	8.06	8.50	8.56	8.50	8.93	8.93	8.87	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.00	9.25	9.00	9.25	9.25	9.18	9.31	9.37	9.18	6.00	6.00	6.00	10.75	10.75	11.00
France	10.25	10.31	10.43	10.81	10.87	10.87	11.12	11.12	11.12	9.50	9.50	9.50	11.00	11.00	11.00
Italy	11.87	12.00	13.00	12.76	12.75	13.06	13.00	13.00	13.18	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.49	15.20	9.18	9.23	7.65
6 to 12 months	8.77	14.95	9.46	9.14	7.69
12 to 24 months	9.35	14.06	8.40	8.37	7.50

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10

800

C0175-1

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 46 Thursday, March 8, 1990 155th year

Bankers Unfazed By Credit Card Due from AT&T

By YVETTE D. KANTROW

NEW YORK — While many bankers expect American Telephone & Telegraph Co. to succeed in launching a general-purpose credit card this year, most view it as a threat they can manage – and hope they are not guilty of wishful thinking.

Fresh in bankers' memories is Sears, Roebuck and Co.'s Discover card.

The banking industry did not take Discover seriously when it was unveiled five years ago. Today, with 33 million cards in circulation, Discover is viewed as a viable competitor that is making major inroads into one of banking's most profitable businesses.

ANALYSIS: *Follow-up on the news*

But the AT&T venture will be different, bankers and industry observers say.

Because AT&T is expected to arrange with one or more financial institutions to issue MasterCard and Visa cards – and not introduce its own, Discover-like brand – bankers say they can limit the telecommunications company's inroads.

To be sure, few bankers doubt that AT&T will be able to steal some market share from bank card issuers and from American Express Co. The telecommunications giant has deep pockets and has lured away some highly regarded bank card executives to head its new card operation.

Calling Cards Widely Held

Forty million people already carry cards issued by AT&T enabling them to charge long-distance phone calls. And perhaps most important, the Basking Ridge, N.J., company has a billing infrastructure that lets it reach almost every household in the country.

But many bankers say that AT&T's success will depend on its customers' loyalty.

"It's not like they are offering a pink Cadillac that nobody else has," said C. Richard McMahan, a vice president at First Union National Bank, Charlotte, N.C.

Visa Has Call Charging

A Visa card that allows customers to charge their long-distance phone calls is already offered by US Sprint – a product that many say can negatively affect AT&T's potential.

In addition, People's Bank, Bridgeport, Conn., teamed up with Southern New England Telephone Co. last year to offer a MasterCard that also is a telephone calling card. And MCI

See **BANKERS** page 9

INSIDE NEWS

CONSUMER

CONTINENTAL BANK is launching a national print campaign to reinforce its image as a "strictly business" bank. *Page 8*

FINANCE

BOTH THE DEBT and equity markets have been rough for banks lately, and analysts recommend patience. *Page 20*

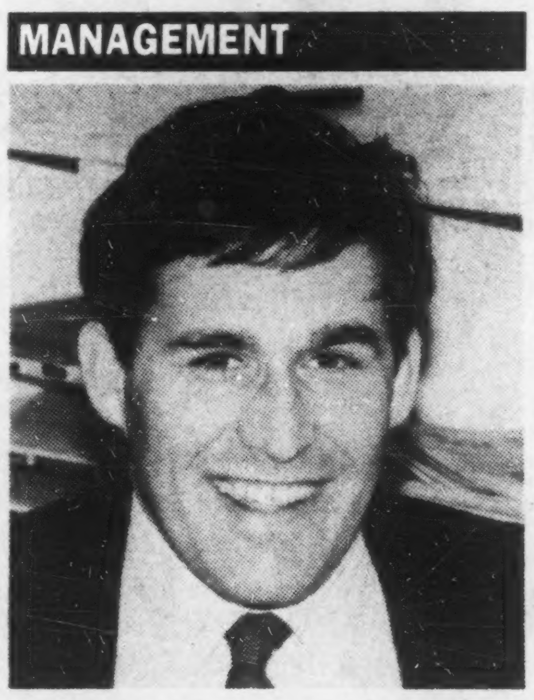
INTERNATIONAL

NICARAGUA may look promising, but U.S. bankers see many reasons to stay well away from the country. *Page 14*

TECHNOLOGY

AN ELECTRONIC MAIL network that circles the globe will link Chase Manhattan Bank's customers and employees by yearend. *Page 3*

MANAGEMENT



ADRIAN MEEHAN, head of administrative services at Swiss Bank Corp., has joined the trend toward letting vendors handle mailroom chores. Farming out the business can save large amounts of money, several companies say. *Page 12*

OTHER NEWS

THE JUSTICE department plans to establish a division to fight money laundering. *Page 2*

THRIFTS LOST $8.7 billion in deposits in December. *Page 15*

COMMENT

THE DOLLAR has fared well because of inflationary trends in Japan and West Germany, but a pinch is likely here if those nations maintain their present course, writes Stephen H. Axilrod. *Page 4*

INDEX

Company Index 2
The Lobbyists 4
Executive Changes 10
Classified Advertising 16
Bank and Thrift Stocks 19

Regulators' Best-Laid Plans Wither

Lack of Bidders Stymies Big Sale Of Texas Parcels

By STEVE KLINKERMAN

DALLAS — Setting an ominous precedent for the Resolution Trust Corp., federal regulators have abandoned efforts to sell about $400 million of real estate properties in a single "bulk sale" transaction.

An official of the Federal Deposit Insurance Corp. said the agency canceled the sale after deeming the only two bids unacceptable. The assets packaged for the bulk sale included most of the real estate holdings of the former Federal Asset Disposition Association, an agency created by the defunct Federal Home Loan Bank Board.

Experts say that if the RTC is not able to make the bulk-sale concept work, it could be forced to sell its properties piecemeal. The agency ultimately must dispose of $100 billion of assets from about 600 failed thrifts.

"The failure of the FADA bulk asset sale is another factor that works against the success of the RTC," said Brian Smith, the former chief counsel for the Comptroller of the Currency.

Resolution Trust Corp. officials could not be reached for

See **LACK** page 13

Seidman Proposal to Inject Funds Into Ailing S&Ls Wins Support

By ROBERT M. GARSSON

WASHINGTON — In an effort to reduce the number of thrifts they have to seize, federal regulators are seeking the authority to keep some capital-deficient institutions open by pumping government funds into them.

The idea, floated on Capitol Hill several weeks ago by Federal Deposit Insurance Corp. Chairman L. William Seidman, is winning support at the Office of Thrift Supervision.

Darrel Dochow, director of OTS's Office of Supervision Operations, said the plan offers a quick, low-cost approach that could keep up to 100 institutions from going to the Resolution Trust Corp., which is having difficulty dealing with the 337 thrifts already in its caseload.

To be sure, the proposal faces a number of hurdles. It still has to win approval from the Bush administration, which has not begun to evaluate the plan. And the idea is sure to be compared with the "open-thrift assistance" policy that put regulator M. Danny Wall under fire.

But the proposal is a clear signal that regulators are searching for better ways to handle the thrift cleanup. Just Wednesday, the government had another setback when a federal judge issued an injunction preventing the seizure of a Illinois thrift that challenged key aspects of the thrift bailout. (See story on page 13).

How U.S. Might Aid Troubled Thrifts

Regulators are discussing the possibility of nursing sick thrifts back to health without seizing them. Such an effort might:

- **Be directed by the Office of Thrift Supervision.**
- **Allow the government to infuse capital equal to 5% of a thrift's assets.**
- **Reduce pressure on the government to seize weak S&Ls.**
- **Allow existing management to remain in place.**
- **Wipe out shareholders.**

The plan to assist thrifts would let them operate normally until buyers can be found.

Preserving Franchise Value

By keeping thrifts out of the RTC, the workout agency created last year to dispose of insol-

See **SEIDMAN** page 15

Banks Binging Despite Realty Hangover

By BARBARA A. REHM

WASHINGTON — Despite growing red ink from real estate lending, the banking industry is still pouring money into that business, according to federal regulators.

"Real estate lending continues to fuel the industry's expansion," L. William Seidman, chairman of the Federal Deposit Insurance Corp., said Wednesday at a press conference on the banking industry's recent performance.

Real estate lending at 12,000 commercial banks in the fourth quarter grew 12.8% from a year earlier, according to data released by the FDIC. By contrast, all assets grew by 5.4%.

The increased lending came as many banks, particularly in the Northeast, boosted reserves for possible losses on real estate credits.

For the year, realty loans accounted for more than half of the industry's $168 billion net increase in assets.

Overall, the industry earned $2.7 billion in the fourth quarter, about half of what it earned in the 1988 period, but far better than the third quarter's $700 million loss. For the year, banks earned $16.3 billion, about 40% less than 1988's earnings of $25.5 billion.

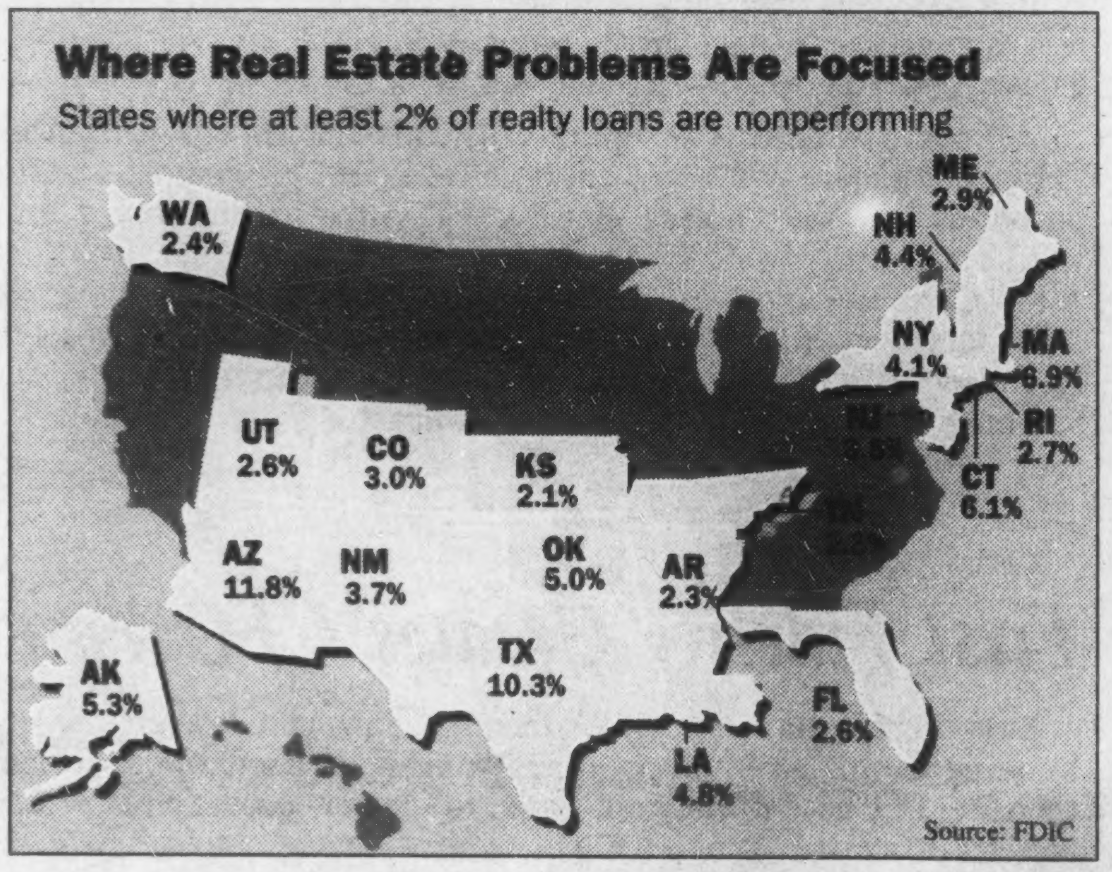
The Comptroller of the Currency, which also released industry statistics Wednesday, pegged real estate as the main cause of weakness among national banks in the Northeast.

During 1989, nonperforming real estate loans jumped to $9.1 billion from $3.6 billion at Northeastern banks, the Comptroller said. Earnings were weakest at national banks in the region. For the year, national banks there reported earnings of $919 million, compared with $6 billion in 1988.

Real estate lending growth is concentrated in the Far West and Southeast, the FDIC said. The six states with the biggest increases in real estate lending are California, Washington, Oregon, Nevada, South Carolina, Florida, and Delaware.

With the exception of Dela-

See **BANKS** page 6



Where Real Estate Problems Are Focused

States where at least 2% of realty loans are nonperforming

Source: FDIC

COMMENT / *By Stephen H. Axilrod*

As Germany, Japan Tighten, Our Markets Will Feel Pinch

Monetary authorities in the United States, Japan, and Germany have a common objective – control of inflation – but they each face widely different domestic circumstances. These differences affect not only the timing and pace of actions taken in home markets but also the extent to which those actions affect foreign markets.

Recent developments in Japan and Germany, particularly in their bond markets, might be described as an attempt by participants to guard against further rises in inflation. At 7% and 9% respectively, long-term interest rates in Japan and Germany have risen to where they are quite high relative to their current inflation rates of 2.5% to 3% a year.

In both countries, however, there are fears of higher inflation. In Germany this is largely because of the impact of currency unification with the eastern sector. In Japan it is due to a combination of tight labor markets, rising oil prices, and excess liquidity.

The high interest rates also reflect the considerable, though not insurmountable, economic and political difficulties to be faced as Eastern Europe and Russia shed their oppressive communist carapace and attempt to integrate more into the European and world economies.

The economic integration of Western Europe could even be delayed. This would impede potential productivity and efficiency gains, as politicians divert their focus more to questions of political security raised by the new, more fluid European scene.

All of these circumstances, actual and potential, led to the sharp rise of longer-term interest rates in Germany and Japan, even though monetary authorities have thus far taken no additional restraining action this year. While long-term rates in those two countries now look high – even preemptively high, in real terms – they have not yet reestablished the market's earlier faith in their economies.

If the market had been fully convinced that these countries were succeeding in adjusting to potential economic difficulties, their currencies should have been rising on exchange markets. This is particularly so because both Germany and Japan have huge international payments surpluses, a traditional source of currency strength.

Decline of the Mark and the Yen

In recent weeks, the yen has shown a disturbing tendency to decline in value, even though the election outcome was supposed to herald a period of greater political stability. And the West German mark has lost strength as the potential inflationary implications of German unification have sunk into market thinking. Substantial official dollar sales in foreign-exchange markets have been required to stem the decline in the mark and the yen.

If the currency declines cannot be stopped and reversed through foreign-exchange intervention, the countries will be faced with the need to encourage further interest rate increases through official domestic market action. The odds on that occurring seem better than even at the moment. In Japan, that will be at the peril of further drops in the stock market.

The stability of the dollar on exchange markets means that foreign monies have continued to move toward the United States on balance. Because of this movement, U.S. domestic markets have not been buffeted as much as might have been expected. Our stock market has not responded to the recent substantial weakness in Tokyo.

Dollar Is Still the Safest Refuge

Partly that's because our market has been more realistically valued since October 1987. It also indicates that, in times of uncertainty, the liquidity and underlying strength of U.S. markets tend to insulate them to an important degree from untoward events abroad.

Such reasoning should not be carried too far. A further substantial effort to combat inflation abroad will probably be felt in the United States in weakening bond, stock, and exchange values of the dollar.

In the United States, weak corporate profits suggest monetary restraint is taking hold, even though consumers continue to spend a bit more than the authorities are comfortable with. Under those circumstances, a substantial further tightening, whether initiated here or abroad, could well be climactic. In the United States it would bring interest rates back down later this year; as that becomes apparent, it would cushion the stock market. ☐

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

THE LOBBYISTS / *By Barbara A. Rehm*

4 Lobbying Groups Join on 'Laundering'

When Rep. **Frank Annunzio,** D-Ill., introduced the Depository Institution Money Laundering Amendments of 1990, the industry's response was unequivocal.

Frank Annunzio

It hates the idea.

Mr. Annunzio wants to pull an institution's charter if it is found guilty of permitting money laundering. Four trade groups have joined forces to oppose the bill.

In a letter last month, **Edward L. Yingling** of the **American Bankers Association, James B. Watt** of the **Conference of State Bank Supervisors, Kenneth A. Guenther** of the **Independent Bankers Association of America,** and **Mark J. Riedy** of the **National Council of Savings Institutions,** told Mr. Annunzio that his bill could foster the industry's worst nightmare: runs by depositors.

"If a depository institution were charged with money-laundering offenses, depositors would almost certainly lose confidence, resulting in runs on the institution because of the threat of automatic charter revocation and institution closure," the letter said. "These 'runs' could be expected after the first news stories about the charges, even if the charges were eventually found to be groundless by the courts."

The House Banking Committee's financial institutions subcommittee, of which Mr. Annunzio is chairman, is considering the bill today. Reps. **Thomas R. Carper,** D-Del., and **Bill McCollum,** R-Fla., may offer an amendment that would remove mandatory charter revocation and leave the issue up to regulators.

* * *

Consumer Bankers Fret over Sallie Mae

The **Consumer Bankers Association** is complaining about competition from the **Student Loan Marketing Association,** a government-sponsored agency.

In a letter last month to Sen. **Claiborne Pell,** D-R.I., chairman of an education subcommittee, CBA president **Joe Belew** said Sallie Mae is planning to offer $170 million in loans to graduate and professional students at certain universities.

Sallie Mae, he said, is skimming the cream off the student-borrower pool.

"They've got an unfair funding advantage," Mr. Belew said this week to explain his group's opposition to the government-sponsored entity's entry into the student loan lending business. Sallie Mae was created to provide a secondary market for student loans.

"The commitment of funds by Sallie Mae to these two programs is seen as coming at the expense of secondary market serices to traditional lenders serving a broader spectrum of students," CBA's letter stated. Graduate and professional-student loans have larger balances and are repaid more frequently, it noted, making such loans more attractive.

Ross Kleinman, a Sallie Mae spokesman, rebutted CBA's charges. "Everything we are doing ... is perfectly consistent with our enabling legislation, so we don't have to go back to Congress to undertake this program," he said.

* * *

Home Builders Find Ally on Loan Ceilings

Credit the **National Association of Homebuilders** with keeping the loans-to-one-borrower debate alive.

Home builders claim that their credit is drying up as the provisions in the thrift-bailout law kick in. The law forces thrifts to adhere to national bank lending limits – meaning that total lending to any one borrower is capped at 15% of an institution's capital. Thrifts formerly could lend up to 100% of capital to a single borrower.

Carroll Hubbard

The home builders' champion on Capitol Hill is Rep. **Carroll Hubbard,** D-Ky.

Tuesday, he began circulating a "Dear Colleague" document asking other lawmakers to sign a letter to Treasury Secretary **Nicholas F. Brady** and **President Bush** requesting "a regulatory transition period" for the new lending rule.

The Brady-Bush letter, which Mr. Hubbard plans to send Friday or early next week, explains that such a transition would avert the need to reopen the thrift rescue – something no one in the administration or on the Hill seems eager to do.

The House Banking Committee's oversight and investigations subcommittee, of which Mr. Hubbard is chairman, held a hearing on the issue Feb. 7. The Treasury Department refused to testify, but **P. Allan Schott,** chief counsel for the Comptroller of the Currency, showed up to tell lawmakers that he will not ease national bank lending limits. Mr. Schott added that he does not think his agency has legal authority to declare a transition period for thrifts.

Mr. Hubbard countered that regulators, even the Comptroller, have declared such periods when regulations were changed.

"Cannot the same discretion and flexibility be applied to the regulation of thrift institutions?" a draft of Mr. Hubbard's letter asked. "We would appreciate it if you would take a personal interest in reviewing this matter carefully with a view to implementing clear grandfathering for existing loans and a transition period for new loans."

Easing thrift lending rules is the home builders' main lobbying goal. So with members in town for a legislative affairs conference this week, the trade group dispatched them to the Hill on Tuesday to persuade their legislators to sign on to Mr. Hubbard's letter. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Banks Are Binging on Real Estate Loans Despite a Hangover of Mounting Losses

Continued from *page* 1

ware, all those states are in the two regions of growing concern by regulators – the West and the Southeast.

But Mr. Seidman warned against jumping to conclusions, even though banks in the Southwest and Northeast have already taken heavy losses on real estate loans. "I don't see any major trend at this time," the FDIC chief told reporters Wednesday.

In contrast to the real estate lending increases in the West and Southeast, banks in the Southwest have cut way back. Texas and Arizona recorded declines of 12% and 15%, respectively, in the amount of real estate loans made in 1989. Likewise, real estate growth was among the lowest in the country at banks in Massachusetts, Rhode Island, and New Jersey.

Real estate lending accounted for more than half of the industry's $168 billion net increase in assets last year.

Arizona Is No. 1

But the Southwest and Northeast still lead the country in noncurrent real estate loans. Arizona leads the nation with almost 12% of real estate loans more than 90 days past due or not accruing interest, the FDIC said. After Arizona come Texas with 10.3%; Massachusetts, 6.9%; Connecticut, 6%; Alaska, 5.3%; Oklahoma, 5%; Louisiana, 4.8%; New Hampshire, 4.4%; and New York, 4%.

Of the 10 largest banks, five recorded losses on the year, mainly because of chargeoffs on loans to foreign countries. The fourth quarter's $9.2 billion in chargeoffs and the year's $22 billion set records, the FDIC said. Mr. Seidman applauded the bullet biting and said he thought banks were adequately covered on foreign loans.

Domestic Losses Covered

Banks also socked away a record amount of money to cover domestic loan losses in the quarter. Banks, mainly in the Northeast, set aside $8.4 billion to cover future domestic loan losses.

Mr. Seidman said he was not worried about an economic slowdown causing extensive losses in the banking industry. However, the FDIC's report states: "If economic conditions deteriorate, loans to highly leveraged commercial borrowers could add to credit losses and recovery in the Southwest would be dealt a setback."

Mr. Seidman said the $14 billion bank insurance fund could lose about $500 million in 1989. He said the number of bank failures should decrease in 1990 from the 1989 tally of 206. □

World Business Atlas Published for Women

NEW YORK — Women's World Banking, an international association fostering access to financial services for women, is issuing an "Atlas of Global Trade," a 365-page guide to business practices in 38 nations.

The atlas, to be published in March and updated annually, includes information on licensing, customs, and internal taxes; a glossary of trading terms; and a list of international governmental financial institutions. Funded in part by the U.S. Agency for International Development, it is available for $25 from Women's World Banking, 104 E. 40th St., Suite 607, New York, N.Y. 10016. □

State-by-State Look At Real Estate Lending

Ranked by nonperforming loans on Dec. 31, 1989

	Percent nonperforming	Realty loans outstanding ($ in millions)	Loan growth '88-'89
1. Arizona	11.80%	$7,446	(15.1%)
2. Texas	10.34	29,954	(11.8)
3. Massachusetts	6.89	31,305	1.5
4. Connecticut	6.12	15,347	9.9
5. Alaska	5.29	647	(37.9)
6. Oklahoma	5.01	5,033	0.0
7. Louisiana	4.82	8,444	5.1
8. New Hampshire	4.43	3,803	1.2
9. New York	4.14	103,872	15.7
10. New Mexico	3.73	2,883	8.8
11. New Jersey	3.49	30,939	7.0
12. Colorado	3.03	5,932	3.6
13. Maine	2.94	3,283	11.7
14. Rhode Island	2.74	4,285	3.0
15. Florida	2.64	47,892	18.5
16. Utah	2.57	3,070	5.8
17. Washington	2.42	11,435	25.8
18. Tennessee	2.33	12,091	10.1
19. Arkansas	2.26	4,955	8.1
20. Kansas	2.11	5,390	7.3
21. Wyoming	1.98	637	7.2
22. Montana	1.97	990	7.0
23. Vermont	1.94	2,822	12.1
24. Ohio	1.89	24,183	10.9
25. Oregon	1.81	4,593	18.2
26. Missouri	1.81	16,740	9.1
27. Nevada	1.80	2,044	22.8
28. Pennsylvania	1.80	38,850	16.9
29. Kentucky	1.78	9,836	15.5
30. North Dakota	1.76	1,185	11.8
31. California	1.65	104,778	27.8
32. Georgia	1.65	15,780	12.2
33. Mississippi	1.53	4,823	10.8
34. South Carolina	1.53	6,689	22.2
35. West Virginia	1.49	4,604	8.2
36. Minnesota	1.48	9,921	7.1
37. Illinois	1.45	34,194	15.0
38. Delaware	1.31	4,966	31.2
39. Nebraska	1.29	2,594	10.5
40. Alabama	1.28	9,303	12.4
41. Michigan	1.19	21,879	13.4
42. Maryland	1.16	16,540	11.4
43. Indiana	1.13	14,074	9.7
44. South Dakota	1.09	1,058	9.4
45. North Carolina	1.08	20,892	15.5
46. Idaho	1.07	1,380	11.6
47. Wisconsin	1.04	13,050	11.1
48. Iowa	0.98	5,637	10.5
49. District of Columbia	0.97	6,337	15.4
50. Virginia	0.81	19,411	15.3
51. Hawaii	0.55	4,610	14.5

Source: Federal Deposit Insurance Corp.

Suit May Cause Loss at Sunrise

Reuters

ROSEVILLE, Calif. — Sunrise Bancorp. said that the settlement of a pending lawsuit against the company may cause it to report a loss for 1989.

Sunrise said its reserve for claims against the company is not adequate to cover the known and expected losses connected. The amount will be added to Sunrise's reserves and charged to its operations results in the fourth quarter.

Because of an anticipated substantial increase in income taxes due to the addition to its reserves, the company said it may report a loss in 1989.

Before the effect of the anticipated charge against operations, Sunrise said, the company had a record income before taxes of $4.118 million for 1989.

The lawsuit related to alleged unauthorized withdrawals from pension and profit-sharing deposit accounts maintained at Sunrise Bank. The accounts were administered by a local pension fund administrator who has been charged with embezzling funds from pension plans he controlled. □

WANTED!
Boat, RV, Manufactured Housing Inventory Portfolios
Nobody knows boats, RV's, and manufactured housing like GE Capital. That's why we'd like to add your portfolios to ours.
If you have more than $10 million in inventory financing loans, call Jim Bukvic at 704/541-4990.
When you sell your inventory financing portfolios to a proven player like GE Capital, you can rest assured your customers will receive the financing they need and the service they expect and deserve.
GE Capital

RTC
Resolution Trust Corporation
Presents
How To Work With The RTC
— Purchasing A Savings Association
— Purchasing Thrift Assets
— Contracting Your Services
April 17, 1990 Dallas, TX
April 19, 1990 Houston, TX
April 25, 1990 Denver, CO
May 3, 1990 Kansas City, MO
May 23, 1990 Miami, FL
May 30, 1990 Anaheim, CA
June 7, 1990 New Orleans, LA
June 21, 1990 Washington, DC
June 25, 1990 Phoenix, AZ
July 11, 1990 Philadelphia, PA
■ The First Seminar Series Sponsored By The RTC
■ Speakers Are RTC Officials ■ Up-To-Date Information About The RTC
■ Step-By-Step Explanations Of The RTC's Processes
To Order A Seminar Brochure,
Please Call 1-800-431-0600

For Bankers Who Mean Business
Commercial Real Estate
Every Tuesday in
AMERICAN BANKER

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 6

800

CO175-1

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 47 *Friday, March 9, 1990* *155th year*

Suit over Wall Viewed Seriously By Thrift Office

By TOM LEANDER

NEW YORK — A federal judge's decision to consider motions on a lawsuit challenging the constitutionality of the appointment of M. Danny Wall as the nation's top thrift regulator could set back the government's efforts to clean up the thrift industry, banking lawyers say.

"If the suit is successful in its broadest implications, the results would be absolute chaos," said Cantwell F. Muckenfuss III, an attorney in Washington for the Los Angeles law firm of Gibson, Dunn & Crutcher.

ANALYSIS: *Follow-up on the news*

David Roderer, an attorney at the New York office of Jones, Day, Reavis, and Pogue, said, "The Office of Thrift Supervision is taking it very seriously because it can undo everything they've done."

U.S. District Judge Royce Lamberth on Wednesday issued a temporary restraining order against the Office of Thrift Supervision, temporarily barring the agency from taking any action against Olympic Federal Savings and Loan Association, Berwyn, Ill. Judge Lamberth said he will hear motions on Tuesday for a preliminary injunction.

Olympic Federal, with $1.1 billion in assets, has been struggling to stay afloat under the capital requirements imposed as a result of the thrift bailout law signed last August. The thrift maintained that the OTS was preparing to seize it, but an attorney for the agency said Thursday that a decision had not yet been made.

Edward O'Meara, an attorney with the OTS, declined in a telephone interview to discuss the merits of Olympic's case.

Senate Did Not Confirm

Lawyers for Olympic argued in the suit that the appointments of Mr. Wall and Salvatore Martouche as directors of the OTS were unconstitutional because they were not confirmed by the Senate. Therefore, lawyers for the thrift argued, all of the agency's policies and regulations issued under either man are unlawful.

Mr. Martouche became interim director of the OTS on Tuesday, replacing Mr. Wall, who stepped down at the same time.

Lawyers for Olympic also argued that the thrift's application for open bank assistance as allowed under the thrift bailout law was still pending, and therefore the OTS couldn't take any

See **LAWSUIT** *page* 12

INSIDE NEWS

FINANCE

PATHE COMMUNICATIONS is turning to commercial banks to raise about $1 billion for its proposed acquisition of MGM/UA Communications Co. *Page 16*

INTERNATIONAL

BRITISH BANKS seem increasingly vulnerable to acquisition as the European single market of 1992 approaches. *Page 13*

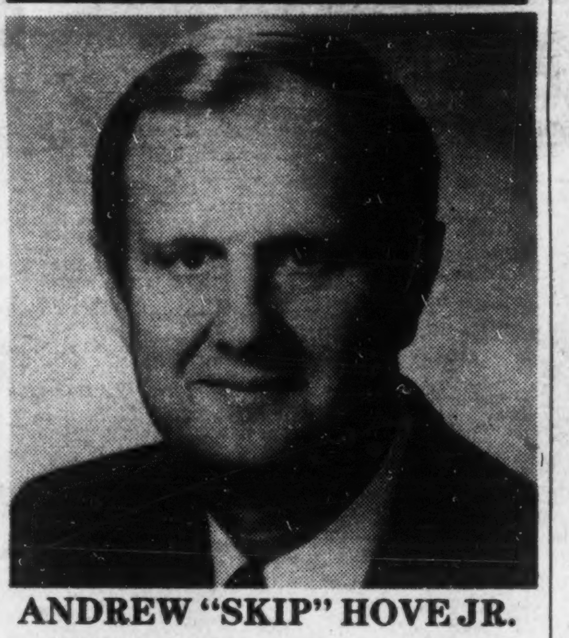
CONSUMER

BROKERAGE HOUSES are luring small-business accounts away from regional banks by offering a wider choice of financial services. *Page 8*

MORTGAGES

BUCKING THE TREND, some thrifts have been achieving big gains in loan volume, data for the third quarter show. *Page 10*

PEOPLE



ANDREW "SKIP" HOVE JR. will be nominated as a member of the Federal Deposit Insurance Corp. and Resolution Trust Corp. boards, according to sources. He's a community banker from Nebraska with 40 years in the business. *Page 2*

TECHNOLOGY

SOCIETY NATIONAL Bank plans to automate all of its trade finance operation in hopes of providing better customer services than regional offices of money-center banks. *Page 3*

OTHER NEWS

THE OFFICE OF THRIFT Supervision will face a second wave of problem institutions as it plows through hundreds of business plans submitted by capital-deficient thrifts, consultants said. *Page 2*

INDEX

Company Index 2
Executive Changes 7
Classified Advertising 12
Bank and Thrift Stocks 15

House Panel Dilutes Penalty For Laundering Convictions

By ROBERT M. GARSSON

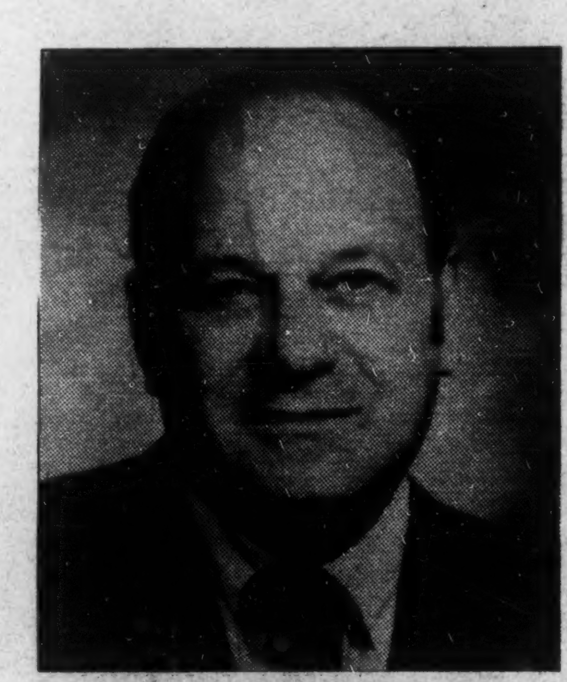
WASHINGTON — To the relief of banks, thrifts, and credit unions, a House Banking subcommittee on Thursday watered down a proposed measure that would have automatically revoked the charters of institutions convicted of money laundering.

Instead, the bill reported out of the financial institutions subcommittee gives regulators discretion to decide whether an offense was sufficiently serious to warrant revoking a charter or placing an institution in receivership.

Financial lobbyists, along with some lawmakers, were concerned that the original bill, introduced by the panel's chairman, Rep. Frank Annunzio, D-Ill., was written so broadly that an institution could be stripped of its charter if an employee were convicted on laundering charges.

Hearings Required

Under the approved measure, regulators would be required to convene a hearing to consider revoking an institution's charter if both the institution and more than one officer or director were convicted on money-laundering charges.



Rep. Frank Annunzio

State-chartered institutions whose charter is beyond the reach of the federal agencies would lose their deposit insurance.

Similar legislation was introduced in the Senate Thursday by Sen. John F. Kerry, D-Mass.

The American Bankers Association's chief lobbyist, Edward L. Yingling, said the compromise approved Thursday is a big improvement over the original

See **HOUSE** *page* 6

S&L Outsider Expected To Be Named To OTS Post

By BARBARA A. REHM
and ROBERT M. GARSSON

WASHINGTON — The Bush Administation plans to name Timothy T. Ryan Jr., a Washington lawyer who served on the President's transition team, as director of the Office of Thrift Supervision, administration sources said Thursday.

The selection of Mr. Ryan, a virtual unknown to the thrift industry, comes as a surprise. His name was not among the many raised publicly as possible successors to M. Danny Wall, who resigned last Dec. 4.

Mr. Ryan was the Labor Department's top lawyer in the early 1980s and served as the general counsel for the Reagan/Bush transition team in 1988. He is a partner with the Washington office of the law firm Reed, Smith, Shaw & McClay.

Administration sources said late Thursday afternoon that an

See **U.S.** *page* 11

Bankers Say IBM Ready to Test Imaging System

By RICHARD LAYNE

NEW YORK — IBM is expected to announce on Monday that its long-awaited image-processing system for checks is ready for testing, according to bankers who helped develop the system.

Scheduled to go live at the end of the year, the system could substantially reduce the cost of processing checks and improve customer service, the bankers said.

Security Pacific Corp. has said the system could save it as much as $50 million over five years.

IBM is also expected next week to unveil a personal-computer-based system for corporate lenders that is designed to link loan information with customer profitability analysis, according to executives at other computer companies.

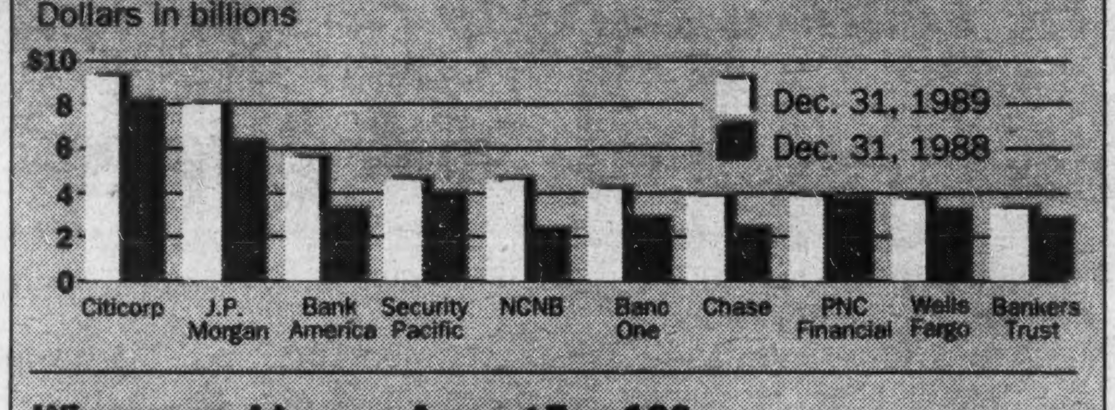
First Attempt Failed

IBM created an imaging system for check processing in the mid-1970s, but the product failed, with only one bank installing it. The new system has been in the works for the past year and is expected to be unveiled at a technology confer-

See **IBM** *page* 3

Top 10 Banking Companies in Market Value

Dollars in billions



Winners and Losers Among Top 100

Percent change in market value, year to year

Biggest gainers	
NCNB	99.0%
First City	85.4%
Bank of America	72.0%
First Hawaii	66.9%
U.S. Bankcorp	64.0%

Biggest losers	
Bank of New England	-57.4%
BayBanks	-31.1%
First Bank System	-18.6%
Bank of Boston	-17.5%
Midlantic	-17.2%

Source: SNL Securities

NCNB Led Industry Last Year With 99% Rise in Market Value

By KELLEY HOLLAND

NEW YORK — Asset size, earnings, and credit quality are key measures of a bank's status, but what warms the hearts of many bankers is a rapidly growing market capitalization.

By that measure, Hugh McColl, chief executive of NCNB Corp., had to be the happiest banker in America in 1989.

The total value of the Charlotte, N.C.-based banking company's outstanding common stock almost doubled last year, to $4.7 billion. The 99% increase, by far the largest in the industry, came on the heels of a 61% increase the year before, according to data supplied by SNL Securities.

Measure of Purchasing Power

A bank's market capitalization is the price of its stock multiplied by the total number of shares outstanding. It represents the market's assessment of the bank's value and its ability to make acquisitions. The greater a bank's market capitalization,

See **GROWING** *page* 14

COMMENT / *By Janet Gray*

Titles, Titles Everywhere No Longer Serve a Purpose

Banks have always been an easy target for critics wanting to decry hierarchy and bureaucracy. And few would disagree that those have been characteristic of banks. Being such an old industry, banking has had a long time to acquire venerability, tradition, and, not incidentally, too many layers of management, a strict chain of command, and small spans of control.

But just as banks are eschewing tradition in favor of innovation, they are revamping their organizations to be more competitive. Some banks have aggressively downsized, others have experimented with centralization, decentralization, matrix structures, and dividing along functional, product, market, and geographic lines, back and forth. Banks will continue to look at their structures for ways to be ever more streamlined.

There's one remnant of bureaucracy that no bank has addressed: titles. Hierarchy is actually built into banking titles. Banks have traditionally rewarded performance and longevity with titles rather than with money. For a long time, prestige has been a substitute for responsibility. Everyone has a title.

"Title inflation" is a catch phrase for the proliferation of titles: When there are too many vice presidents, banks create "first" vice presidents, then "senior" vice presidents, and so on.

Now, of course, banks have become as competitive as any industry in their compensation and career opportunities. But the titles remain. It seems like a little thing, but it's not, really. There are some insidious problems built into the title structure and nomenclature.

One problem is that the titles have become meaningless. "Vice president" usually has some relationship to the office of the president, and in most industries is awarded fairly stingily. When there are hundreds and even thousands of vice presidents, what force does the title carry? Where is the achievement?

A more important problem is the hierarchy that is implied in these titles. It hampers flexibility and responsiveness to changing conditions. How can a first vice president report to an assistant vice president? It just isn't done. But organizational requirements change. And maybe what the assistant vice president is doing has become more important, strategically, than the first vice president's area of responsibility. Psychologically, the bank is stuck. It can't break the implicit hierarchy.

How About 'Manager Of'

Nowadays, compensation is competitive, careers paths are exciting, flexibility is crucial. Clearly, titles have outlived their usefulness. Why not, then, banish all corporate titles in favor of functional titles that better describe what the managers actually do? Change all the titles to "manager of" and suddenly the organization's structure, deployment of human resources, and working relationships can be viewed in a whole new light.

Functional titles can more easily be moved around in a reorganization. The manager who would suffer a loss of face if stripped of a title, or forced to report to someone with a "lesser" title, could probably live with the strategic decision to move a function under another function that has become important. There is no personal implication in such a move.

Focus on mission-related work can be improved simply by keeping the name of the group in the forefront. Instead of being one of hundreds of vice presidents, a manager can take pride in being the sole manager of his or her area of expertise. Perhaps the uniqueness would encourage the manager to make that group the best it can be.

To Encourage Participation

Some of the trappings of titles would fall away fairly quickly. Imagine a meeting of the vice president of marketing, the senior vice president of retail banking, the assistant vice president of cost accounting, and the product manager to discuss the introduction of a new product. You can guess who will do the most and who the least talking.

Contrast this with a meeting of the managers of marketing, retail banking, the product, and cost accounting. This is a meeting of equals. As manager of an important function, each will be expected to contribute to and participate in the discussion and decision-making. No one can dominate by virtue of an irrelevant title.

There are other bonuses. For one thing, studies show that meaningful participation can result in increased productivity. And titles are expensive nowadays! Whereas in the past titles were given in lieu of monetary rewards, today not only does an increase in base salary accompany a promotion in title, but the standard benefits also increase, not to mention the perquisites of the executive titles, such as cars, car phones, executive services, and so on.

See COMMENT page 12

Ms. Gray is president of Focus Organization Consulting in Los Angeles.

LETTERS

Wire-Security Report Is Termed Inaccurate

To the Editor:

The article in your Feb. 22 edition ["GAO Study Pinpoints Gaps in Wire-Transfer Security," page 1] was misleading and inaccurate insofar as it dealt with the Clearing House Interbank Payments System.

The GAO study said Chips controls were "relatively strong." With respect to the three very minor items the government auditors noted, the report said two were fully corrected and the other was in progress toward correction prior to the time the report was issued.

John F. Lee
President
New York Clearing House

FUNNY MONEY / *By Tom Leander*

Keep 'em Quaking

Hugh L. McColl

NCNB Corp. chairman and chief executive Hugh L. McColl has a voracious appetite for rival banks, one of the reasons he is among the most feared men in banking today.

Mr. McColl did nothing to dispel that image at the Montgomery Securities Financial Institutions Conference in Newport Beach, Calif., last week. Asked after a presentation why the company's Southeast banking network does not include Georgia, Mr. McColl replied, "It's not for lack of trying" – a not very veiled reference to his hostile bid last year for Citizens and Southern Corp., Atlanta.

After a pause, Mr. McColl continued, "There are only two people in the United States who will take my telephone calls: [Federal Deposit Insurance Corp. Chairman] Bill Seidman and [Federal Reserve System banking supervision director] Bill Taylor."

— Sam Zuckerman

Acrimonious Acronym

Karen Shaw

Amid the swirl of groups promoting reforms to the deposit insurance system, one constituency is missing – the depositor. The result, says Karen Shaw, executive vice president of the Institute for Strategy Development in Washington, is that depositors' interests are not well represented in the insurance debate.

"Perhaps we need a group like the Depositors of America," she suggests, but cautions that its acronym may prove prophetic: DOA.

— Robert Trigaux

* * *

Unfashionable Slip

Henry Kravis, chief of Kohlberg Kravis Roberts & Co., may be renowned for his skills as a leveraged buyout artist. But a New York audience made it clear on Tuesday that he might reexamine his gifts as a humorist.

Mr. Kravis was addressing a luncheon sponsored by the Financial Women's Association at the posh Rainbow Room restaurant in Rockefeller Center. As an opener to his speech, Mr. Kravis said that he wished his wife, fashion designer Carolyne Roehm, could be present.

"She could have gotten up and talked about what's probably of much more interest – fashion." he said. The mostly female audience immediately broke into a round of hisses and boos.

Shortly after the speech, Mr. Kravis told a group of reporters that he was sorry he made the comment.

* * *

Another Fine Mess

Manufacturers Hanover's name appeared in a half-page ad run by the East Orange Municipal Court in the Newark, N.J., *Star-Ledger* last month. The ad included the bank in a list of car owners whose vehicles had racked up more than 50 unpaid parking tickets. The bank and 49 other scofflaws had until Feb. 21 to pay.

The Manufacturers Hanover car had 98 $20 tickets, says Esther Martinez, a clerk at the East Orange court. As of Wednesday morning, no one had come forward with the money.

Bank spokesman John Meyers says the car was leased from Wheelease, the bank company's car leasing subsidiary in Hicksville, N.Y. "Just one of our customers who racked up a lot of parking tickets," said Mr. Meyers.

He added that payment of the tickets is "his headache, not ours."

* * *

No Lease on Plant Life

John Grundhofer

It's no secret in Minneapolis business circles that John F. Grundhofer, First Bank System Inc.'s new chief executive, has arrived at his job with a set of pruning shears.

The latest cost-cutting anecdote making the rounds concerns a budget-slashing move on the bank's office plants. With the exception of some plants in public reception areas, the greenery leased from a local nursery for corporate offices has been returned, a spokeswoman confirmed.

While the total cost saving wasn't available, the spokeswoman said that in the Twin Cities area alone the bank will save about $90,000 a year.

Mr. Grundhofer, she added, has said he would buy his own office plants.

— Nanine Alexander

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer, Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Home MORTGAGES

A weekly feature

S&L Loan Patterns Uneven

Some Institutions Buck Downward Trend

By PHIL ROOSEVELT

NEW YORK — While thrifts have pulled back from mortgage originations in the wake of the bailout law, the magnitude of the retreat varies markedly from thrift to thrift.

Some thrifts, in fact, have been posting big gains in loan volume.

The most recent regulatory data show that originations by the top 50 thrifts in the field rose just 1.4% during the third quarter of 1989, compared with the first quarter. By contrast, total originations by all types of lenders rose 15%, with commercial banks emerging as particularly strong, reported the Department of Housing and Urban Development.

(The originations of the top 50 thrifts during the third quarter cannot be compared with originations a year earlier, because regulators did not disclose originations data until 1989).

The relatively weak originations of the top 50 reflects a widely discussed pullback by the thrift industry as a whole. Thrifts have become less aggressive in originations to curb asset growth and meet the capital-to-assets mandates of the bailout law signed last August. Thrifts, which favor adjustable-rate mortgages, also have been hurt by increased demand for fixed-rate loans.

But some S&Ls, such as San Francisco-based First Nationwide Bank and Newport Beach, Calif.-based Household Bank managed to post increases of more than 100%.

"We've made a very concerted effort in mortgages in the past couple of years," said a spokeswoman for Household Bank. She added that the thrift meets all capital requirements and can gain additional financial support from its parent, Household International.

Even some thrifts that suffered declines last year are now boosting their originations.

Los Angeles-based Home Savings of America, the nation's largest thrift, reported record originations in January and February, with each month's volume slightly exceeding $1 billion. In February 1989, Home originated $894 million of mortgages.

Although California home sales have been cooling, Home has been doing a brisk business in refinancings, targeting homeowners who want to convert some home equity into cash.

Some thrifts have been bucking the trend of declining originations by selling their new loans rather than holding them. Cleveland-based TransOhio Savings Bank, which generally sells all of its originations, boosted its production 58% from the first quarter to the third.

Still, six of the top 10 thrifts in originations posted drops between the first and third quarters last year.

"We intentionally cut back our loan production last year," said Robert Adelizzi, chief executive of HomeFed Corp., San Diego. "We were controlling our asset growth to keep our capital in line, so we can take advantage of acquisition opportunities that the consolidation of the industry is going to present."

Great Western Bank, Beverly Hills, Calif., was the top thrift in originations in the third quarter, though its total was off 25% from the first quarter. The unit of Great Western Financial Corp. says its first quarter was unusually high. ☐

Top 50 Thrifts in Originations

Residential mortgages originated in the third quarter of 1989, compared with the first quarter of 1989 ($ thousands)

		Originations 7/89-9/89	Originations 1/89-3/89	Percent change
1	Great Western Bank, FSB, Beverly Hills	2,207,362	2,924,233	-24.51
2	Home Savings of America, FA, Irwindale, Calif.	2,089,179	2,675,395	-21.91
3	First Nationwide Bank, FSB, San Francisco	1,330,695	485,864	173.88
4	World Savings, FS&LA, Oakland, Calif.	1,000,688	1,307,818	-23.48
5	City Federal Savings Bank, Elizabeth, N.J.	685,928	612,122	12.06
6	Household Bank FSB, Newport Beach, Calif.	617,461	222,282	177.78
7	Home Federal Savings & Loan Assn., San Diego, Calif.	554,907	1,094,859	-49.32
8	Western Federal Savings & Loan, Marina Del Rey, Calif.	535,258	588,654	-9.07
9	TransOhio Savings Bank, Cleveland	490,963	310,180	58.28
10	American Savings Bank, FA, Stockton, Calif.	484,598	584,180	-17.05
11	California Federal Bank, FSB, Los Angeles	460,596	680,409	-32.31
12	Glendale Federal Bank, Calif.	447,771	648,684	-30.97
13	Home Owners Savings Bank, FSB, Boston	380,023	184,002	106.53
14	Great American Bank, SSB, San Diego, Calif.	378,435	422,810	-10.5
15	Coast Savings & Loan Assn., Los Angeles	363,756	483,143	-24.71
16	Union Federal Savings Bank, Indianapolis, Ind.	336,032	238,400	40.95
17	Citicorp Savings of Florida, FS&LA, Maimi	335,375	N.A.	N.A.
18	Standard Federal Bank, Troy, Mich.	304,989	122,944	148.07
19	First Federal Savings & Loan Assn., Rochester, N.Y.	286,591	229,192	25.04
20	Guardian Savings & Loan Assn., Long Beach, Calif.	282,154	211,649	33.31
21	Goldome Savings Assn., St. Petersburg, Fla.	271,841	N.A.	N.A.
22	Carteret Savings Bank, FA, Newark, N.J.	243,302	306,332	-20.58
23	Perpetual Savings Bank FSB, McLean, Va.	236,196	167,653	40.88
24	Chevy Chase Savings Bank, FSB, Md.	211,830	122,043	73.57
25	Far West Savings & Loan Assn., Newport Beach, Calif.	207,838	83,888	147.76
26	Hamilton Savings Bank, FSB, San Francisco	205,778	87,073	136.33
27	Pacific First Federal Savings Bank, Seattle	184,132	95,551	92.71
28	ComFed Savings Bank, Lowell, Mass.	181,184	216,753	-16.41
29	Boston Five Cents Savings Bank FSB	178,896	111,158	60.94
30	Suncoast Savings & Loan Assn., Hollywood, Fla.	163,765	51,502	217.98
31	Northeast Savings, FA, Hartford, Conn.	160,965	222,927	-27.79
32	Great Financial Federal S&L Assn., Louisville, Ky.	158,531	110,879	42.98
33	Dominion FS & LA, Tysons Corner, Va.	157,380	171,682	-8.33
34	Columbia Savings & Loan Assn., Beverly Hills	153,492	223,446	-31.31
35	Third Federal Savings & Loan Assn., Cleveland	148,929	93,801	58.77
36	Benjamin Franklin Federal S&L Assn., Portland, Ore.	147,725	63,583	132.33
37	First Federal Savings Bank, Santa Monica, Calif.	144,990	132,520	9.41
38	First Federal of Michigan, Detroit	138,579	97,156	42.64
39	Security Savings Bank SLA, Vineland, N.J.	134,562	97,521	37.98
40	Long Beach Savings & Loan Assn., Calif.	129,712	75,855	71
41	AmeriFirst Bank, FSB, Miami	125,708	96,118	30.79
42	Investors Savings Bank, FSB, Minneapolis	117,414	62,424	88.09
43	San Francisco Federal Savings & Loan Assn.	116,400	136,426	-14.68
44	Bank Western FSB, Denver	111,185	51,312	116.68
45	HonFed Bank, FSB, Honolulu	108,191	105,854	2.21
46	Security Savings & Loan Assn., Milwaukee	105,821	N.A.	N.A.
47	Washington Federal Savings & Loan Assn., Seattle	105,334	38,594	172.93
48	Southern California S&L Assn., FS&LA, Beverly Hills	102,459	78,276	30.89
49	Downey Savings & Loan Assn., Costa Mesa, Calif.	96,333	64,764	48.74
50	Ameribanc Savings Bank, Annandale, Va.	92,717	60,966	52.08

Data source: Data provided by **ADP Data Services Division, New York**, from their data base of Thrift Financial Report submitted by S.A.I.F.-insured thrifts to the Office of Thrift Supervision. **Residential mortgage originations:** permanent mortgage loans closed during the calendar quarter on newly built or previously occupied one-to-four family dwelling units. **N.A.**— Not available.

SECURITIES

Fannie Mae Buys Balloon Loans With 2-Step Feature for Portfolio

The Federal National Mortgage Association, which last year met with surprising success buying and securitizing balloon-payment home loans, is now supporting a variation.

Fannie Mae this week began buying "two-step" mortgages, which carry one rate for seven years and then adjust automatically to another rate for the next 23 years. Aimed at borrowers who do not expect to keep their homes for long, the loan carries an initial interest rate lower than those on traditional, fixed-rate, 30-year mortgages.

The agency is buying the two-step loans for cash and holding them in its portfolio. But it may eventually offer to securitize them for lenders, a spokesman said.

Similar to Balloon Loan

The new loan is similar to Fannie Mae's seven-year balloon loan, which emerged as one of the hottest new mortgages of 1989. The balloon can be readily "extended" after seven years, as long as the borrower's payments are current and interest rates have not soared.

This week, Fannie Mae's pricing allowed lenders to offer both loans at about 38 basis points below the rates for traditional fixed-rate mortgages.

In the future, however, one loan or the other may periodically enjoy a pricing advantage, Fannie Mae officials said. And borrowers may view the two-step loan as less risky than the balloon, since the new product guarantees that financing will be available after seven years.

Offering Both Types

Some lenders that offered the balloons are adding the two-step mortgage. "We're going to hold them both out and see who rallies where," said Ken Portz, a senior vice president California Federal Bank, Los Angeles.

Because an active market exists for securities backed by balloon loans, lenders may soon be able to offer those loans to consumers at rates slightly below those for the two-step mortgage, Mr. Portz added.

Fannie Mae began a securitization program for balloons last October, after launching a purchase program in July. The rival Federal Home Loan Mortgage Corp. began supporting a similar type of loan in November.

— Phil Roosevelt

TALKING *markets*

Fleet Uses Loan Rebates To Cross-Sell

Fleet/Norstar Financial Group Inc., which has taken the wholesale mortgage market by storm, is now trying to boost its retail originations.

As part of that plan, the Providence, R.I.-based holding company this week launched a loan program aimed specifically at increasing originations at its eight commercial bank units, which are located in New England and New York State.

1% of Loan Goes to Borrower

The Cash Back Mortgage Plan offers rebates of 1% of the loan amount to borrowers who keep their loans for at least five years and make automatic monthly payments through a Fleet/Norstar checking account.

Designed to encourage borrowers to sign up for other Fleet/Norstar services, the program is similar to one launched last year by Security Pacific National Bank, Los Angeles.

"This is an effort to activate our banks more heavily in the mortgage lending process," said Andrew Woodward, president of Fleet/Norstar's mortgage unit. It "fits with our overall effort of trying to increase direct originations," he added.

Fourth-Largest Originator

In 1989, Fleet/Norstar produced $9.4 billion of mortgages, up from $5.4 billion in 1988. That made the company the nation's fourth-largest originator, according to *Inside Mortgage Finance,* a newsletter.

But only about 30% of last year's total came through retail sources; the rest represented loans purchased from other lenders in the wholesale market, the company said. Mr. Woodward estimated that the eight banking units accounted for 15% of all retail originations, with a nationwide network of mortgage offices handling the rest.

Mr. Woodward said there are no plans to cut back on wholesale production. But he said the company would like to boost retail production, by an unspecified amount, as way to add stability to overall originations.

The stipulation that borrowers hold the loans for at least five years also gives Fleet/Norstar more certainty about cash flows from the mortgages. The company sells its originations but earns fees by servicing the loans.

"The five years gives us some stability in the servicing portfolio," Mr. Woodward said.

— Phil Roosevelt

Key Interest Rates

	Week ended 3/2/90	Week earlier 2/23/90	Year earlier 2/24/89
30-year fixed-rate mortgage	10.27	10.33	10.88
1-year adjustable-rate mortgage	8.43	8.43	8.83

Rates are based on a weekly survey of 2,000 lending institutions nationwide. The averages reflect rates for a range of loan sizes.
Source: HSH Associates, Butler, N.J.

Secondary Market

	Price 3/2	Week's change	Yield	Week's change	Treasury spread	Week's change
Ginnie Mae 9½%	98-11	-0-09	9.93	+0.05	+134	-1
Fannie Mae 9½%	98-08	-0-06	9.92	+0.04	+133	-3
Freddie Mac 10%	99-29	-0-03	9.97	+0.02	+138	-4

Yield: bond equivalent yield based on mortgage prepayment rates projected by Merrill Lynch. **Treasury spread:** the mortgage security yield minus yield on the current 10-year Treasury bond in basis points. (*)— Current coupon changed since last week.
Source: Merrill Lynch Mortgage Capital, New York

CAPITAL

Growing Market Capitalization Gives Banks Clout as Acquirers

Continued from *page* **1**

the stronger it can be as an acquirer.

Market capitalization does not always reflect a bank's asset size. Indeed, some of the banks with the largest market capitalization are far from the top of the list in terms of asset size.

For example, Banc One Corp.'s market capitalization of $4.2 billion exceeded Chase Manhattan Corp.'s $3.9 billion at year end, but Chase had four times the assets of Banc One.

Bankers love to see their market capitalization growing, said Mark Lynch, an analyst at Bear Stearns & Co. because "it gives them more power to go out and buy other banks."

Overall, the market capitalization of the largest 50 commercial banks grew 21% in 1989 to about $116 billion, slightly less than the 23% increase in 1988. Last year's rise came after a roller-coaster ride that saw bank stocks strengthen in the first three quarters of the year, before beginning a steep plunge in autumn.

Despite a tepid mid-February rally, the fall in bank stock prices has continued, eroding banks' market strength. Since the start of the year, the Keefe Bruyette & Woods index of 24 major bank stocks is off 6.4%.

Indeed, NCNB, whose stock was down $2.25 at noon on Thursday after some analysts reduced earnings estimates, suffered a decline in market capitalization to $4.365 billion from $4.682 billion at yearend (see related market story on page 16).

Other Big Gainers

Trailing NCNB, the big gainers for 1989, according to SNL Securities were First City Bancorporation of Texas, up 85.4%; BankAmerica Corp., up 72.0%; First Hawaiian Inc., up 66.9%; and U.S. Bancorp, up 64.0%.

In contrast, ballooning real estate problems turned Bank of New England Corp. into the year's biggest loser, down 57.4% to $649 million in market capitalization. Among the other big losers were the bank's Boston neighbors, BayBanks Inc., down 31.1%, and Bank of Boston Corp., which fell 17.5%. Also among the big losers were First Bank System Inc., down 18.6%, and Midlantic Corp., off 17.2%.

Citicorp continued to be the bank with the greatest market capitalization, following a 13.6% growth in value in 1989 to $9.377 billion. J.P. Morgan & Co., held on to second place, rising 27.9% to $8.084 billion.

But BankAmerica's strong surge enabled it to jump from sixth to third place, displacing Security Pacific Corp. which fell to fourth. NCNB vaulted to fifth place from 14th in 1988.

Wells Fargo & Co., which had been fifth in 1988, dropped to ninth place last year, while PNC Financial Corp., dropped from fourth place to eighth over the same period.

Key to NCNB's Success

It was just this growing strength that NCNB used to outbid competitors for the failed First RepublicBank Corp., with its strong Texas franchise and about $20 billion in assets. NCNB picked up a 20% stake in 1988 and completed the acquisition in 1989, issuing new common last year to help pay the $1.4 billion tab. But investors hardly blinked at any potential dilution.

"A lot of people looked at the acquisition in Texas as a great deal at first," said Joseph Berry, executive vice president at Keefe, Bruyette & Woods. "After they looked at it a little, it seemed even better."

Investors' positive view of the undertaking grew as NCNB Texas National Bank began to produce strong earnings growth. Moreover, the value of the tax benefits in the transaction was more quickly realized as NCNB increased its ownership more swiftly than planned.

The next biggest gainer after NCNB in 1989 was Texas' recapitalized First City Bancorp., which posted an 85% increase to $669 million in market capitalization. Initially, said Brent Erensel, senior banking analyst at Donaldson, Lufkin & Jenrette, First City's investment banker, "investors had little confidence in Texas or in the prospects for the recapitalization." But First City produced earnings that outpaced investor expectations, and the Texas economy began to improve.

BankAmerica, continued its resurgence with a hefty 72% increase to $5.626 billion in market capitalization in 1989. Strong earnings pushed the bank's book value up sharply, and the stock price followed, according to Joseph Arsenio, an analyst at Hambrecht & Quist. "The bank had a tremendous return on equity," he said.

On the down side, Bank of New England, with all of its well-publicized troubles, experienced a 57.4% decline in market capitalization. As problems mounted in its commercial real estate loan portfolio, its stock price declined sharply from a 1989 high of $24.375 to finish the year at $9.375, for a market cap of $649 million.

With Bank of New England stock trading today around $4.50, the market cap for the company today is about $312 million. That is a drop in market cap since yearend of 52%.

* * *

Great American Bank announced it has retained Shearson Lehman Hutton Inc. to assist it in raising needed capital. A spokesman for the bank declined to specify how much capital the thrift planned to raise. Great American's stock was trading Thursday at $4.25, up 50 cents for the week.

Great American announced Monday that it may seek an outside investor to help it meet capital requirements. □

MARKET CAP

Largest Companies in Market Capitalization

Banks listed in order of the market value of their common stock on December 31, 1989 (dollar amounts in millions)

Rank 12/89		Mar. Cap. 12/31/89	Assets 12/31/89	Change 12/88
1	Citicorp, New York	9,377	230,643	13.6
2	J.P. Morgan & Co., Inc., New York	8,084	88,964	27.9
3	BankAmerica Corp., San Francisco	5,626	98,764	72.0
4	Security Pacific Corp., Los Angeles	4,704	83,943	15.9
5	NCNB Corp., Charlotte, N.C.	4,682	66,191	99.0
6	Banc One Corp. Columbus, Ohio	4,238	26,552	47.4
7	Chase Manhattan Corp., New York	3,916	107,369	58.9
8	PNC Financial Corp, Pittsburgh	3,902	45,661	6.6
9	Wells Fargo & Co., San Francisco	3,784	48,737	19.3
10	Bankers Trust New York Corp.	3,362	55,658	18.4
11	SunTrust Banks, Inc., Atlanta	2,928	31,044	14.2
12	Fleet/Norstar Financial Group, Inc., Providence, R.I.	2,852	33,441	4.1
13	First Wachovia Corp., Winston-Salem, N.C.	2,837	24,050	37.8
14	Bank of New York Company, Inc.	2,733	48,856	16.7
15	Chemical Banking Corp., New York	2,441	71,513	20.0
16	First Chicago Corp.	2,424	47,907	31.3
17	National City Corp., Cleveland	2,373	22,972	19.3
18	Manufacturers Hanover Corp., New York	2,317	60,500	59.7
19	NBD Bancorp, Inc., Detroit	2,303	25,771	29.2
20	Sovran Financial Corp., Norfolk, Va.	2,274	25,442	13.0
21	Barnett Banks, Inc., Jacksonville, Fla.	2,270	29,007	11.2
22	First Union Corp., Charlotte, N.C.	2,210	32,131	(6.6)
23	Norwest Corp., Minneapolis	2,104	24,335	47.4
24	First Interstate Bancorp, Los Angeles	2,043	59,051	(0.8)
25	Citizens and Southern Corp., Atlanta	1,829	23,313	20.0
26	CoreStates Financial Corp, Philadelphia	1,596	16,849	0.1
27	Republic New York Corp.	1,553	25,467	20.5
28	U.S. Bancorp, Portland, Ore.	1,551	16,975	64.0
29	Shawmut National Corp., Hartford, Conn.	1,481	28,145	(16.0)
30	Fifth Third Bancorp, Cincinnati	1,448	7,143	46.7
31	State Street Boston Corp., Boston	1,412	9,983	48.0
32	MNC Financial, Inc., Baltimore	1,383	19,672	4.7
33	First Fidelity Bancorp., Newark, N.J.	1,360	30,727	(12.3)
34	Bank of Boston Corp.	1,353	39,178	(17.5)
35	Midlantic Corp., Edison, N.J.	1,200	23,666	(17.2)
36	Boatmen's Bancshares, Inc., St. Louis	1,109	14,542	6.4
37	KeyCorp, Albany, N.Y.	1,103	15,461	33.4
38	Northern Trust Corp., Chicago	1,073	10,938	59.6
39	First Bank System, Inc., Minneapolis	1,052	20,820	(18.6)
40	Mellon Bank Corp., Pittsburgh	1,044	31,467	13.2
41	Huntington Bancshares Inc., Columbus, Ohio	1,024	11,680	56.7
42	Continental Bank Corp., Chicago	988	29,549	17.0
43	Ameritrust Corp., Cleveland	934	11,233	20.5
44	Crestar Financial Corp., Richmond	890	11,361	23.8
45	Signet Banking Corp., Richmond	855[1]	12,476	8.4
46	First of America Bank Corp., Kalamazoo, Mich.	835	12,793	53.6
47	UJB Financial Corp., Princeton, N.J.	832	12,172	(7.8)
48	Bancorp Hawaii, Inc., Honolulu	815	8,317	45.5
49	Comerica Inc., Detroit	794	12,149	10.5
50	Manufacturers National Corp., Detroit	787	10,305	17.3
51	Marshall & Ilsley Corp., Milwaukee	770	7,151	29.3
52	Michigan National Corp., Farmington Hills, Mich.	747	11,480	10.6
53	Meridian Bancorp, Inc., Reading, Pa.	742	11,925	3.2
54	Society Corp., Cleveland	742	10,903	0.6
55	Union Bank, Los Angeles	739	15,376	(4.9)
56	City National Corp., Beverly Hills, Calif.	737	4,699	25.1
57	Firstar Corp., Milwaukee	725	8,608	28.0
58	Dominion Bankshares Corp., Roanoke	717	10,120	15.1
59	Old Kent Financial Corp., Grand Rapids, Mich.	709	8,127	23.2
60	First Hawaiian, Inc. Honolulu	679	5,080	66.9
61	First City Bancorp. of Texas, Houston	669	14,081	85.4
62	Wilmington Trust Co., Wilmington, Del.	653	3,703	37.1
63	Mercantile Bankshares Corp., Baltimore	650	4,018	41.5
64	Bank of New England Corp., Boston	649[1]	31,471[2]	(57.4)
65	Southeast Banking Corp., Miami	643	16,525	(5.4)
66	Star Banc Corp., Cincinnati	636	5,949	17.2
67	First Virginia Banks, Inc., Falls Church	631[1]	5,120	21.3
68	Integra Financial Corp., Pittsburgh	620	6,768	NA
69	Southtrust Corp., Birmingham, Ala.	617	7,763	17.6
70	First Pennsylvania Corp., Philadelphia	613[1]	6,605[2]	28.9
71	Hibernia Corp., New Orleans, La.	598	6,699	29.8
72	AmSouth BanCorp., Birmingham, Ala.	578[1]	8,563	4.8
73	First Alabama Bancshares, Inc., Montgomery	573	5,550	12.9
74	Synovus Financial Corp., Columbus, Ga.	522	2,410	41.4
75	INB Financial Corp., Indianapolis	508	6,015	3.3
76	Commerce Bancshares, Inc., Kansas City, Mo.	484	5,829	19.5
77	First American Corp., Nashville, Tenn.	479	7,058	(5.9)
78	South Carolina National Corp., Columbia	476	6,216	(6.3)
79	BayBanks, Inc., Boston	475	9,913	(31.1)
80	Central Fidelity Banks, Inc., Richmond	474[1]	5,335	8.9
81	First Florida Banks, Inc., Tampa	453	5,565	5.8
82	First Empire State Corp., Buffalo, N.Y.	449	6,234	22.5
83	Fourth Financial Corp., Wichita, Kan.	444	3,182	45.4
84	Northeast Bancorp, Inc., New Haven, Conn.	433	3,484	(6.9)
85	Banco Popular de Puerto Rico, San Juan	431	5,923	21.4
86	Merchants National Corp., Indianapolis	423	5,577	9.7
87	Mercantile Bancorp., Inc., St. Louis	420	6,942	2.6
88	Dauphin Deposit Corp., Harrisburg, Pa.	409	3,259	4.4
89	Bank South Corp., Atlanta	405	5,136	20.2
90	First Security Corp., Salt Lake City	404	5,795	33.1
91	First Tennessee National Corp., Memphis	396	6,398	2.3
92	BB&T Financial Corp., Wilson, N.C.	388	4,808	20.1
93	Puget Sound Bancorp, Tacoma, Wash.	386	4,294	26.4
94	United Missouri Bancshares, Inc., Kansas City	379	4,038	8.8
95	Valley Capital Corp., Las Vegas, Nev.	358	3,069	51.5
96	First Bancorp. of Ohio, Akron	357	3,334	17.6
97	U.S. Trust Corp., New York	349	2,526	(5.1)
98	Summit Bancorp., Summit, N.J.	337	3,865	(13.8)
99	National Community Banks, Inc., Rutherford, N.J.	334	4,023	(11.4)
100	Valley National Bancorp, Clifton, N.J.	314	1,823	(6.8)

Data source: **SNL Securities,** Charlottesville, Va. **Description of the table:** A listing of 100 banking companies with the largest market capitalization. **Mar. Cap.** is market capitalization. It is computed by multiplying the number of common shares outstanding at the bank at yearend 1989 (unless otherwise noted) by the closing market price of the bank's stock on Dec. 29, 1989, the last trading day of the year. **Assets:** the total assets of the banking company on Dec. 31, 1989, unless otherwise noted. **Change 12/88**: Percentage change in market capitalization from yearend 1988 to yearend 1989, unless otherwise noted. (1)— Market capitalization is based on the number of shares outstanding on 9/30/89. (2)— Assets are as of 9/30/89.

Copyright American Banker, 1990.

NOTE

ONLY THE FOLLOWING PAGES OF THIS
PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10, 14

C0175-1

AMERICAN BANKER

VOL. CLV NO. 48 | Monday, March 12, 1990 | 155th year

Choice of Ryan Brings OTS Fate Into Question

By ROBERT M. GARSSON

WASHINGTON — In nominating T. Timothy Ryan to be director of the Office of Thrift Supervision, President Bush may have been looking for a dependable caretaker of an agency not destined for a long life.

A Washington lawyer with ties to four Republican administrations, including the current one, Mr. Ryan has little background in financial services.

But he is regarded as a strong manager, someone who could keep the OTS out of political trouble until next year, when the administration and Congress are expected to decide if they want to abolish the agency, as is being proposed in some quarters.

ANALYSIS: *Follow-up on the news*

"I think that's where they're headed," said Kenneth Guenther, executive vice president of the Independent Bankers Association of America, alluding to the caretaker theory.

Mr. Guenther said it is likely Congress will consider legislation next year to abolish the OTS. The agency was created last year by the Financial Institutions Reform, Recovery, and Enforcement Act to take over the regulatory functions of the Federal Home Loan Bank Board.

News that Mr. Ryan would be tapped to succeed M. Danny Wall came only days after the administration announced that Treasury official Salvatore Martoche would serve as interim director. The quick reversal is raising questions on Capitol Hill about the administration's attitude toward the thrift agency, which is part of the Treasury Department.

No Rubber Stamp

One Senate Banking Committee staff member indicated that Mr. Ryan will face sharp questioning at his confirmation hearing.

"People are going to want to know why he is the most qualified person, why it has taken so long to find someone, why a partisan person for a job that cries out for nonpartisanship," this staffer said. "And they are going to want to know what the administration's long-term intentions toward the OTS are."

Richard Peterson, a senior aide to Rep. Doug Barnard, D-Ga., described the succession of appointments to the OTS director's post as a "triple shuffle" that reflected confusion in the White House.

See **RYAN** page 6

INSIDE NEWS

FINANCE

THE BIGGEST U.S. BANKS are turning to new sources of short-term funding, particularly the Eurodollar deposit market. *Page 16*

CONSUMER

ELECTRONIC REFUNDS have encountered rough waters. The IRS misplaced some computer tapes last month, and H&R Block Inc. faces a class-action suit over how soon refunds are made. *Page 8*

TECHNOLOGY

AN IMAGE PROCESSING system that uses standard personal computers is being tried by two banks, one in Britain and the other in Pennsylvania. *Page 3*

INTERNATIONAL

BRITAIN is pushing hard to have London declared the home of the European Bank for Reconstruction and Development and of the proposed European central bank. *Page 13*

PEOPLE

LAWRENCE K. FISH will indeed be chairman and chief executive officer of the Bank of New England Corp. and its principal subsidiary, the holding company has announced. *Page 2*

WASHINGTON

THE MONEY that flowed from thrifts to political action committees has dropped off sharply. The same is true of contributions from Wall Street firms. *Page 10*

COMMENT

THE KEY TO QUALITY service is the way employees treat other employees, writes Paul S. Nadler. *Page 4*

INDEX

Company Index 2
Executive Changes 7
Classified Advertising 12
Bank and Thrift Stocks 15

Home Loan Bank Floats Plan To Bypass '1 Borrower' Cap

By BARBARA A. REHM

WASHINGTON — The Federal Home Loan Bank of Dallas is floating a solution to one of the thrift industry's thorniest problems – the limits placed on the amount of loans an institution can make to any one borrower.

The Dallas bank wants to syndicate, and take an ownership position in, the portion of thrift loans that exceed the lending limits, according to an outline of the plan obtained by the *American Banker.*

Thrifts are under much tighter lending restraints since last summer's bailout law forced them to adhere to the limits on national banks. Whereas thrifts used to be permitted to lend up to 100% of capital to any one borrower, they are now capped at 15% of capital or $500,000, whichever is higher.

Profitable Loans Barred

The "loans to one borrower" issue has become a rallying point for healthy S&Ls and some of their borrowers, mainly home builders, who argue that the bailout law is having the perverse effect of barring thrifts from making profitable loans to creditworthy customers. The loans most affected by the lending limits are residential construction and development loans.

George M. Barclay
Dallas Home Loan Bank

Under the Dallas bank's proposal, being circulated in Washington and among Home Loan bank presidents, a bank would take 10% of loan amounts exceeding the caps as an investment and sell the remainder to other financial institutions.

As an incentive to purchasers, the Dallas bank would put a letter of credit behind the syndicated loans, which would limit buyers' risk in the event the loan is not repaid.

For example, if a thrift made a $1 million loan and kept just $250,000, the Dallas bank would

See **DALLAS** page 11

RTC Reduces Cash Needed To Acquire S&L Assets

By ROBERT TRIGAUX

WASHINGTON — In the latest of a series of moves to spur sales of thrift assets seized by the government, the Resolution Trust Corp. Oversight Board Friday reduced the down payment required on real estate transactions.

The reduction, to 15% from 25%, should invigorate flagging interest in sales of real estate – including hotels, houses, and apartment buildings – from 337 insolvent thrifts in government conservatorships.

In a similar attempt to boost sales, the board late last month said the RTC could allow buyers of assets to return any unwanted portion for up to a year. The initial warranty period had been six months.

Capital Infusions Weighed

Under informal consideration is an "open thrift assistance" plan to allow the RTC to infuse undercapitalized thrifts still in operation with government funds in the hope of selling them

See **RTC** page 14

Banks Lobbying To Ease Rule On Check Holds

By KAREN GULLO

NEW YORK — Regulation CC, the controversial rule limiting the holds that banks place on deposited checks, is again prompting intense lobbying by banking trade groups.

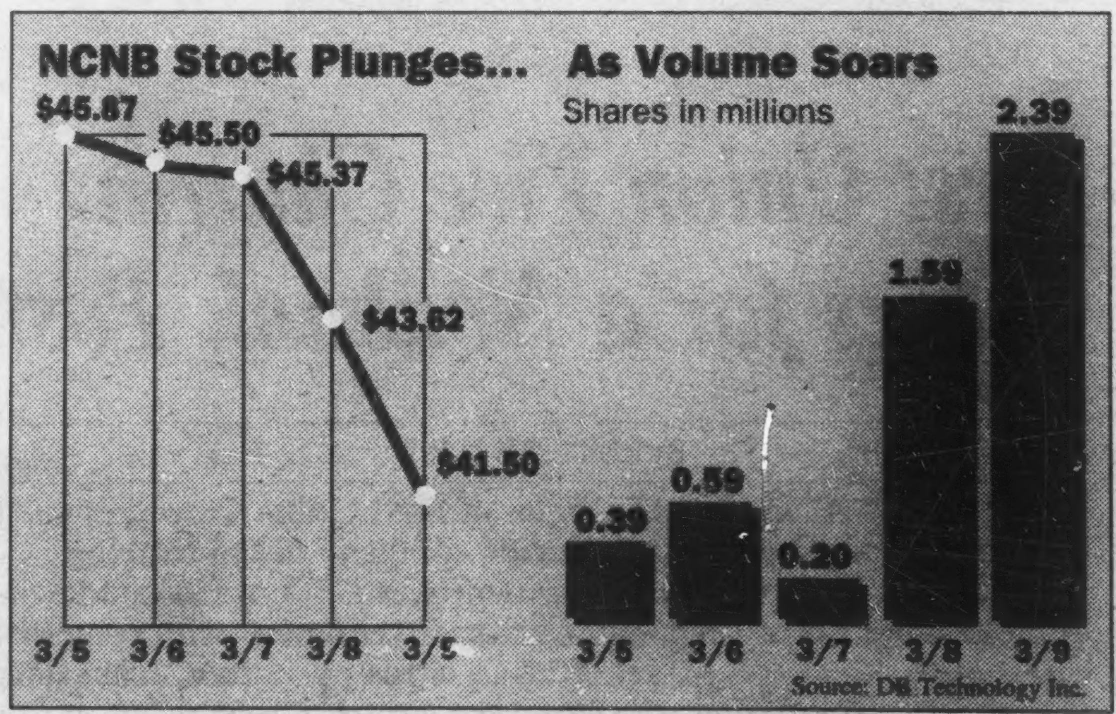
The lobbyists are seeking changes in the rule to allow deposits in automated teller machines to be treated differently than conventional deposits. Bankers want to be able to delay payment on certain interbank ATM deposits, allowing more time to make sure they are backed by sufficient funds.

Bankers Limit Their Target

In focusing on the ATM provisions, the bankers are pursuing a much more limited agenda than they did in an all-out effort two years ago to oppose most aspects of the rule, which was mandated by the Expedited Funds Availability Act of 1987.

Unlike in the earlier battle, the banking groups have the Federal Reserve Board – the agency charged with enforcing the law – on their side in asking

See **CHANGES** page 3



Source: DB Technology Inc.

NCNB Shares Battered 2d Day In Reaction to Loan-Loss News

By NORA GREEN
and KENNETH CLINE

Shares of NCNB Corp., a market favorite for much of last year, fell sharply in extremely heavy trading for the second consecutive day on Friday. The decline was triggered by the company's announcement Thursday that its problem loans could rise by 25% in the first quarter.

By Friday's close, shares of the Charlotte, N.C., banking company were trading at $41.50, down $2.125. More than 2.1 million shares had changed hands, almost seven times its normal trading volume.

During the last month, NCNB had been staging a mild rally, but the two-day drop brought its shares close to its Jan. 30 low of $40.875. NCNB traded at $52.50 on Sept. 29, before bank stocks began their slide.

On Thursday, management told securities analysts about the expected increase in problem loans and $180 million of unrealized bond-portfolio losses. NCNB's stock fell $1.75 in heavy trading as Merrill Lynch & Co. and Sanford C. Bernstein & Co. slashed earnings estimates

See **NCNB** back page

COMMENT / *By Paul S. Nadler*

Indicator of Service Quality: How Workers Treat Each Other

Bankers generally agree that the public wants quality service rather than top rate or lowest cost in a banking relationship.

In this regard, I always quote the comment attributed to John Glenn, the astronaut, when asked what it was like in that space capsule: "All I could think was that there were 852 moving parts, each of which was built by the low-cost bidder."

I have refined this to Nadler's Law No. 2: "You can't pay the customer top dollar and give him kisses, too, and he'd much prefer the kisses."

The Personal Touch

The customer is more interested in a bank that corrects errors quickly, that makes speedy decisions on loan requests, and that knows you personally than in a bank with top savings rates or lowest loan and service charges.

"Quality of service" has become a somewhat trite term. Everyone uses it. But what does it mean, beyond correcting errors swiftly, making quick decisions, and knowing the customer personally?

Addressing the Minnesota Bankers Association's latest Senior Bank Management Conference, Phillip Hudson, executive vice president of First Security Bank, Salt Lake City, spelled out the quality issue in far more specific terms than usual.

Mr. Hudson made the following points:

- A bank must provide a statement that is simple for the customer to understand. I remember the Chemung Canal Bank of Elmira, N.Y., which reported that people would rather pay a higher service charge, in the form of a lump sum subtracted montly from their accounts, than lower charges that are complicated and make it hard to balance the statement.
- Employees must be well informed. If employees don't know the bank's services, how can the public be expected to learn about them? Here, Mr. Hudson suggested sharing good results with the staff. If their perceptions of the bank are not tops, how can they give the public a tip-top impression? And such impressions are the keys to public satisfaction.
- People want the attention of the banker they are facing. If the manager who is handling your business waves at everyone who walks by, you feel slighted. If the tellers talk among each other while you are at the teller's window, you feel ignored. "Any customer not being served is your customer if you are not busy with someone else," Mr. Hudson summed up.

But the key to quality service, as the Minnesota bankers were told, is the way employees treat other employees. For if staff members are treated poorly, they will not treat customers well. Service centers must treat the branches as though they are outside customers.

As I was addressing an awards dinner at BankAtlantic in Fort Lauderdale, Fla., on the topic of bank service and morale, the only spontaneous applause arose when I said each bank division should treat queries from other divisions with the same respect afforded customer queries.

Interaction with the Public

How can a bank go about developing quality service? Mr. Hudson's answer was simple: "Training is expensive, but ignorance costs more."

But in addition to training employees, management must find out for itself how well employees are handling the public.

- Call a branch and see how the call is handled. This can let managers find whether people identify themselves, are knowledgeable, and act as if they care.
- Check on vendors who work directly with the public. How is a request for checks handled by the printing company? Are coupons intelligible? Check landscaping, bank cleanliness. A poor janitorial service can hurt the bank as much as a sloppy statement.
- What is the response when people close accounts? Here is your opportunity to find out which bank operations and policies makes people unhappy.

In this regard, I have closed accounts – including five at one bank in one day – without ever getting a survey letter or telephoned query.

Customers Getting Even

Stew Leonard, the grocer mentioned in the book "Excellence," says that when people get mad, they just stop shopping with you. You have no way to find out what made them mad. Bankers have the opportunity to investigate and correct the things that caused the defection. Yet few use this opportunity.

Mr. Hudson defines "quality of service" as "meeting customer expectations." And perceptions in this regard are as important as performance.

But just as advertising a bank's stature can impress the staff as well as the public, if a bank wants to generate a perception of quality service, it must start by rewarding performance, giving good training, and generating "quality" internally. ☐

Mr. Nadler is a contributing editor and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

A recent survey conducted by the Gallup Organization and commissioned by Fidelity Investments found that 34% of eligible consumers said they would invest money in President Bush's proposed Family Savings Account. The Bush initiative would allow families and individuals to invest a set amount tax-free – a potential windfall for the nation's banks. Suzanne Christy of the American Banker features staff, asked:

Q *How will you take advantage of the Family Savings Account if it becomes a reality?*

■ Joan Greitzer
Vice president, product design
Society National Bank, Cleveland

I was encouraged by the results of the Gallup survey. We've viewed the Family Savings Account as a wonderful opportunity ever since it was proposed.

We have a couple of products we've been working on in the last few months. They should fit well with some of our existing package-type accounts that combine credit and deposit needs. We are also looking at altering some of our time deposit accounts.

The first two groups we would target this type of account to would probably be the general mass market and the emerging affluent, as well as a portion of our upscale market. It all depends on what point in the family cycle the consumer is; is he or she planning for education or retirement or home purchases?

This is all highly theoretical, of course. It depends on what kind of regulatory restrictions are placed on the accounts and what kind of reporting will be required of banks and consumers.

■ Russell S. Hoadley
Vice president
Barnett Banks Inc., Jacksonville, Fla.

We are very definitely interested in offering such a product – if permitted. We are watching what Congress is doing. A savings plan like this could be a source of stable deposits in the future.

We don't have any plans under way yet. But we could turn around a new product fairly quickly – our technology, marketing, and distribution structure is in place – if and when we know what the legislation will look like.

One of the issues we are looking at is if this account would really increase savings, as the President intends. Or would it simply create a transfer of funds from different accounts? Our sense is that, as we see the baby boom bulge moving into middle age, there is going to be a strong natural inclination to save.

■ Joseph T. Grause Jr.
Senior vice president
Fidelity Investments Institutional Services Co., Boston

The results from the survey, which Fidelity Investments commissioned, were not surprising. If people are given the opportunity to put money away in a tax-free way, they will. Right now, the tax laws incite people to borrow money, not save.

As a vendor of services to the banking industry – we help them market, manage, and sell Fidelity mutual funds – the Family Savings Account will be a boon. The banking industry is in a unique position to capture an increased share of both deposit and security-type products. Our perspective would be helping them merge those deposits with longer-term instruments like mutual funds.

While we don't have any plans to launch any whiz-bang new fund or service, we would spend more promotional dollars to help banks market existing funds under an IRA-type program.

Just look at history. In the early '80s, when restrictions on tax-free IRAs were less stringent, there was a great burst of mutual fund sales. Given the popularity of mutual funds and CDs last time around, we'd put our energy there.

Six years ago, we were aggressive in the market, and if legislation is passed, we'd be there again.

■ Nancy Eberhardt
Vice president, retail products
Central Fidelity Bank, Richmond

We are looking at a number of different scenarios to see what it would take to make a Family Savings Account profitable. I think we have a very big market that would be interested in some kind of long-term savings vehicle. While now they tend to be big credit users, they will be incited to save when they realize the tax benefits.

The product can probably be structured like a savings account, almost like a CD. Each would have a unique term. It all depends on the disclosure rules. There are a whole lot of alternatives. It also can look a lot like an IRA. But it will probably look most like a CD.

I don't think a Family Savings Account type of product will pull money away from other products. For example, even after we offered money market accounts, we still kept a strong base of people who wanted our traditional savings product. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $816. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

WASHINGTON Monday

A weekly feature

Wall Street and Thrift Industry Reduce PAC Contributions

By AMY SUZANNE KING

WASHINGTON — Cash that only a few years ago flowed freely from several sectors of the financial world into the coffers of political action committees has slowed to a trickle, according to data released by the Federal Election Commission.

With the dwindling numbers of savings and loan institutions and rampant cost-cutting on Wall Street, the decline in political contributions from these areas is not surprising, according to industry spokesmen.

Decline at U.S. League

Contributions to the campaign fund of the U.S. League of Savings Institutions, for example, decreased nearly 30% – about $92,000 – during the last two-year election cycle, ended in 1989.

But shrinking numbers of savings institutions are not the only reason for the reduction in receipts, according to James Grohl, a spokesman for the U.S. League of Savings Institutions.

An increase in the number of statewide and single-institution PACs means that political contributions have become less centralized, reducing the direct clout of the U.S. League. Consequently, the national fund has suffered a decline, Mr. Grohl said.

"Maybe the myth that we grease Congress with tens of thousands of dollars will be dispelled by this recent study," Mr. Grohl said.

Among the top 50 political action committees in the election commission's report, the American Bankers Association's BankPac showed the greatest increase in receipts since 1987. Disbursements increased by nearly $150,000 during the two-year cycle. In 1989, the PAC reported almost $800,000 in political contributions.

Decline Felt on Wall Street

The downward trend in financial PAC contributions carried over to many Wall Street firms.

The Better Government Committee of the New York brokerage firm of Smith Barney, Harris Upham & Co. showed a decrease in both receipts and disbursements. Receipts dropped nearly 70%, and disbursements declined about 65% between 1987 and 1989.

Much of the decrease in contributions to political campaigns, as documented by the commission, can be attributed to the fact that 1989 is not an election year. But the decline in receipts from Wall Street is probably due to recent uncertainty and instability in the financial markets, according to Henry Harris, treasurer of the Smith Barney PAC.

"Receipts are all through voluntary contributions," said a spokesman for Smith Barney. "I would guess that people feeling the pinch won't contribute – it's leaner and meaner."

Mr. Harris confirmed this analysis by adding: "Levels of trading activity are down, and consequently people don't feel as ebullient. That reflects on voluntary contributions."

Another Wall Street firm, Morgan Stanley & Co., argues that its PAC is as strong as ever. Despite a record year in earnings, contributions to the Morgan Stanley PAC decreased.

"The decline is a result of political activity as opposed to financial status. It's not an election year," said Peter Roche a spokesman for the company.

One of the powerhouse PACs, organized by the National Association of Realtors, also showed a decline in both receipts and disbursements during the last two-year election cycle, according to the election commission's report.

But with receipts totaling more than $2.7 million, the PAC for real estate agents was far and away the top financial services money earner.

The nearly $450,000 decline in receipts from 1987 to 1989 is probably a result of reduced contributions from states suffering real estate market slumps, according to Norman Flynn, president of the National Association of Realtors.

Who Gets the Money

The decrease in disbursements is a result not only of a nonelection year but also of changes in the way the group determines how to disburse the funds.

"Too often we were straddling the fence and contributing to both candidates," Mr. Flynn said. "As a result, we have and will be making fewer dual campaign contributions."

Ms. King writes for the Medill News Service.

Among the Top 50 Financial PACs in 1989...

Who collected the most

National Association of Realtors	$2,700,000
National Association of Life Underwriters	$1,200,000
American Institute of CPAs	$900,200
American Bankers Association	$790,727

Who spent the most

National Association of Realtors	$1,200,000
National Association of Life Underwriters	$880,291
American Institute of CPAs	$570,217
American Bankers Association	$536,693

Whose receipts declined the most

	1989	1987
National Association of Realtors	$2,700,000	$3,200,000
Salomon Brothers Inc.	$133,800	$249,900
U.S. League of Savings Institutions	$237,336	$329,614
Smith Barney	$42,060	$133,065

Whose spending fell the most

	1989	1987
Virginia Bankers Association	$39,025	$153,900
Salomon Brothers Inc.	$140,850	$233,613
Smith Barney	$44,968	$125,286
Morgan Stanley & Co.	$150,567	$230,294
Citizens and Southern Corp.	$50,700	$106,275

Source: Federal Election Commission

THE WEEK ahead

MONDAY, MARCH 12

The Supreme Court and the Senate are in recess until next Monday.

Senate Minority Leader Robert Dole, R-Kan., addresses credit union executives as the National Association of Federal Credit Unions kicks off its 1990 congressional caucus. On Wednesday, the group will hear from M. Danny Wall, who stepped down last week as director of the Office of Thrift Supervision. 202-646-4416.

TUESDAY, MARCH 13

Retail sales figures for February are released by the Commerce Department.

WEDNESDAY, MARCH 14

The Federal Deposit Insurance Corp. holds a rare public hearing on its proposal to eliminate pass-through deposit insurance coverage by thrifts to so-called 457 plans, employee benefit programs affecting workers in state and local governments. 202-898-6993.

The House Banking subcommittee on financial institutions begins a series of oversight hearings on the Financial Institutions Reform, Recovery, and Enforcement Act. Abolishing the Office of Thrift Supervision will be among items considered. 202-226-3280.

The Federal Reserve Board releases the "beige book" in which the Fed staff makes assesses the prospects for the economy that the Federal Open Market Committee will use in deciding whether to change the Fed's conduct of monetary policy. Fed watchers do not expect any easing by the Fed in the near future. 202-452-3000.

The FDIC meets to discuss the priority for bids on failing banks, and entrance and exit fees for deposit insurance funds. 202-898-3813.

The Resolution Trust Corp. meets to consider guidelines for disposing of real estate. 202-898-3604.

The House Banking subcommittee on consumer affairs and coinage votes on bills to strike two medals. 202-225-4247.

Business inventories and sales figures for January are announced by the Commerce Department.

THURSDAY, MARCH 15

The House Banking Committee continues oversight hearings on last year's thrift-bailout law.

FRIDAY, MARCH 16

Housing starts and building-permit figures for February are released by the Commerce Department. □

INSIDE the agencies

Credit Union Regulator Touts Insurance Fund

In the wake of criticism concerning its insurance fund, the National Credit Union Administration has released a detailed study touting the strengths of its system – a system it says could provide a blueprint for streamlining the banking industry's insurance fund.

The credit union regulator was instructed to prepare the study for the Treasury Department under the Financial Institutions Reform, Recovery, and Enforcement Act passed last summer by Congress.

Responding to Critics

"There is much misinformation about the insurance fund. I hope that it will be a document that will answer all of the questions raised," said Elizabeth Burkhart, vice chairman of the credit union administration.

Prepared by two NCUA executives, the study states that the National Credit Union Share Insurance Fund is much stronger than the funds set up to protect bank and thrift depositors.

$2 Billion Fund

The study notes that the $2 billion fund could withstand a catastrophic loss without passing the cost along to taxpayers because, to raise additional money, credit unions would kick 1% of their insured deposits into the fund. The study made a number of other points:

- The fund should not be separated from the regulator because the insurer couldn't place enough "financial discipline" on the market.
- Credit unions are less risky than banks because nearly half of their portfolios are in consumer loans.
- Credit unions will move into the 1990s with higher capital levels and lower losses.

Sowing for the Future. NCUA officials are planting the seed of a credit union movement in Eastern Europe. A delegation from Poland's Solidarity union met with administration officials last week for a first-hand lesson on the insurance fund and examination techniques.

The concept of a financial institution owned and controlled by citizens is appealing to Poland because the country has largely lost confidence in its centralized banking system.

Mrs. Burkhart of the NCUA spent part of a day with three members of the delegation, including Andrzej Krajewski, an adviser to Poland's vice minister of finance.

The groups discussed the credit union administration's structure, how the board operates, and why it is made up of people from two political parties. Members of the delegation also wanted to know how regulations are made and how disagreements between credit unions and examiners are resolved.

Said Mrs. Burkhart, "You learn a lot from what people ask. There were so many questions."

Waiting for a Ring. Robert M. Fenner, general counsel for NCUA, might want to compare notes with the Maytag repairman who spends much of his time waiting for the phone to ring. The regulator plans to install a fraud hot line by month's end for people to call if they suspect fraudulent activities in credit unions.

"We are hoping that it will help us uncover those occasional incidences of fraud in credit unions," Mr. Fenner said. "The incidences are very small, but they can be very expensive."

He pointed out that the two largest losses suffered by the insurer in the past decade resulted from fraud and have cost the insurer $65 million.

If a tip comes in, the matter is referred to the regional office and the examiners begin an investigation.

Mr. Fenner, however, won't suffer from ennui. "We will be doing lots of others things while we wait," he said.

The hot line is 202-682-9699 for calls in the Washington area and 800-827-9650 for long-distance calls.

— Bill Atkinson

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10

800 C0175-1

AMERICAN BA

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 50 Wednesday, March 14, 1990 year

Annuity Sales: Just One Round In a Long Fight

By YVETTE D. KANTROW

ANALYSIS: *Follow-up on the news*

NEW YORK — A recent decision by the Office of the Comptroller of the Currency that would allow national banks to sell fixed-rate annuities is an important victory for the banking industry. But it is only one battle in what may prove to be a long and drawn-out war.

Many banks are already devising plans to add fixed-rate annuities – investment contracts that guarantee fixed future payments – to their product lines. By selling annuities for insurance companies, bankers say they can offer their customers a popular tax-deferred investment vehicle and significantly increase their fee income.

But other bankers are holding off on their efforts, saying there are too many legal, regulatory, and competitive issues that must first be resolved. The Comptroller's decision applied initially to only one bank and is not an official regulation. Other regulations and laws might still prevent national banks from offering annuities.

"There are a lot of legal issues and it gets really complicated," said James Anderson, president of Northern Trust Brokers Inc., a subsidiary of the Northern Trust Corp. in Chicago.

The Comptroller of the Currency said last month that brokering fixed-rate annuities is not an insurance activity but more akin to the sale of a financial instrument such as a certificate of deposit, and therefore permissible.

Bank Gets a Letter

The regulator took that position in a letter to the Goodhue County National Bank in Red Wing, Minn. The $150 million-asset Goodhue said that since Minnesota state-chartered banks were able to sell annuities, national banks had to be able to do the same to stay competitive.

While bankers elsewhere hailed the Goodhue ruling, it does not grant the entire industry permission to jump into the $90 billion fixed-rate annuities market.

"It's nice that we have the [Comptroller's] blessing but we still need the state law to change," said James Daniel, president of Barnett Brokerage Inc., a subsidiary of Barnett Banks Inc., Jacksonville, Fla. Florida is one of 15 states that prohibit bank employees from being licensed to sell insurance. Bankers in these states are hope-

See **COMPTROLLER** page 11

INSIDE NEWS

FINANCE

A SALOMON ANALYST expects some major banks to put their loans to Campeau Corp. on nonaccrual status in the first quarter, contributing to a surge in nonperforming loans for highly leveraged transactions. *Page 22*

CONSUMER

THE AMERICAN BANKERS Association is reviving a campaign to polish bankers' image as savvy trust and investment managers. *Page 8*

TECHNOLOGY

FIRST WACHOVIA is the first company to use new software from IBM for trust and securities accounting. *Page 10*

INTERNATIONAL

FIRST CITY Bancorporation of Texas has opened a representative office in Los Angeles to foster business with Mexico and Asia. *Page 14*

PEOPLE

WILLIAM F. FARLEY, who left First Bank System two years ago because of a disagreement with the chief executive over the company's bond portfolio, said he was delighted to be back as vice chairman. *Page 2*

COMMENT

BANKS MUST RETHINK their subpoena compliance procedures to avoid being targeted for investigation and prosecution, writes Laura A. Brevetti. *Page 4*

OTHER NEWS

THE RTC announced it will sell real estate parcels individually, rather than in bulk. *Page 2*

INDEX

People in the News 2
Company Index 2
Grapevine 4
Executive Changes 15
Classified Advertising 20
Bank and Thrift Stocks 23

LDC Debt Market Facing Oversupply of Latin Paper

By JOHN EVANS

LONDON — Prices of Third World debt, already quoted at substantial discounts, are likely to drop further as banks rush to reduce their holdings because of the impending closing of a major market maker here, traders said Tuesday.

Libra Bank Ltd., the third-largest market maker in LDC debt and a specialist in Latin America, announced late Monday that it would close by the end of this year because the 10 banks that own it have refused to inject new capital to allow the bank to meet tougher Bank of England guidelines on LDC reserves.

"Libra Bank's impending dissolution will cause market makers to liquidate their existing long positions, thereby increasing immediate supply and causing prices to fall," a spokesman for J.P. Morgan & Co. in London, the largest market maker in LDC debt, said. Loss of a major market maker will also impair the liquidity of the market, other traders said.

Discounts Are Large

Major U.S. banks use the so-called secondary market to buy and sell billions of dollars in Third World loans. The loans are sold at large discounts to face value – that is, amounts significantly lower than their principal.

The size of the discount depends on the financial health of the debtor country. Argentine debt, for example, sells at about 10 cents on the dollar, Mexican debt at 40 cents, and Yugoslav debt at about 56 cents.

Once a bank has sold a loan, it can deduct the full amount from its balance sheet, draw down its reserves to cover any loss on the

See **LDC** page 14

Top Traders Of LDC Debt
1989 volume, in billions of dollars

	Volume
J.P. Morgan	$14.
NMB Bank	13.6
Libra Bank	11.5
Chase Manhattan	9.8
Citibank	8.5
Salomon Brothers	8.5
Bankers Trust*	8.0
Manufacturers Hanover	8.0
Continental Bank	7.5
Standard Chartered	5.3
Chemical Bank	5.0

*Estimated volume

Source: LDC Debt Report

Rating Firms, Stung Once, Crack Down In Southeast

By KELLEY HOLLAND

NEW YORK — Having failed to anticipate the severe deterioration in the credit quality of New England banks, the major debt-rating agencies are taking a tougher look at banks in the Southeast and other parts of the country.

The debt ratings of two Southeast regional banks were downgraded last week, and analysts think more downgrades could be in the offing.

"The mood the rating agencies are in, I don't think anybody's safe," said Ann Robinson, a vice president at Donaldson, Lufkin & Jenrette.

Costs Are Increased

Besides being a black eye in the investment community, a ratings reduction increases a bank's funding costs, particularly in jittery markets such as today's, when investors demand significantly higher interest rates on securities of less than sterling quality.

The agencies are focusing on

See **DEBT** back page

Bank Cards Looking Overseas for Growth

By YVETTE D. KANTROW

NEW YORK — The changing economies of Eastern Europe, China, and other parts of the world are increasing the resolve of the international bank card associations to look beyond their usual marketplaces.

As growth in the U.S. credit card market slowed in recent years, MasterCard and Visa set their marketing sights on Western Europe, which is still seen as a major growth area. But now their interest in lesser developed, farther-flung corners of the world is on the rise.

The payoff is already becoming evident, based on data from the recently published MasterCard International annual report. While the United States continues to account for most MasterCard activity, U.S. sales volume grew only 12% last year compared with 71% growth in Asia, 56% in Latin America, and 24% in Europe, where the opening of the Communist economies is just beginning.

A Shift to Overseas Operations

"Having won the right to political self-determination, it is only a matter of time until the people of Eastern Europe will also seek the passport to greater economic freedom that the payment card represents," H. Robert Heller, a Visa executive vice president, told credit card executives at a gathering in Florida last week.

Quoting from a recent issue of the *The Nilson Report,* a newsletter published in Los Angeles, Mr. Heller said that in 1995, 61% of the world's charge volume will be generated overseas, compared with 50% today.

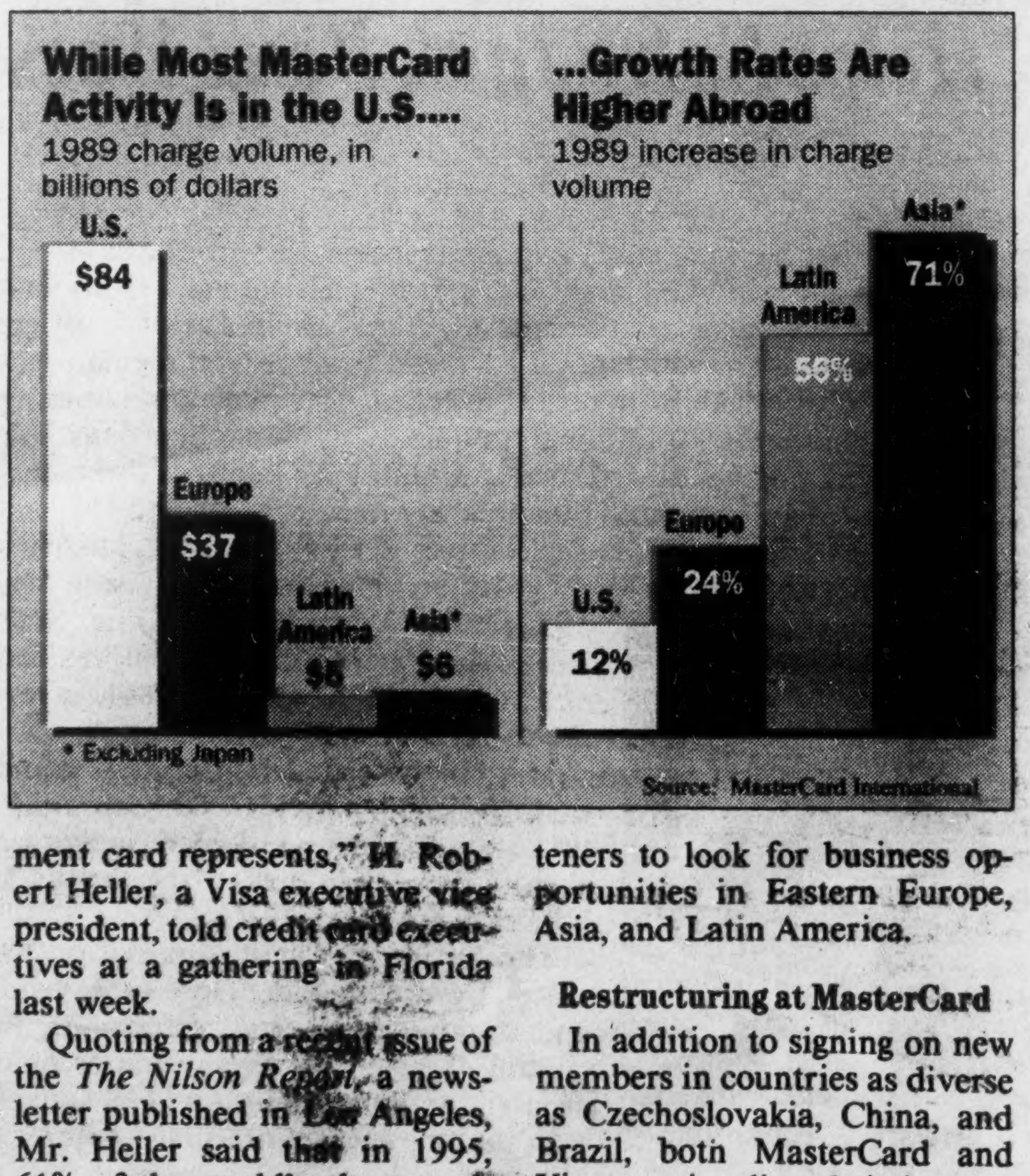
Mr. Heller, an international economist who left a seat on the Federal Reserve Board last summer to join Visa, urged his listeners to look for business opportunities in Eastern Europe, Asia, and Latin America.

Restructuring at MasterCard

In addition to signing on new members in countries as diverse as Czechoslovakia, China, and Brazil, both MasterCard and Visa are signaling their interest in new markets with restructurings of their own.

MasterCard last month spun off its regional divisions into

See **BANK CARDS** page 8



While Most MasterCard Activity Is in the U.S....
1989 charge volume, in billions of dollars

...Growth Rates Are Higher Abroad
1989 increase in charge volume

* Excluding Japan

Source: MasterCard International

COMMENT/By Laura A. Brevetti

Thrift Law Changes Rules On Subpoena Compliance

Dramatic changes in the area of grand jury secrecy law affecting customer notification procedures are a key element of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Financial institutions receive grand jury subpoenas, issued in connection with a wide variety of criminal investigations, directing the production of bank records or testimony from its personnel. Receipt of the subpoena is often the first and only notice a bank gets that an investigation is afoot involving undisclosed criminal activity, the nature of which the bank has no knowledge.

Yet the thrift-bailout law now imposes on banks a presumption of knowledge or, at the very least, a duty to learn. A bank and its personnel face possible criminal prosecution for disclosing information to customers and others relating to subpoenas issued in connection with any investigation of certain financial crimes. Because of this change in the law, banks need to rethink their subpoena compliance procedures to avoid being targeted for investigation and prosecution.

Prior Law Assured Secrecy

Under prior law, regardless of the nature of the criminal activity under investigation, the general rule of absolute secrecy of grand jury proceedings never prohibited a subpoenaed witness from freely disclosing to anyone, including the target of the investigation; the information or documents produced to the grand jury or, certainly, to reveal in detail the testimony he or she gave before the grand jury.

The Right to Financial Privacy Act of 1978 not only preserved a bank's right to disclose and a customer's right to know, but also mandated that a bank notify a customer of the existence and contents of a subpoena and provide a record of documents produced to the grand jury. A customer could then, if appropriate, challenge the subpoena in court before the bank's production of the documents.

It was not unusual in the past for banks – although contrary to law – to accede to a prosecutor's request to delay customer notification for an unspecified length of time. In 1986, however, Congress mandated that prosecutors seek prior judicial approval of delayed notice based on affidavits stating specifically the compelling investigatory need for a delay of not more than 90 days.

If successful, the prosecutor is required to forward to the bank the order together with the subpoena for records. The order assures a bank that a court has reviewed the prosecutor's request and puts it on clear notice that it may not notify the customer for 90 days or longer upon further order of the court.

A Significant Departure

The new S&L law carves out a significant exception to this notification procedure. It amends the Right to Financial Privacy Act and creates a new federal obstruction of criminal investigations offense.

'Banks need to rethink their subpoena compliance procedures to avoid being targeted for investigation and prosecution.'

Now, under threat of prosecution, a financial institution, its officers, directors, partners, employees, agents, and attorneys are prohibited from disclosing to the customer or other named individuals the existence or contents of a grand jury subpoena or information supplied in response to a subpoena issued in connection with an investigation relating to violations of banking laws or frauds.

It is particularly important that the thrift law does not require prosecutors who issue these subpoenas to obtain and forward to a bank a judicial "no notification" order. Furthermore, neither the rules promulgated by the banking agencies since the law's enactment nor Department of Justice guidelines direct prosecutors to alert a subpoenaed financial institution that the particular subpoena falls within the no-notification category.

To make the matter even more precarious for a bank, if the subpoena was issued in connection with an investigation of crimes other than the enumerated banking laws, absent a judicial order, banks presumably must continue to notify customers or be punished.

Banks Put in a Bind

Congress and the Department of Justice apparently have taken the patently unfair position that the newly enacted statutes give a bank sufficient notice and warning of their prohibition. Consequently, a bank is left to play a dangerous guessing game as to when its personnel must and must not notify its customers or reveal subpoenaed information to anyone other than the grand jurors or government agents. A miscalculation could lead to suspicion, investigation, or even prosecution.

True, the new obstruction law requires the government to prove in a felony case that the disclosure was made with a cor-

See **THRIFT LAW** *page* **13**

Ms. Brevetti is with the law firm of Morrison Cohen Singer & Weinstein, New York. She was a federal and state prosecutor for 13 years and chief of the United States Department of Justice Organized Crime Strike Force for the Eastern District of New York.

GRAPEVINE/By Jed Horowitz

Chemical vs. Rumor Mill. Under a barrage of bad press fueled by analysts' reports about deteriorating real estate assets, Chemical Banking Corp. faced a new struggle last week: quashing rumors that it was being stalked by a Japanese bank. One analyst cited market talk that Sumitomo Bank Ltd. was making a bid, while another said that Mitsui Bank, acting as a white knight, would provide equity.

"Shipley hooted at the rumors," said a Chemical insider, speaking of the bank's chairman, Walter V. Shipley. "Some of us would love it, but he's resisted it. He could probably sell the bank every other week."

A Chemical spokesman denied that any merger or equity discussions are taking place.

* * *

Selling a Mosquito. The former Texas Commerce Bancshares chairman, Ben F. Love, sold all of his Chemical Class B shares recently but says it does not reflect a loss of confidence in the bank. Chemical issued the hybrid security to Texas Commerce shareholders when it acquired their company in May 1987. The Class B shares convert into Chemical common in 1992 and must be redeemed at a premium if Chemical is sold before then.

Mr. Love said the shares were an insignificant part of his Chemical holdings.

"What I had was a little dab, a mosquito in my portfolio," the retired Texas banker said. He noted that he does not like to hold a class of stock unless it is worth "well into the six figures."

Mr. Love said he maintains considerable holdings of Chemical common and Class C preferred. "I have an emotional interest, a working interest, and a financial interest" in Chemical, he said.

Robert D. Rieke, an analyst at Rauscher Pierce Refsnes, said Mr. Love probably took a loss on the shares for tax purposes. Mr. Love sold his remaining 9,000 shares in January at $2.75 a share. Their value at issuance was difficult to determine, Mr. Rieke said, because they were part of a complex package of securities Chemical issued to Texas Commerce shareholders.

* * *

Diners Takes to the Air. Citicorp Diners Club Inc. will unveil a "Corporate Club Reward" program later this month that offers a twist on traditional incentives. Points accumulated with each charge can be applied to 16 different frequent-flier and frequent-guest programs at hotels and on airlines.

"It lets people take points accrued on airline A and redeem them on airline B," said a source within the Chicago-based Citicorp unit. That should please employees whose companies require them to travel on specific airlines, he said.

The traditionally low-key Diners Club plans to market the program aggressively. The push will be part of a broader effort to give the card a higher profile.

"We gave birth to the charge card industry 40 years ago, but we haven't done a good job telling the world about it," the source said.

— Yvette Kantrow

* * *

Sugaring the OREOs. Bankers are making progress at securitizing foreclosed real estate, known in regulatory language as "other real-estate owned" assets. The problem to date has been convincing investors that the underwater property will produce enough income to pay interest on the securities.

"The key is getting a creditworthy parent of a bank or thrift that will take the risk" of guaranteeing interest payments, said a partner at a Wall Street law firm that recently completed a private placement of securitized commercial OREO properties for a thrift. The lawyer, who asked for anonymity, said the transaction was evidently the first of its kind.

Banks are particularly eager to shed OREOs, those most costly of assets. The properties produce little income and are expensive to maintain. For example, banks must pay taxes and hire security guards. Sources said the Resolution Trust Corp. also is pursuing the securitization path.

* * *

Wall St. Woos Banks. The new definition of highly leveraged transactions led one investment bank this week to brief its merger and acquisition specialists on ways to persuade banks to continue doing deals. The memo offered suggestions on how investment bankers can convince senior lenders that proposed deals will evade the HLT category, according to a source who requested anonymity.

"The banks are a lot more conservative," the source said. "They're offering less senior, asking for more equity, and turning down a lot. We're trying to convince lenders they won't get into trouble with regulators."

Hesitation over funding highly leveraged transactions was highlighted again last week when NCNB Corp. told analysts that its leveraged portfolio almost tripled from its original estimates under the new regulatory definition. The North Carolina company said its HLTs represented 11.6% of all loans and 134.7% of total equity, mostly because of cable television loans. The company said it is looking to reduce its concentration in the cable sector.

* * *

Delay of Game. Pittsburgh-based Equimark Corp. was granted extra time by the Federal Reserve Board to complete its purchase of National Bancshares Corp. of San Antonio, Tex. The sale was to have closed March 31, but the target bank said it did not begin mailing a flood of information about the exchange offer to stockholders and bondholders until this week. The closing date is now May 23.

"We have a special shareholder meeting scheduled for April 26," said an NBC official. "If we don't get enough votes for approval, this gives us time to go out and get some more." ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Provision for U.S. Loan Puts Pressure on Standard

LONDON — A provision by **Standard Chartered** PLC against its $110 million exposure to a troubled U.S. computer company, **Miniscribe** Corp., will hurt the bank's efforts to strengthen its capital base and boost investor confidence, analysts said.

"This is another blow to Standard as it tries to emerge from its ashes," said Rod Barrett, an executive director at **Goldman Sachs** & Co. "It underlines the difficulty of international banking."

Standard Chartered earlier said it was making an $80 million provision against its exposure to Miniscribe, which filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code after discovering a fraud.

Because of the provision, analysts have lowered their pretax profit forecasts to about $385 million, before exceptional charges, from an average of $465 million previously. In 1988 the bank posted earnings of $500 million.

In January, Standard said pretax profit would be below the previous year's level as a result of bad debts in Britain, corporate business problems in Australia, and the suspension of interest payments by Brazil.

Market sources said the bank's exposure to Australia's troubled corporate market was significant and could entail $160 million to $240 million in exposure to entrepreneur Alan Bond alone.

After years of concern about its weak asset base, a highly dispersed international management structure, and exposure to LDC debt, Standard has begun to implement a far-reaching restructuring program over the past year.

This plan included a new management team, the sale of $400 million of assets, and last December's link-up with **Westdeutsche Landesbank Girozentrale**, which enabled Standard to strengthen its capital ratios and raise LDC reserves.

"This comes at a very unfortunate time," said analyst Martin Green at the brokerage of **Smith New Court**. "There had been assurances that the bank's asset quality was improving."

— Reuters

... by country

WEST GERMANY

The Bundesbank said it lifted remaining restrictions on East German assets in West Germany, giving East German citizens full control over the disposition of funds in their private accounts and deposits at West German financial institutions, effective today.

In a statement, the Bundesbank said it was able to lift the restrictions because East Germany now allows its citizens to exercise full control over these accounts.

Previously, East German citizens could withdraw only 5,000 West German marks per person for each visit to West Germany.

— Reuters

EAST GERMANY

The East-West German currency commission favors converting East German savings at a one-for-one rate into West German marks when the two Germanies adopt monetary union, West German Economics Minister Helmut Hausmann said.

"We believe that we can't make the East German people worse off with their savings," he said in an interview.

Mr. Hausman declined to say what amounts were involved or what timing for the conversion was discussed at Tuesday's third meeting of the currency commission in East Berlin.

— Reuters

ARGENTINA

Economy Minister Antonio Erman Gonzalez has accepted the resignation, tendered last week, of Argentine central bank president Enrique Folcini, ministry officials said.

They could not say who would replace Mr. Folcini, the fourth central bank head to quit during the eight-month government of President Carlos Menem.

Mr. Folcini, who assumed the post on Jan. 22, resigned after a disagreement with other government officials when he used central bank funds to help two financially troubled banks.

— Reuters

SINGAPORE

Dresdner Bank AG will shift part of its private banking operations from Hong Kong to Singapore in April, a senior bank official said.

The decision to relocate was made on operational grounds, because it will be more convenient to serve Southeast Asia from Singapore than Hong Kong, he said.

Dresdner Bank operates a restricted bank in Singapore under the same name. The bank also has a merchant bank, Dresdner Southeast Asia.

— Reuters

HONG KONG

State-owned **China International Trust and Investment** Corp. issued 669.164 million covered warrants on **Hong Kong Telecommunications** Ltd. at 19.25 cents each, colead manager **Barclays de Zoete Wedd** said.

Barclays said the indicated premium range will be between 14% and 17%, against the current trading price. Hong Kong Telecommunications shares closed unchanged at $5.35 on Tuesday.

— Reuters

First City Looking to Mexico, Asia

Texas Bank Using Los Angeles Office as Springboard

By JAMES R. KRAUS

NEW YORK — First City Bancorporation of Texas Inc. has opened a Los Angeles representative office to conduct business with Mexico and Asia.

Robert S. Bucklin, senior vice president, has been named manager.

The Los Angeles office, set up last month, will help the bank expand ties with *maquiladoras*, or Mexican border factories, said Donald Van Stone, chairman and chief executive of First City Texas Austin.

"We want to be elsewhere on the border and are looking at some other situations as well," Mr. Van Stone said without elaborating.

First City already does a substantial business out of El Paso, McAllen, Austin, Houston, and San Antonio with Mexican plants along the Texas border.

According to Mr. Van Stone, the bank has some $25 million in outstanding direct loans to the border factories. *Maquiladora* lending is growing by 15% to 20% a year, he estimated.

The loans represent only a small part of First City's business with Mexican manufacturing plants. A far larger amount is lent to the plants indirectly through their U.S. parent companies and to plant managers residing in Texas, he said.

First City will also use its Los Angeles office to attract Asian investors and build business links to the Far East.

First City, a $14.1 billion-asset bank, has overseas offices in London, Hong Kong, Nassau, Singapore, and Tokyo.

The bank has been steadily building its trade finance activities and set up a joint trade and investment corporation with the Chinese government in May 1988.

Negotiations Under Way

In a further move to broaden its reach, First City is negotiating with Banque Arabe et Internationale d'Invetissement, Paris, to acquire the BAII Banking Corp., a New York State Article 12 investment company.

A spokesman for First City denied a report that an agreement has been reached with Banque Arabe. He declined to comment on First City's interest in acquiring the New York State investment company.

State-chartered investment companies, authorized under Article 12 of the New York State Banking Law, have limited banking powers and cannot accept deposits in New York State. □

LDC Debt Market Facing an Oversupply

Continued from *page* **1**

loan, and claim a tax deduction for an equivalent amount against future earnings.

Banks also buy Third World debt in the hope of profiting by selling it at a slightly lower discount than they paid for it. Because the debt is bought at a discount, banks do not have to set aside reserves for their purchases.

Trading volume on the secondary market reached about $40 billion last year, according to estimates by traders at U.S. banks.

Owners to Get Debt

Libra's loan book, totaling $2.4 billion and concentrated in the Latin nations, is to be sold to stockholders in proportion to the size of their stake in the bank. Chase Manhattan Corp. is Libra's biggest shareholder with 23.6% and therefore will have to take back about $500 million in LDC debt, sources said.

In London, a Chase Manhattan spokesman said that the bank has sufficient reserves to cover its share of exposure to Libra's debt. He said the 10 banks that own Libra decided to pull the plug because they had "a variety of different strategic requirements" for LDC debt.

"It was easier to wind up the bank," the Chase spokesman said.

Other owners are National Westminster Bank PLC, Royal Bank of Canada, Swiss Bank Corp., Westdeutsche Landesbank Girozentrale, Mitsubishi Bank Ltd., Bancomer, Banco Itau, Credito Italiano, and Banco Espirito Santo e Comercial de Lisboa.

The closing, involving layoffs of 160 people in Britain, will take place by yearend. All its creditors will be repaid in full, according to executive director Carlos Santistevan.

Volume Topped $11 Billion

Libra posted a turnover in LDC debt transactions last year of $11.5 billion, according to a recent survey by *LDC Debt Report*, an *American Banker* publication. This gave it third ranking among the banks most active in debt trading, after J.P. Morgan & Co., with trading volume of $14 billion, and NMB Bank, with $13.6 billion.

While prices for LDC debt in Europe have so far been only slightly affected by news of Libra's impending closure, other specialist trading firms agreed that that the move threatened the secondary value of Latin American loans.

Trading volume in Latin LDC loans and related activity such as debt-equity swaps is estimated to have totaled $80 billion in 1989, up substantially from $60 billion in 1988.

Activities Have Shifted

Libra was originally established by its owners as a specialist Latin American lending and trade-finance bank. However, its activities contracted sharply after Mexico sparked the continent's debt crisis in 1982 and, in recent years, the bank has largely specialized in debt trading.

Libra recorded a loss of $287 million in 1989 after making loan-loss provisions of $315 million for LDC lending. This brought its total cover to 32%, still well behind the average 50% recommended by the Bank of England in its matrix guidelines for British banks.

Meanwhile, up to five banks, including Manufacturers Hanover Trust Co., are reported to be bidding to recruit Libra's 10-strong debt trading team, regarded as a highly experienced group of personnel, to promote their own LDC debt activities.

James R. Kraus in New York contributed to this article.

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	3/13	3/12	3/06	3/13	3/12	3/06	3/13	3/12	3/06	3/13	3/12	3/06	3/13	3/12	3/06
United States	8.31	8.31	8.31	8.56	8.50	8.43	8.75	8.68	8.50	7.00	7.00	7.00	10.00	10.00	10.00
Japan	6.75	6.68	6.62	7.62	7.56	7.43	7.81	7.68	7.62	4.25	4.25	4.25	4.87	4.87	4.87
Canada	13.00	13.00	13.25	13.25	13.18	13.25	13.18	13.06	13.00	13.31	13.31	13.41	14.25	14.25	14.25
U.K.	14.93	14.93	14.93	15.37	15.43	15.31	15.56	15.62	15.43	14.45	14.45	14.45	15.00	15.00	15.00
West Germany	8.06	8.00	7.81	8.50	8.43	8.50	8.93	8.87	8.87	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.00	8.87	8.75	9.25	9.12	9.12	9.31	9.25	9.18	6.00	6.00	6.00	11.00	11.00	11.00
France	10.43	10.18	10.25	10.87	10.81	10.81	11.06	11.00	11.00	9.50	9.50	9.50	11.00	11.00	11.00
Italy	12.18	12.00	11.68	12.78	12.75	12.87	13.08	13.18	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.75	15.36	9.20	9.18	7.91
6 to 12 months	9.05	15.05	9.47	9.13	7.94
12 to 24 months	9.56	14.21	8.52	8.49	7.75

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

DEALS

Salomon Analyst Expects Souring Campeau Loans to Be Reclassified

A number of major banks are expected to put their loans to Campeau Corp. on a nonaccrual basis in the first quarter, contributing to a surge in nonperforming HLT (highly leveraged transaction) loans, according to Thomas Hanley, a banking industry analyst at Salomon Brothers.

Banks also are reporting more HLT debt outstanding as a result of a new federal definition of highly leveraged transactions.

At a few banks, the ratio of nonperforming HLT loans to total HLT debt probably will be at or near double-digit levels at the end of the first quarter, according to a report just released by Mr. Hanley. He was referring only to senior debt on leveraged transactions.

No Campeau Debt on Books

Bankers Trust is already close to the double-digit level. The subsidiary of Bankers Trust New York Corp. has $3.4 billion of senior HLT debt outstanding, and nonperforming HLT loans represent 9.1% of that amount.

A Bankers Trust spokesman comfirmed Mr. Hanley's numbers but said that two transactions account for more than half of its nonperforming HLT loans. He added that the bank has no Campeau debt on its books.

The bank's total portfolio of senior HLT debt consists of 193 loans in 42 different industries, making it "pretty diversified," the Bankers Trust spokesman added.

Still, of the 15 big commercial banks studied by Mr. Hanley, he said Bankers Trust has the highest ratio of nonperforming HLT loans, followed by First Bank System at 6.9%, BankAmerica Corp. at 5.7%, and Citicorp at 5.2%.

In dollar terms, Citicorp has the biggest HLT loan exposure, with $7.9 billion of senior HLT loans outstanding, based on the new definition of HLT's, according to Mr. Hanley.

For the group of 15 banks as a whole, Mr. Hanley said, he would not be surprised to see the ratio of nonperforming HLT loans reach double-digit levels – perhaps even as high as 15% – within the next 18 months. And that assumes the economy remains relatively healthy.

Problem Termed 'Manageable'

If the nation sinks into a recession, "the numbers could be worse," Mr. Hanley said.

He expects loan losses on 10% of the HLT debt placed on nonperforming status, he said. "There, we have a more temperate outlook."

Right now, Mr. Hanley doesn't think the HLT debt situation has the makings of another Third World debt crisis, though it's a "little too early to judge that," he said.

"We think the whole thing is basically manageable at this point," the Salomon Brothers analyst added.

At Bankers Trust, the spokesman said, "It's a business we remain committed to."

— **William Goodwin**

How Big Banks Fare Under New Definition for Risky Loans

Bank	Outstanding loans* (dollars in billions) Old Definition	Outstanding loans* (dollars in billions) New Definition	Nonperforming HLT loans** (dollars in millions)	Percent of HLT loans nonperforming	HLT loans as percent of equity Old	HLT loans as percent of equity New
Citicorp	$6.1	$7.9	$407	5.2%	60.5 %	78.4%
Bank of Boston	2.5	5.3	222	4.2	119.2	252.7
Chase Manhattan	4.0	4.5	50	1.1	80.0	90.0
Bank of New York	3.4	4.2	100 E	2.4	124.7	151.2
Wells Fargo & Co.	2.9	4.2	150	3.6	101.4	146.8
Security Pacific	2.6	4.1	49	1.2	56.1	88.4
NCNB Corp.	1.5	4.0	33	0.8	49.5	134.7
Chemical Bank	2.9	3.5	66	1.9	78.3	94.5
Bankers Trust NY	3.4E	3.4E	310 E	9.1	142.5	142.5
Manufacturers Hanover	NA	3.0	47	1.6	NA	89.6

*Financing highly leveraged transactions **Under new definition E=estimated

Source: Salomon Brothers

* * *

Rhone-Poulenc Expected To Choose Four Lenders

Four banks are expected to win a mandate this week to provide Rhone-Poulenc S.A., the French state-controlled chemicals and pharmaceuticals giant, with the $1.6 billion in financing it needs to complete its planned $3.15 billion merger with U.S.-based Rorer Group.

The banks committed to providing the financing are Societe Generale, Barclays Bank PLC, Chase Manhattan Bank, and the Royal Bank of Canada. Officials at the four banks declined to comment except to say that they expected to be given the mandate Tuesday night. It could not be determined exactly how much each bank had committed to the $1.6 billion facility, but it was not divided equally.

The details for the syndication of the loan will be ironed out this week, and officials involved estimated the deal could be in the market within a week.

While the bank debts of some chemicals companies have received a spotty reception among investors because of their cyclical nature, this transaction is not expected to be viewed in the same light.

"It's a long way from being a highly leveraged transaction in style, and it's a reasonably well-diversified company," one bank official said. "This is no small company."

For instance, in the first nine months of last year, Rhone-Poulenc had over $9.3 billion in consolidated sales.

The merger creates a new company to be called Rhone-Poulenc Rorer Inc. Sources familiar with the deal said that since Rhone-Poulenc would be guarantor, it would carry the debt as a contingent risk on its books.

Under the structure of the deal, Rorer shareholders would receive $78 a share in cash for half of their holdings, and stock rights and equity in the new company for the other half. Both companies have valued the package at $73 a share. The tender offer for cash, which would give Rhone-Poulenc 50.1% of Rorer's shares, begins this Friday. After the deal is completed, Rhone-Poulenc will own 68% of the new company.

— **Caren Chesler-Marsh**

* * *

Hanover Reports 24% Dip In Loan Syndication Fees

Manufacturers Hanover Corp. said loan syndication fees dropped 24% last year, to $112 million from $147 million in 1988, reflecting a decline in the volume and size of leveraged buyout deals.

The bank attributed the slowdown in LBO activity to its "continuing stringent credit criteria for these types of transactions."

Fees for highly leveraged transaction loans totaled $117 million in 1989, the bank also said in its 1989 annual report.

At yearend 1989, Manufacturers Hanover's total HLT loan portfolio stood at $3 billion, representing 8% of total loans and 5% of total assets, the bank said.

HLT loans on nonaccrual status at Dec. 31, 1989, totaled $47 million, Manufacturers Hanover said.

— **William Goodwin**

ANNOUNCING
"BANK PRODUCTIVITY IN THE 1990S"
A SURVEY OF SELECTED BANKS

Andersen Consulting is pleased to announce the availability of a new study, *"Bank Productivity In The 1990s"*. The study explores the environmental, strategic and human resource issues banks are likely to face throughout this decade.

Prepared in conjunction with Arthur Andersen, the audit and tax firm of The Arthur Andersen Worldwide Organization, the study is based upon survey data received from representatives of 73 regional banks. The participants were top executives of banks with assets ranging from $2 billion to $44 billion, and employing 3,000 to 14,000 people.

The survey was designed to collect information about productivity within retail, corporate and middle-market lending institutions, with emphasis on the administration, operations and trust functions.

To find out more about this and other studies available through Andersen Consulting, please contact:

Charles A. Balch, Atlanta
(404) 658-1776
Leonard O. Brown, Houston
(713) 237-5061
Salvatore M. Cutrona, Philadelphia
(215) 241-7373
Jeffrey T. Hamilton, San Francisco
(415) 546-8310
Waino Pihl, Chicago
(312) 507-7626
John Skerritt, New York
(212) 708-4490

ANDERSEN
CONSULTING
ARTHUR ANDERSEN & CO., S.C.

"MEET THE COMPETITIVE CHALLENGE"

Increase your ESCROW deposits and fee income from:

ATTORNEY ACCOUNTS
REAL ESTATE BROKERS
RENT SECURITIES...

With our ESCROW DEPOSIT ACCOUNTING system, you provide:

- A new product offering tied to existing money market accounts
- One Checkbook Convenience
- 1099 Control
- Easy Product to use

For More information contact: (201) 802-1111 Fax: (201) 802-1255
LBK Computer Associates, Inc. 50 Park Place Newark, NJ 07102

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 14, 22

C0175-1

AMERICAN BANKER

VOL. CLV NO. 51 Thursday, March 15, 1990 155th year

Some Top Banks See Big Profits In Junk Bonds

By DAVID NEUSTADT

NEW YORK — Call them contrarians, but officials at First Chicago Corp. think the depressed junk-bond market actually offers great profit opportunities.

This week, the big Midwest bank announced it had hired a Wall Street veteran to lead trading and dealing in the high-yield securities market. First Chicago said it believes it can limit its risk and position itself for better times in the devastated market.

"A market that is disorderly, with people leaving and people coming, is a decent market for traders, if you are savvy," said Geoffrey L. Stringer, corporate senior vice president. "We will have limited exposure. To trade, you don't have to take a large position or hold big inventories."

ANALYSIS: *Follow-up on the news*

Owen J. Cheevers – a former managing director at the Merrill Lynch Pierce Fenner & Smith brokerage unit of Merrill Lynch & Co. – was hired Monday to be managing director in charge of developing First Chicago's strategy for entering the high-yield business.

Others Pounce, Too

First Chicago is just the latest of several commercial banks to see opportunities in the junk market. Bankers Trust New York Corp., J.P. Morgan & Co. and Citicorp already have high-yield units that are trading bonds. Almost all hope to underwrite new issues when the market recovers.

Other banks see junk, especially at its currently depressed prices, as a good investment.

"The long-term competitive dynamics are in our favor," one banker argued. Several of the big investment banks are responsible for deals that have gone bad. "That creates some ready acceptance for someone else to do new, high quality business," he said.

Regulator Sees Positives

At least one regulator said he thinks banks could make a positive contribution to the market. "Banks could bring some stability to the market, in part because of their exposure to securitization," said an official at the Office of the Comptroller of the Currency. "They could bring newer structures and some credit enhancement."

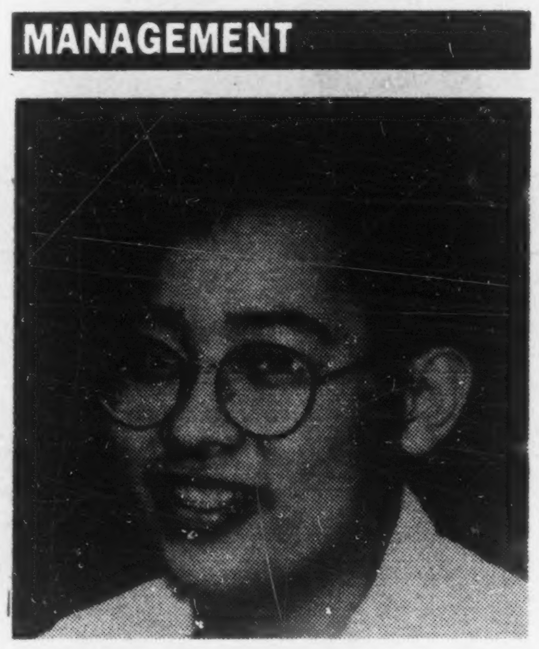
Banks lend to the same kinds of companies that tap the junk bond market, the official said.

Wall Street investment bank-

See **JUNK** page 22

INSIDE NEWS

MANAGEMENT



Peggy Turbett

FRANCIS RAMOS will join 600 other high school students at a conference of the Academy of Finance on Friday. Excerpts from his award-winning essay on a need for reform of the financial services industry appear today. *Page 10*

CONSUMER

CROSSLAND SAVINGS is the first bank in the competitive New York market to include a buyer-protection plan with its personal checking accounts. *Page 8*

FINANCE

McDONALD'S CORP. has become the first issuer to formally show its support for CapitaLink, J.P. Morgan's fledgling electronic marketplace system. *Page 22*

INTERNATIONAL

SUMITOMO'S PRACTICE of playing it safe in the United States has allowed it to avoid pitfalls like loans for highly leveraged transactions. *Page 14*

TECHNOLOGY

NCNB TEXAS National Bank is installing the latest generation of high-speed image processing technology from TRW Financial Systems in its lockbox operation. *Page 3*

COMMENT

COLLATERALIZED mortgage obligations may be just the ticket for banks seeking to boost profits through their investment portfolios, writes Jonathan Leader. *Page 4*

INDEX

People in the News 2
Company Index 2
The Lobbyists 4
Executive Changes 6
Classified Advertising 20
Bank and Thrift Stocks 23

Disputes Stall Fraud Trials, Panel Told

By AMY SUZANNE KING

WASHINGTON — Conflicts between federal criminal investigators and lawyers seeking to recover failed thrifts' assets are delaying prosecutions of fraud at those institutions, a U.S. attorney said Wednesday in congressional testimony.

The disputes – involving Justice Department officials and attorneys working for the Federal Deposit Insurance Corp. and the Resolution Trust Corp. – are slowing disclosures of documents that law enforcement officials need to bring criminal charges, Jerome Arnold, the U.S. attorney for Minnesota, told a House Government Operations subcommittee.

Efforts to obtain documentation and records of conversations needed in criminal prosecutions have consumed an inordinate amount of time and money because the FDIC and RTC lawyers are reluctant to part with the information.

Fear on Asset Restitution

The lawyers, often independent attorneys under contract to those agencies, invoke attorney-client privilege to withhold documents out of fear that they will

See page 9

House Members Cite Concerns on Bailout

By ROBERT M. GARSSON

WASHINGTON — Even though the passage of a new savings and loan bill is not expected this year, legislators and regulators began laying the groundwork for such a measure Wednesday.

Members of a House Banking subcommittee raised concerns about the slow pace of dealing with insolvent institutions, the impact of new lending rules on home construction, and public disputes between different agencies over how to proceed on the bailout.

Attacking Golden Parachutes

Meanwhile, bills were introduced that would abolish the Office of Thrift Supervision and give the Federal Deposit Insurance Corp. the authority to block executives of failed thrifts from receiving lavish severance packages.

The concerns raised are likely to form the basis for legislation that would amend last year's massive thrift bailout. Such a bill is widely expected, but considered unlikely this year because of opposition by members of the Senate Banking Committee.

Some of the developments on Capitol Hill suggested that the next bill could spell the end of an independent thrift industry.

For example, Rep. Jim Leach, R-Iowa, won support from state and federal regulators for a bill he introduced late Tuesday afternoon that would abolish the Office of Thrift Supervision and transfer its duties to the three federal banking agencies.

Support Is Broad

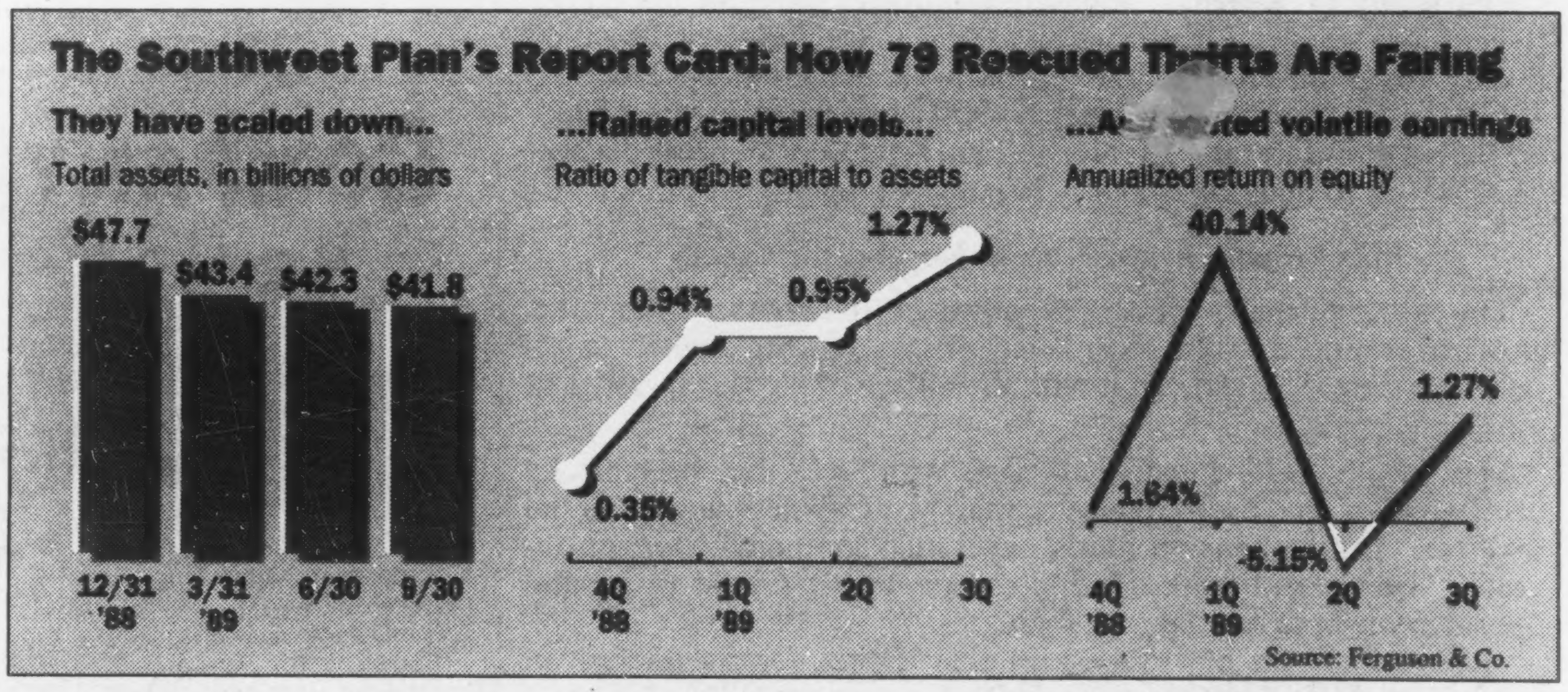
Mr. Leach said the supporting comments, from the Federal Deposit Insurance Corp., the Conference of State Bank Supervisors and the American Council of State Savings Supervisors, should give his proposal a boost next year.

See **HOUSE** page 11

Rethinking the Bailout

Bills before Congress would:

- ☑ Abolish the Office of Thrift Supervision.
- ☑ Abolish the Resolution Trust Corp. Oversight Board.
- ☑ Authorize the FDIC to cancel lavish severance packages for executives of failed institutions.
- ☑ Prohibit insured institutions from selling at branches debt issued by affiliates.



Source: Ferguson & Co.

Profits in Texas S&L Deals Only Average

By STEVE KLINKERMAN

DALLAS — Maybe M. Danny Wall didn't give away the store after all.

Despite widespread criticism of the regulator's fire sale of insolvent Texas thrifts in 1988, a review of the deals indicates that the government is better off for having done them.

While two of the 15 deals have produced extraordinary returns for investors so far, the majority are yielding only reasonable profits. In fact, it appears that most acquirers are getting too small a return for the risks they incurred.

And, by stemming the losses at the failed thrifts nine months before the bailout law was passed, the government curbed its losses and helped stabilize the Southwest financial industry. Equally important, experts said, assets were moved from government ownership into private hands.

To be sure, the deals engineered by Mr. Wall are still open to criticism. And part of the reason why the transactions are looking better from the government's point of view is that key elements have since been changed. But results for the first nine months of 1989 show that the so-called Southwest plan was far from the across-the-board giveaway that it has been portrayed as.

Criticism over the government's plan for dealing with failed savings associations in the Southwest – under which 79 insolvent thrifts were merged into 15 institutions and sold to investors – is among the factors that prompted Mr. Wall to resign as the nation's top thrift regulator.

Mr. Wall pushed through the rescues while pre-

See **PROFITS** page 19

COMMENT/ By Jonathan Leader

CMOs Offer Big Rewards For Small Portfolio Risk

With loan demand declining, banks and thrifts are focusing more attention on their investment portfolios to earn profits.

But what to do? The yield curve is flat, and interest rates are at the low end of their five-year range. In this environment, how can a financial institution generate a healthy spread over its cost of funds without incurring a lot of risk?

Fortunately, there just may be a free lunch.

Yields Exceed Treasuries'

Derivative mortgage securities, known as collateralized mortgage obligations, offer yields well in excess of Treasuries, extremely high credit quality, and low price volatility. In many cases, CMOs can be used to generate yields of 75 to 125 basis points more than those of Treasury securities.

CMOs are big business. More than $330 billion worth are outstanding, and new issues arrive at a rate of more than $10 billion a month.

More than 90% of CMOs are collateralized by mortgages guaranteed by the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corp. More than 70% of CMOs are bought by financial institutions, and most are in the second-lowest risk-adjusted capital category (20%) for banks and thrifts.

What is a CMO? It's a multiclass bond issue collateralized by fixed-rate mortgage pass-through securities. The cash flows of the underlying mortgages are used to make principal and interest payments.

Difference in Payments

The key difference between a Ginnie Mae pass-through and a CMO is in the distribution of principal payments. With a conventional pass-through, the interest and principal payments received each month from mortgage holders are passed through to all security holders on a pro rata basis.

The CMO structure substitutes sequential retirement of bonds for the pro rata return of principal found in the pass-through. Thus, mortgage-backed securities carry short-, intermediate-, and long-term maturities.

Typically, the first class of CMO bonds gets all principal generated by the issue until it is retired, then the second class begins to receive principal, and so on.

CMOs have opened the mortgage markets to many investors who might otherwise be excluded by the longer maturities of standard pass-through securities. The typical CMO structure does not eliminate the prepayment uncertainty that has long been associated with mortgage collateral. CMOs do, however, offer a degree of prepayment protection not found in regular pass-throughs.

> **'CMOs can be used to generate yields of 75 to 125 basis points more than those of Treasury securities.'**

Like other mortgage securities, CMOs are priced to yield a spread over Treasury securities of comparable maturity, that is, over a Treasury security with a maturity approximating the CMO bond's average life.

Asset-Liability Matching

Recent innovations in the structure of CMOs have led to the creation of classes especially attractive for financial institutions that are concerned with matching assets against liabilities.

In particular, floating-rate CMOs have coupons that reset either monthly or quarterly according to a formula based on the London interbank offered rate. A typical floater, for example, may have a coupon that resets at a spread of Libor plus 70 basis points. Because Libor averages about 100 basis points higher than Treasury bills, floating-rate CMOs, in turn, have coupons about 170 basis points higher than these bills.

The monthly reset feature of floating-rate CMOs leads to very limited price risk, and the income flow from the securities moves in the same direction as short-term interest rates.

Variable-Rate CMOs

Floating-rate CMOs are a highly attractive variable-rate asset, making them an excellent match against variable-rate liabilities. As such, they offer a positive spread over a financial institution's cost of funds in both rising and falling interest rate environments. Floating-rate CMOs are eligible investments for all financial institutions.

Another category of CMO highly attractive for financial institutions is the PAC bond. These are fixed-coupon CMOs designed to maintain their average life regardless of interest rate movements.

For example, a typical two-year-average-life PAC bond will maintain its average life even if

See **CMO** page **20**

Mr. Leader is president of Liberty Capital Management.

THE LOBBYISTS/ By Barbara A. Rehm

U.S. League Sets Ambitious Agenda

The **U.S. League of Savings Institutions** has an 18-item list of lobbying goals for 1990 – clearly thinking big despite its diminished influence in Washington.

The league's top officials compiled the list early this month and picked four items as priorities. But the underlying objective is to make a thrift charter a more attractive investment. Mr. Levy figures the more capital that thrifts can attract, the less Uncle Sam will have to spend on bailing out the industry.

"We carry the baggage of a huge problem and a huge bill that was presented to the American people," acknowledges **Gerald J. Levy**, chairman of the league's Federal Affairs Policy Committee and chairman of **Guaranty Bank for Savings**, Milwaukee. "But tarnished image or not, what we are trying to do here is reduce the total cost [of the bailout]."

Gerald Levy

The league's top priority is accelerating the equalization of deposit insurance premiums paid to the government by banks and thrifts. Under the thrift-bailout law, banks and thrifts ultimately will pay 15 cents for every $100 in deposits. However, until that parity arrives in 1998, S&Ls will pay more than banks. Next year, thrifts will pay 23 cents to the banks' 15 cents.

"With thrift powers more constrained than banks' and regulation at least as stringent as banks', why would anyone invest in a [thrift] when it has to pay more for deposit insurance than a commercial bank?" asks the league's lobbying material.

Easing the qualified thrift lender test is another target. The association says the July 1991 requirement that thrifts keep 70% of their assets in home finance will lead to an unhealthy concentration of thrift assets.

The league is also lobbying to ensure that the $13 billion thrifts have locked up in the Federal Home Loan Bank System is not spent for any more of the bailout. The Home Loan banks are already contributing $300 million a year, and there is talk of tapping the system to supply working capital for the **Resolution Trust Corp.**

Other priorities of the league are defeating an expected rule from the Office of Thrift Supervision that would restrict dividend payments by thrifts, fighting a merger of bank and thrift regulatory agencies, and allowing a thrift to lend more of its capital to one borrower. The lending cap is now 15% of capital.

Mr. Levy concedes that Congress is not likely to pass a thrift bill this year because lawmakers are burned out on the topic and would just as soon ignore the controversial bailout during an election year.

"We're not Pollyannaish," he says. "We're just trying to get prepared."

* * *

S&L Execs Feel Lack Of Clout, Survey Says

Despite the U.S. League's ambitious goals, nearly three of every four savings and loan directors say the industry lacks a voice in Washington powerful enough to achieve them.

Hamilton & Staff, a polling company in Washington, surveyed 134 S&L directors across the country for the **Concorde Group Ltd.**, an Alexandria, Va.-based management firm that specializes in turning around troubled thrifts.

"The savings and loan crisis, and the need for strong governmental intervention that followed, has obviously created a negative climate for the industry and its traditional trade representatives in Washington," the Hamilton & Staff report said.

Frederick Webber

"The current reassessment of policies and procedures toward the industry is contributing to these directors' feelings of powerlessness in Washington."

James H. Grohl, a spokesman for the U.S. League, said the survey "doesn't square with any information we have." League members have "demonstrated confidence in trade associations as a vehicle for communicating with Congress and other bodies in Washington."

League president **Frederick Webber** has been criticized by his predecessor, **William B. O'Connell**, for not battling hard enough on the industry's behalf. But after Mr. O'Connell leveled that charge in January, several thrift executives active in the association came to Mr. Webber's defense.

— **Phil Roosevelt**

* * *

New Group to Press For Insurance Powers

Insurance may be the most sought-after banking power of the 1990s. The **Financial Institutions Insurance Association**, a trade group dedicated to bringing the insurance and banking industries together, is forming a group to help state banking associations lobby their legislatures for greater access to insurance markets. The San Francisco-based group has about 85 members split between financial institutions and insurance-related companies, according to its president, **James M. Shelton**.

The State Legislative Council will hold its first meeting on April 23 in Chicago.

The council will act as a clearing house for information about various state efforts to get insurance powers, according to **Dick Starr**, the association's chairman and president and the chief executive of **UST Securities Inc.**, Los Angeles. The group will supply advocates with rebuttals to likely arguments by the state insurance lobby, he says.

Mr. Starr figures that more participants in a market mean more competition and lower prices for consumers. Lawmakers in Delaware, Florida, Illinois, Indiana, Maryland, Massachusetts, and Virginia are expected to vote on some sort of insurance legislation this year.☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director) Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Profits Average, Not High, at Most Rescued Texas Thrifts

How Thrifts Sold Under the Southwest Plan Are Faring

For the nine months ended Sept. 30, 1989. Dollars in millions

Thrift	Annualized return on average equity	Total assets	Return on average assets	GAAP capital
Blue Bonnet Savings Bank	71.69%	$3,338	1.03%	1.92%
First Gibraltar Bank	59.77	9,818	1.37	2.85
Heights of Texas	31.24	1,411	0.63	2.34
United Savings	29.16	3,583	0.74	3.15
Coastal Banc Savings	27.32	689	0.87	3.39
Americity Federal	25.75	515	0.71	2.65
AmWest Savings	23.23	3,988	0.33	2.00
American Federal Bank	18.76	3,050	0.42	2.02
Franklin Federal Bancorp	17.45	1,736	0.30	1.87
Merabank Texas	16.73	1,326	0.43	2.68
Pacific SW Savings Bank	3.31	1,125	0.07	2.11
Texas Trust Savings	2.15	664	0.09	4.03
First Heights	0.83	602	0.07	10.10
Southwest Savings	NA	5,934	-2.00	-3.64
Guaranty Federal	-2.71	4,043	-0.06	3.12
Aggregate	17.70	41,821	0.32	1.83

Note: Study excludes Sunbelt Savings, which still is owned by the federal government.

Source: Ferguson & Co.

Continued from *page* **1**

siding over an insolvent insurance fund. To the outrage of Congress, he financed the transactions by issuing notes that became government obligations and rushed some deals to capitalize on tax breaks set to expire.

To attract investors, he relaxed capital guidelines, divvied up at least $1.8 billion of tax breaks, and left the government liable to pay acquirers up to $8.4 billion if earnings on distressed assets did meet prescribed levels.

Mr. Wall consistently underestimated the ultimate cost of the Southwest plan – pegged at $33 billion by the General Accounting Office – and was accused by Rep. Henry Gonzalez, chairman of the House Banking Committee, of offering deals so sweet that they could be likened to "golden mansions."

Hearings Set for April

Congress has ordered the Resolution Trust Corp. to audit the 15 rescues, along with 81 other deals completed by the Federal Home Loan Bank Board in 1988. And Mr. Gonzalez will conduct hearings on the Southwest plan in April.

Of the 15 transactions, two are providing rich returns for their owners, according to data compiled by Ferguson & Co. Blue Bonnet Savings Bank had an annualized return on equity of 72%. First Gibraltar Bank, bought by an investment group whose head is Ronald O. Perelman, posted a 60% return.

But eight thrifts had annualized returns in the range of 17% to 31%, which experts consider reasonable. Three thrifts reported returns of less than 3%. And two thrifts lost money.

'Where Is The Gold?'

"If the Southwest plan is a gold mine, where is the gold?" said George Barclay, president of the Federal Home Loan Bank of Dallas. "To the extent that earnings are not impressive, the government got a good deal."

More important, experts say, the rescues stopped the bleeding in Texas.

Together, the 79 insolvent thrifts involved in the transactions lost $3.6 billion in 1987 and $4.3 billion before their rescues in 1988. By contrast, the 15 merged survivors recorded $103 million of profits during the first nine months of 1989, Ferguson found.

Buyers have made progress in streamlining, stabilizing, and strengthening the 15 institutions.

The Best Possible Deals?

The 15 thrifts together shed $5.9 billion of risky assets during the nine-month period. They increased tangible capital by 30%, to $528 million. And they halved their use of costly brokered deposits.

"That's a lot better than doing nothing, even though the Southwest plan rescues obviously weren't the best possible deals," said Paul Horvitz, a professor of banking and finance at the University of Houston.

Some experts support the Southwest plan because it placed $47 billion of assets under the control of private owners, who can make decisions far more rapidly than can government bureaucracies. "The quicker the government places assets in the hands of private investors, the better," said Henry Peltz, a vice president at Keefe, Bruyette & Woods, New York, a consulting firm for the financial industry.

'The Returns Will Normalize'

Still, returns of the magnitude reported at First Gibraltar apparently will perpetuate the controversy surrounding the Southwest plan. "It's confirmation of the fact that Danny Wall gave away the candy store in 1988," said Bert Ely, the thrift consultant who for years has been an outspoken critic of the Bank Board.

First Gibraltar's chairman and chief executive, Gerald J. Ford, argues that the healthy returns guaranteed by federal assistance payments during the early years were designed to compensate investors for risks they took by investing in Southwest plan transactions.

"To defray the uncertainty, people will tend to build in cushions" of profitability, Mr. Ford said. "To the extent that the cushion was not needed, there might be, in the short term, some seemingly high returns. But over a three- to five-year period, the returns will normalize."

'Our Deal Got Changed'

Experts argue that hefty profits are the only inducement for investors to sink funds into the volatile thrift industry – especially when regulators and Congress appear willing, if not eager, to break contracts.

"It is not immoral that investors earn a big return when their capital is at risk," said one bank and thrift consultant, William Ferguson, principal of Ferguson & Co.

Some Southwest plan acquirers say they face even larger risks than they thought, because the government has subsequently eliminated some of the benefits in the transactions.

"Our deal got changed," said Matt Landry Jr., president and chief operating officer of AmWest Savings,Bryan, Tex. Because of a recent OTS decision to break Bank Board promises of low capital requirements, the investment required to sustain his $4 billion-asset thrift has tripled, meaning that each dollar of investment earns only a third of what it did before.

For that reason, Mr. Landry does not expect AmWest to sustain the 23% annualized return on equity posted during the first nine months of 1989.

A Scramble to Raise Capital

A similar situation exists at Dallas-based American Federal Bank. The thrift has abandoned growth plans and is scrambling to raise $50 million of additional capital by yearend.

William Gibson, the thrift's chairman, recently resigned. And Lone Star Technologies, the thrift's parent company, has been sued by shareholders who contend that they were misled about the potential profitability of its investment in American Federal.

Against this backdrop, experts say, it appears that most Southwest plan acquirers are getting too small of a return for the risks they incurred in doing business with the government.

The thrift law reduced the amount of assets that could be held with each dollar of invested capital, reducing investors' returns. And after government-subsidized assets are sold, Southwest plan owners will need to wring profits from institutions whose lending powers have been substantially restricted.

"Few Southwest plan investors would have done their deals if they had known of all of the regulatory changes," said Mr. Ferguson, whose firm negotiated several of the transactions.

Experts say the one big Southwest plan transaction that apparently has failed bears out the argument that healthy federal guarantees are necessary to attract capital and ensure a deal's success.

Prescription for Disaster

When it allowed ailing Southwest Savings Association to acquire four other insolvent Texas thrifts, the Bank Board extended assistance only on the assets Southwest acquired, not on its own distressed portfolio. Southwest, on the other hand, raised no additional capital in the takeover.

It was a prescription for disaster. Southwest lost $122 million during the 12 months that ended Sept. 30 and saw its tangible capital sink from a negative 1.65% to a negative 4.08%. The institution at Sept. 30 fell $329 million short of the tangible capital holdings required under the thrift reform law.

"It suggests that the deal wasn't sweet enough," said Mr. Horvitz. "The Bank Board should have provided more assistance and insisted on a substantial capital injection." ☐

In Unusual Case, Troubled Sunbelt Seeks No Buyer

By STEVE KLINKERMAN

DALLAS — Call it a rescue in process. Or perhaps the rescue that never was.

In any case, call Dallas-based Sunbelt Savings a federally owned thrift that 20 months after its formation is not even seeking a buyer.

Technically, Sunbelt's is one of the 16 rescues completed under the Southwest plan, but it is the only one of the thrifts still operated by the government.

The $9.5 billion-asset company was formed in August 1988 through the merger of eight insolvent northern Texas thrifts. Lacking cash to pay off depositors, the Federal Home Loan Bank Board pledged $11.5 billion of assistance to the thrift and put Thomas Wageman in charge of welding the pieces together.

Though Mr. Wageman has made progress, Sunbelt remains the great oddity among the Bank Board's 1988 transactions. The institution has virtually no earnings or capital, funds less than half of its assets with deposits – and is not for sale.

"A number of things occurred that forestalled the completion of the transaction," said Mr. Wageman, who is president and chief executive of Sunbelt.

Rescue Operations Stopped

The Bank Board halted its rescue operations when thrift reform proposals was introduced in early 1989, Mr. Wageman said, and the completed law placed Sunbelt under the Federal Deposit Insurance Corp., which has not taken action on the company.

Industry sources speculate that Sunbelt will stay in limbo for quite a while. It is not clear whether the Bank Board's assistance guarantees to Sunbelt can be transferred intact to a buyer. And regulators hardly have time to negotiate a second Sunbelt rescue from scratch, given the 320 broke thrifts already under their control.

In that light, sources said, Sunbelt's apparent fate is to remain a federally subsidized asset disposition unit funded by advances from the Federal Home Loan Bank of Dallas and deposits. Mr. Wageman said Sunbelt sold $450 million of assets in 1989 and hopes to boost total sales to $1 billion in 1990.

Sources say the thrift got about $700 million of cash assistance from the government during the 12 months ended Sept. 30. ☐

Fortune's Debt, CDs Downgraded by S&P

Reuters

NEW YORK — Standard & Poor's Corp. said it downgraded about $24 million in subordinated debt of Fortune Financial Group Inc. to B-minus from B-plus.

It also cut the rating on certificates of deposit issued by a unit of the company, Fortune Savings Bank, to BB-minus/B from BB-plus/B.

S&P said the downgradings reflected declining trends in the company's profitability and asset quality. Partly mitigating these concerns, it said, are the Clearwater, Fla.-based thrift's strong retail franchise and adequate capitalization relative to its peers. ☐

CoreStates Deal Is Closed

PHILADELPHIA — CoreStates Financial Corp. announced the completion of its acquisition of First Pennsylvania Corp. CoreStates says it is now the largest banking organization in eastern Pennsylvania.

Terrence A. Larsen, chairman, said that over the next few months, the company will gradually concentrate its Philadelphia-based wholesale business in its Philadelphia National Bank and its retail business in First Pennsylvania. ☐

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 19

C0175-1

800

TOP BANK PERFORMERS IN 1989
Tables begin on page 21

AMERICAN BANKER

VOL. CLV NO. 52 *Friday, March 16, 1990* *155th year*

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Columbia Plan To Sell Its Junk Is a Big Gamble

By SAM ZUCKERMAN

SAN FRANCISCO — Columbia Savings and Loan Association's move to sell its entire $3.5 billion junk bond portfolio is a high-stakes gamble aimed at preserving the troubled thrift's capital so it can stay in business.

Analysts say the Beverly Hills, Calif.-based association, which has assets of $9 billion, has little choice but to try the maneuver. But they doubt Columbia can pull it off.

"This is the first step toward Columbia's demise," said Jay H. Lustig, director of junk bond trading at Drake Capital Securities Inc., Los Angeles. "I can't imagine the regulators not taking them over within a very short time."

ANALYSIS: *Follow-up on the news*

In a meeting with reporters on Wednesday, Edward G. Harshfield, Columbia's new president and chief executive officer, said the junk bond holdings would be sold through a "complete lift-out," meaning the portfolio would be sold as a single block.

Previously, Columbia said it would create a separately capitalized unit headed by former chief executive officer Thomas Spiegel to acquire its junk bonds. Mr. Harshfield's announcement of the sale of the entire portfolio is a variation on the original plan and does not represent an abandonment of the intent to find investors for a separately structured organization that would buy the bonds, sources familiar with Columbia's strategy said.

"A lot of people misunderstood what [Mr.] Harshfield said," one source commented. "This is not a divestiture, fire-sale strategy to just sell $3.5 billion worth of junk bonds to the market in one block. The idea is to structure a transaction in which equity investors would put up a small amount of money."

Two aspects of the plan have changed. Mr. Spiegel will not head any organization that buys Columbia's junk holdings in order to avoid a conflict with his role as an adviser to the thrift on the sale side of the transaction, Mr. Harshfield said.

Columbia is now prepared to partly finance the purchase by taking notes, described as "take-back paper," from the buying organization. Investors would be expected to put up $350 million to $500 million in equity capital, while Columbia would finance debt of about $3 billion.

Columbia hired First Boston

See **COLUMBIA** *page* **20**

INSIDE NEWS

MORTGAGES

THE DELINQUENCY RATE on home loans remained steady at about 5% in the fourth quarter. *Page 14*

INTERNATIONAL

VENEZUELAN OFFICIALS and creditor banks are expected soon to agree on a preliminary debt-reduction pact. *Page 16*

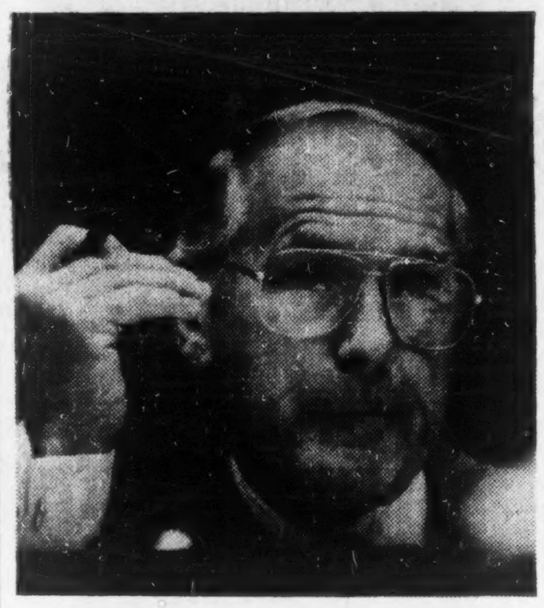
FINANCE

ASSET-BACKED ISSUES will be a popular means of boosting banks' capital ratios as the year progresses. *Page 24*

CONSUMER

SMALL BUSINESSES, which represent 99% of all U.S. companies, are customers that banks should make an effort to keep, says a New York consultant. *Page 10*

CAPITOL HILL



Louise Krafft

REP. DOUG BARNARD blasted the Justice Department, saying it's not doing enough to prosecute those accused of defrauding S&Ls. *Page 5*

TECHNOLOGY

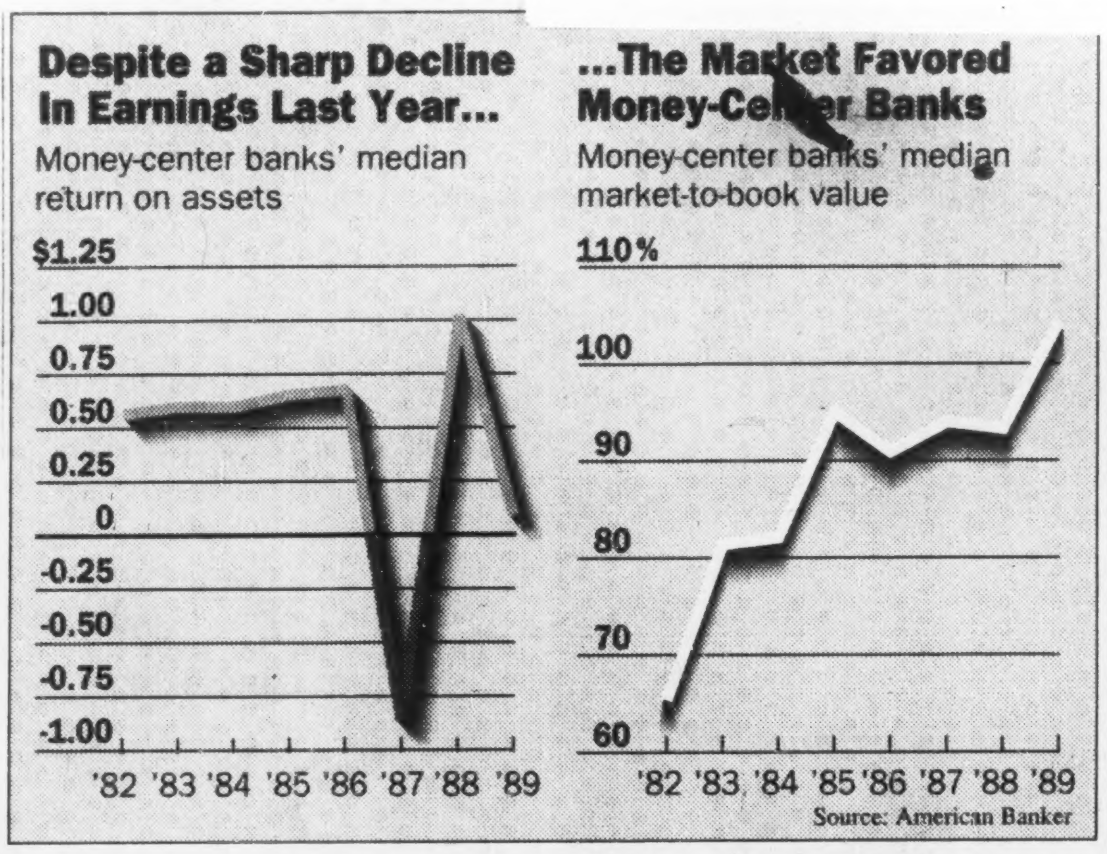
IBM AND FIRST BOSTON have formed a company to market integrated trading and investment management systems to banks. *Page 3*

COMMENT

BANKS THAT ANNOUNCE bad news, such as increased loan-loss provisions, are vulnerable to lawsuits by disgruntled shareholders, writes Scott B. Schreiber. *Page 4*

INDEX

People in the News 2
Company Index 2
Funny Money 4
Executive Changes 6
Thrift Trigger Dates 9
Classified Advertising 20
Bank and Thrift Stocks 23



Despite a Sharp Decline In Earnings Last Year...
Money-center banks' median return on assets

...The Market Favored Money-Center Banks
Money-center banks' median market-to-book value

Source: American Banker

Banc One Shows Best Return On Assets of a Big Company

By GORDON MATTHEWS

NEW YORK — For the fourth consecutive year, Banc One Corp., Columbus, made more money on its assets than any other giant banking company in the nation. Its return on assets was 1.42%, down 3 basis points from the 1988 level.

The findings, based on the *American Banker's* annual performance study of large banking companies, showed that Wells Fargo & Co., San Francisco, jumped to second place among a group of 37 money-center and superregional banking companies by returning 1.26% on assets. The return was up 12 basis points from the 1988 level, when it ranked sixth in the group. Wells displaced Fleet/Norstar Financial Group, which slipped a notch to third.

Michigan National on Top

When the list of large banks is expanded to include the next 20 largest regionals, Michigan National Corp., Farmington Hills, outperformed even Banc One, with a return on assets of 1.69%.

Michigan National, which

See **BANC ONE** *page* **20**

AARP Said To Consider Eliminating Credit Union

By ROBERT TRIGAUX

WASHINGTON — Industry sources said Thursday that the American Association of Retired Persons may close its two-year-old credit union, which many bankers had feared would grow to be a formidable competitor.

The credit union opened in May 1988 with great fanfare. By drawing on the association's 30 million members, the institution was expected to quickly become the largest credit union and an aggressive marketer of consumer financial services nationwide.

However, growth has been slower than expected. In addition, the AARP Federal Credit Union has come under fire from its peers, who see its untraditional makeup as a political liability in their fight to preserve credit unions' tax advantages. Those two factors have prompted the association to consider pulling the plug on the institution, the sources said.

Robert DeFillippo, a spokes-

See **AARP** *next page*

ABA Welcomes Changes in Bill On Laundering

By ROBERT M. GARSSON

WASHINGTON — As the House Banking Committee prepares to vote Tuesday on money-laundering legislation, key elements appear to have been made more palatable to the banking industry.

The draft legislation, which incorporates pieces of four separate bills, would still require banks for the first time to keep records of wire transfers. And the working version takes the broadest proposed approach, including both domestic and international funds transfers.

However, representatives of the American Bankers Association, reacting to early reports of the working draft, said the legislation appears less burdensome than expected, particularly because the Treasury Department is given a good deal of discretion in implementing the legislation.

"We're opposed to the record-keeping requirements" in the bill, said John J. Byrne, an ABA lobbyist. "But we're pleased there will be an opportunity to continue to deal with Treasury."

See **HOUSE** *page* **20**

Philips Offers Computer Terminal To Compete with Citicorp Phone

By KAREN GULLO

NEW YORK — Philips International, the Netherlands-based computer company that is manufacturing a telephone-like home banking device for Citicorp, is broadening its U.S. marketing effort with a more sophisticated computer terminal that is used in millions of homes in Europe.

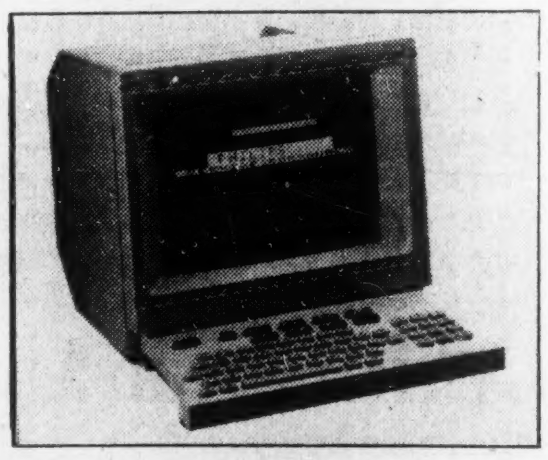
Philips believes the terminal will appeal to banks seeking to compete with Citicorp's recently launched home-banking service.

Both the Philips device, called the Minitel, and Citicorp's Enhanced Telephone are cheaper and easier to use than a personal computer.

A Full Keyboard

Citicorp's product, now being test-marketed in New York, is a telephone with a built-in video screen. The Minitel, which sits alongside about five million telephones in France, consists of a small video monitor and full keyboard.

"We saw in France that when two banks began offering a service, every other bank had to follow suit to compete," said Mark Stoner, president of Passport Telecom, Philips' U.S. marketing arm. "We have an existing product that we can offer banks so they don't have to spend millions in developing their own device."



HOME CONNECTION: Philips International's Minitel can deliver banking services.

Mr. Stoner said Philips wants to form joint marketing relationships with banks for home banking services. Philips would supply the Minitel terminals. They would cost consumers about $8 a month, but Philips expects that most banks will include the terminal in home-banking packages that might cost $15 a month.

Philips and Citicorp are pushing these alternative home-banking devices because ser-

See **PHILIPS** *page* **3**

PEOPLE *in the news*

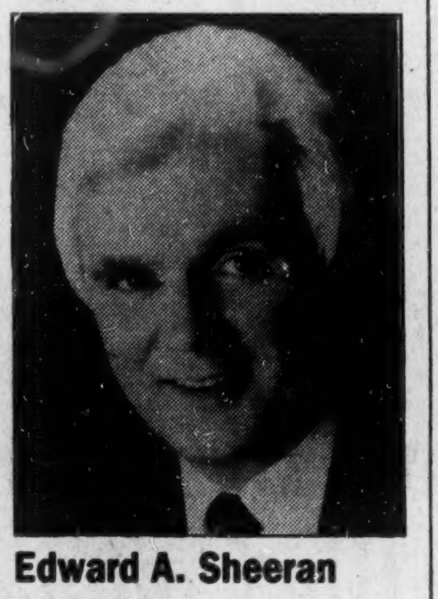
He's True Green with Pride: Banker to Lead the Parade

By ROBERT PAUL MOLAY

When Edward A. Sheeran, a vice president of Chase Manhattan Bank, leads the 229th St. Patrick's Day parade in New York on Saturday, he'll be making history.

It's not that he's the first banker to be so honored. Just two years ago, William J. Burke of the Bank of Ireland was elected grand marshal. Mr. Sheeran's selection breaks ground for another reason. "It's the first time in the history of the parade they've selected somebody from a major American company," he said.

His election is a change in focus for the parade, Mr. Sheeran said. "It's not just an Irish event – it's an American manifestation," he said. "The delegates wanted a change, somebody who was not political or controversial."


Edward A. Sheeran

Mr. Sheeran, 47, faced only the bleakest job prospects when he emigrated nearly 30 years ago from his parents' farm in County Roscommon, and he felt lucky to land a temporary job loading trucks.

"I came here from Ireland at age 18 and joined Chase the following year. Never in my wildest dreams did I think I would end up managing a piece of their business," he said.

Mr. Sheeran is now division executive for the metropolitan community bank of the Chase Manhattan Corp. subsidiary. His division comprises 22 branches in Queens, one of the five boroughs of New York City.

Managing a Chase Branch

Chase hired him in 1962 to assist branch tellers. By 1973, Mr. Sheeran was managing a new Chase branch in a heavily Irish neighborhood in the Bronx borough. "I really zeroed in on the Irish community," he recalled. "They liked relating to someone whose accent sounded familiar. The Irish of Kingsbridge gave me my big business break, and I will always be indebted to them."

Mr. Sheeran became an early proponent of the sales culture in banking. "Bankers in the '70s felt that all they had to do was sit behind a desk and take an order," he said. "Then, 'sales' and 'cross-selling' came as a culture shock to the industry."

Mr. Sheeran has spearheaded efforts of the Queens United Way, Junior Achievement, American Red Cross, Chamber of Commerce, and the American Cancer Society. He underwent surgery in 1986 to remove a cancerous tumor from his lung and said he enjoyed a speedy and complete recovery.

His Secret Revealed

"What's my secret? Being the chairman of an organization is the easiest job you can find. You don't do any of the work yourself. You must surround yourself with good people – just like running a business. If I start on the United Way, I don't take the chairmanship of another group. I usually give about one year to each project.

"My home life during the week is on a tight schedule. I'm often starting before 7 a.m. and still going at 10 or 11 p.m. But Saturday and Sunday are family days."

Of the parade, Mr. Sheeran said, "the excitement has been growing every moment. All of us have egos – and this is certainly satisfying my ego. The question is: How will I feel on March 18?" ☐

AARP Credit Union On the Rocks

Continued from *page* **1**

man for the credit union, acknowledged that the credit union has dropped one of the three services it offers and is reviewing whether to continue offering the other two. However, he declined to comment directly on whether the credit union was considering closing.

Since its start less than two years ago, the AARP credit union has managed to gather only $150 million in assets from 90,000 customers – a paltry figure, given the Washington-based association's huge membership of older Americans, said sources. In the last seven months, it has grown by only $30 million.

The credit union had been offering a savings account, a Visa credit card, and certificates of deposits. The savings account is being dropped because of lack of use, Mr. DeFillppo said. "We sent some letters at the beginning of the month to 50,000 credit union members announcing we would discontinue the services associated with the savings account," said Mr. DeFilippo.

Regulatory and other sources suggested the cutback by the credit union was largely economic and that the institution's two outside contractors might be anxious to end their relationships. Banc One Corp. of Columbus, Ohio, handles the processing for the AARP's Visa card, and Scudder, Stevens & Clark Inc., in New York, handles the credit union's investment portfolio.

Banc One spokesman John Russell acknowledged that AARP was reviewing its operations, but said the bank was still processing the credit union's Visa business on a normal routine. Scudder could not be reached for comment. ☐

Few Takeovers Seen in Wake Of Connecticut Banking Law

By TOM LEANDER

NEW YORK — Passage of a bill in Connecticut allowing interstate banking nationwide will not spark a rash of takeovers because of the state's distressed real estate market, analysts predicted Thursday.

"Given the asset-quality problems of many banks in the state, I question whether acquirers will want to pay any premium. The real estate market is too uncertain," said Donald Kauth, an analyst at First Albany Corp., an Albany, N.Y., brokerage.

Connecticut's House and Senate compromised late Wednesday and approved a bill allowing banks from states with reciprocal laws to buy or merge with Connecticut banks. The bill also bars the state's Department of Banking from chartering any new bank until February 1992.

Governor to Sign Bill

The bill now goes to Gov. William A. O'Neill, who has said he would sign it. It would take effect immediately. State law now allows banks only from the New England region to acquire banks in the state.

The Connecticut House and Senate clashed last week over when new banks should be allowed to open in the state. The House wanted to make it immediate, but the Senate favored a three-year moratorium to protect local bank charters.

Analysts said Thursday that the state, with 161 financial institutions, is already "fully banked." "We will probably see some of the New York money-center banks expand their franchise into Connecticut," said James E. Moynihan, an analyst for Advest in Boston.

Stock in the average commercial bank in the state is trading at 72% of book value, or 50% less than the 1987 peak, he said, and the average thrift in the state is trading at 55% of book value.

Takeover Candidate

Mr. Moynihan said Citytrust, a $2.6 billion-asset bank company in Bridgeport, is among attractive takeover candidates in the state. Citytrust has been hit hard by losses in its residential real estate portfolio. Its shares traded at $12.75 Thursday afternoon, up from $12 at Wednesday's close.

Passage of the legislation is immediate good news for two major Northeast banking companies, analysts said.

Fleet/Norstar Financial Group Inc. of Providence, R.I., will not now have to divest itself of United Bank & Trust Co., its Connecticut franchise. The state banking commissioner had ordered divestiture in early 1988, after Fleet merged with Norstar, which is based in Albany, outside New England.

And the Bank of New York Co. can complete its merger agreement with New Haven-based Northeast Bancorp. In late afternoon trading Thursday, Northeast Bancorp. was trading at $43 a share, up $3.75 from Wednesday's close. ☐

Correction

A chart published March 15 ("The Southwest Plan's Report Card," page 1) incorrectly stated the annualized return on equity for 79 rescued thrifts in the third quarter of 1989. The correct figure is 15.8%.

Margery Waxman
Charles H. Keating's lawyer

Keating Letter Invokes Wrath Of Gonzalez

By ROBERT M. GARSSON

WASHINGTON — House Banking Committee Chairman Henry B. Gonzalez said Thursday that a 1988 letter to Charles H. Keating Jr. from his lawyer shows that "the fix was in at the Federal Home Loan Bank Board" to protect Mr. Keating's Lincoln Savings Association from California regulators who wanted to close it.

In the letter, the lawyer, Margery Waxman, said she had pressured the nation's top thrift regulator into directing his staff to conclude an agreement "which will completely satisfy" Mr. Keating.

The letter, obtained by Mr. Gonzalez and released Thursday, was dated May 10, 1988. On the same day, Mr. Keating met with Bank Board Chairman M. Danny Wall to discuss Lincoln Savings and Loan Association, the Irvine,

See **KEATING** *page* **5**

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
AARP Federal CU ....
Advest 2
American Bankers Assn. 1
American Continental 2
American National 10
AT&T 1

B
Banc One 1
Bank of Delaware 6
Bank of Hartford 6
Bank of Ireland 2
Bank of New England 1
Bank of New York 2,24
Bank of Nova Scotia 24
BankAmerica 1,3,4,10,16,24
Bankers Trust New York 1,16,24
Banque Paribas 4
Barclays Bank 24
Barnett Banks 1
BayBanks 7
Bear Stearns 1
Bidermann SA 24
Boston Bancorp 6
Brown Brothers Harriman 6
Bryn Mawr Trust 6

C - E
Chase Manhattan 1,2,16
Chemical Banking 1,6
Chrysler 24
Citicorp 1,3,24
Citytrust 2
Columbia Savings 1
Comerica 10
Commerzbank AG 4
Consumer Bankers Assn. 10
Continental 24
CoreStates Financial 1
Cosmopolitan State Bank 6
Credit Commercial de France 1
CSSP Technologies 10
Deutsche Bank AG 4
Drake Capital Securities 1

F
Farley 24
Federal Home Loan
  Mortgage Corp. 14
Federal Nat'l Mortgage Assn. 14
First Albany 2
First Boston 1,3
First Chicago 1,24
First City Bancorp. 1
First Interstate 1
Fleet/Norstar Financial Group 2
Forstmann Little 24
Frontier Savings Assn. 10

G - L
General Electric 3,10
Goldome Savings Bank 24
Government Nat'l Mortgage Assn. 14
Heller Financial 24
Howard Savings 6
Hudson Valley Holding 6
IBM 1,3
Independent Bankers Assn. 1
Investors Service 24

M - N
Manufacturers Hanover Trust 1,4,24
Marine Midland Banks 24
Mellon Bank 1,6
Merrill Lynch 24
Michigan National 1
MNC Financial 24
J.P. Morgan 1
Mortgage Bankers Assn. 14
Nat'l Mortgage Bk of Greece 16
National City 10
National Marine Bankers Assn. 10
National Westminster Bank 6
NCNB 1
New York Clearing House 1
Nippon Credit Bank 24
Northeast Bancorp 2
Northern Trust 1

O - R
Old Stone 6
Olympic Savings 18
Passport Telecom 1
Perpetual Savings 6
Philips International 1
Polaris Group 10
Recognition Equipment 1
Republic New York 1
Residential Services Corp. of Am. 14
Resolution Trust Corp. 1

S - Z
Sanford C. Bernstein 14
Savings Bank 6
Sears Roebuck 1
Security Pacific 1
Seer Technologies 3
SFFed 6
Shawmut National 1,2,24
Sidley & Austin 2
SNL Securities 1
Southwest Gas 10
Stroock & Stroock & Lavin 6
Suntrust Mortgage 14
Trammell Crow 1
U.S. Videotel 1
United States Trust Co. 6
Valley National 1
Visa 1
Wedbush-Morgan Securities 1
Wells Fargo 1,24
Wertheim Schroder 6

COMMENT/*By Scott B. Schreiber*

Bank Hazard: Bad News Sparks Shareholder Suits

Bank holding companies that face the unfortunate prospect of announcing, as part of their quarterly financial results, either unusually large additions to their allowance for loan losses or other bad news are also likely to face the prospect of being sued for federal securities fraud.

Within the last several months, financial institutions in New England and the Southwest have been sued within a day of their press release announcing significant loan-loss provisions.

In virtually identical complaints, filed by the same group of lawyers, shareholders have sought to assert federal securities law claims against such institutions.

The law firm in question is one of several that have developed a specialty in filing shareholder class actions arising from such announcements.

Mismanagement Claim Avoided

Securities claims have been filed, rather than traditional derivative claims alleging mismanagement, to avoid making a demand on the defendant institution that it bring suit against the managers. Such a demand permits a panel of independent directors to exercise business judgment as to whether a lawsuit should be brought.

The new techniques used by law firms representing shareholders to bring such class actions should be understood by holding companies that may become defendants so they can respond effectively.

A decision to increase the reserve for loan losses that are reasonably foreseeable is, of course, closely watched by shareholders and bank regulators. Such decisions often have been supported by regulators and banking analysts.

Tardiness Charged

However, they have also prompted lawsuits essentially based on the proposition that these new estimates of future losses should have been recognized earlier in financial statements, public filings, and periodic announcements of earnings predictions.

The suits have further held that the estimates of increased losses were a result of inadequate lending policies and procedures and ineffective loan review. Seemingly based solely upon newspaper articles announcing the reserve addition, and resultant reduction of predicted quarterly earnings, certain well-known law firms have been quick to file class-action complaints.

As in the case of one pending action against a New England bank holding company, Amoskeag Bank Shares Inc., Manchester, N.H., the complaints uniformly have been brought not only against the holding company, but its officers and directors as well. The named plaintiff seeks to represent a class of all shareholders who purchased securities during a long period before the announcement of the addition to the reserves.

Lengthy Period

In the Amoskeag situation, this period is for more than two years. By filing a class action under Rule 23 of the Federal Rules of Civil Procedure, the named plaintiff and his law firm seek to increase greatly the economic power they have in connection with the litigation.

Ultimately, if there is a judgment after trial or a settlement, the law firm will be reimbursed for its expenses plus fees and the named plaintiff might receive an "incentive" award from the court.

To achieve most readily all of these objectives, however, the named plaintiff must first devise a method to get into federal court by alleging a claim based on federal law.

Many Charges

Accordingly, in these recent cases and most particularly regarding New England banks, plaintiffs have alleged that the previously published financial statements of the institution and its other public announcements were materially false and misleading, contained untrue statements, and omitted material facts in violation of Section 10(b) of the Securities and Exchange Act of 1934.

'To achieve its objectives, the named plaintiff must first devise a method to get into federal court.'

In reality, however, when the allegations have been parsed, they have had less to do with representations of specific facts and more with contentions by the shareholders that the management of the institution was not doing its job.

The allegations made in the Amoskeag case are instructive. Plaintiffs claimed that the institution's allowance for loan loss was understated as of previous dates, that the institution's lending policies and procedures were reported to be adequate and effective when in reality they were not, and that the credit decisions of the institution were not sound when the public had been reassured that there was a competent lending function.

Finally, it was alleged that general statements about expected earnings were inaccurate and were known to be inaccurate when made.

Criticism of Policies

These allegations, however, merely reflect criticism, with the benefit of hindsight, of the institution's loan and investment policies, and disappointment that the institutions' financial performance has declined, sometimes as a result of local economic adversities.

Recognizing that such contentions are nothing more than a shareholder disagreement with the institution's business decisions, courts in several parts of the country have indicated that the criticisms are garden-variety mismanagement claims that simply are not actionable under federal securities laws.

Certain complaints have been dismissed because they merely set forth conclusory allegations of wrongdoing or imprudent business practices that are not supported by any facts other than that the decline in the value of the plaintiff's stock as a result of the market's reaction to the addition to the allowance.

No Insurance Policy

In essence, these courts have found that complaining stockholders have been improperly seeking to transform the securities laws into a federal insurance policy guaranteeing against any loss in the securities markets.

Likewise, claims of inadequacy of the allowance for loan losses have been viewed by courts as condemning nothing more than a failure to predict the strength of the institution and the general economic conditions in the area where the institution transacts business.

Loan reserves are by definition allowances to cover estimated future losses on loan and

See **BANK HAZARD** *page* **18**

Mr. Schreiber is a lawyer with the firm of Arnold & Porter in Washington.

FUNNY MONEY/*By Tom Leander*

Keep on Truckin'

One of West Germany's banks is gearing up – literally – to truck its way into East Germany to offer banking services.

COMMERZBANK

R.J. Kaufman

Commerzbank AG, West Germany's third-largest bank, has outfitted 10 mobile trucks that can quickly be put into service as branches, according to Axel von Ruedorffer, a member of the managing board.

Mr. Ruedorffer said 1,300 West German employees of Commerzbank have volunteered to work in East Germany. Deutsche Bank AG, West Germany's biggest, also plans 10 branches in the East.

— John Evans

* * *

Your Car or Mine?

Traffic tie-ups in the San Francisco Bay Area have become so abominable that human resources executives at the Bank of America decided to take matters into their own hands.

Last week, Robert Beck, an executive vice president, and Cynthia Johnson, the employee transportation manager, organized a "commuter fair" at the bank's headquarters to publicize such solutions as flextime and ride sharing. The bank, Ms. Johnson says, is concerned because traffic jams heighten employee stress and bite into company time.

The bank recently set up a computer service that matches up employees in the same ZIP code as candidates for car pools.

"It sounds like computer dating," quipped Ms. Johnson, adding that the service has already matched up some compatible commuters.

* * *

Switcheroo

Employees in Manufacturers Hanover'sNew York headquarters should not have any problem remembering the address of the building where they work. Manny Hanny has switched the first three digits of its phone number from 286 to 270 – the number of its Park Avenue building.

Says a Manny Hanny spokesman, John Meyers, "It's recognizable to the employees. What better number to use?"

* * *

Mayday

Sometimes acronyms adopted by government agencies are inadvertently revealing. For example, government agencies traditionally issue RFPs, or request for proposals – a standard notice to businesses inviting bids on government contracts.

But the Resolution Trust Corp., the agency with the seemingly impossible job of selling billions in assets from failed S&Ls, has adopted a different name for its RFP.

The agency issues a solicitations of services – or SOS.

— Barbara A. Rehm

* * *

Haute Banking

When reporters start writing about what's hot in the couture world, they usually go to the designers. But in Paris, they can turn to a bank, too.

Banque Paribas is the main lender to the Japanese designer Kimijima, whose flashy Russian-inspired fall and winter styles – including brocaded boots edged with fur, ballooning satin cossack trousers, and chunky earrings and necklaces – are all the rage in Parisian fashion circles.

Writing about the designer's new line, United Press International reporter Aline Mosby decided to get a comment from the bank. "Kimijima started on this idea last fall," a Banque Paribas spokesman said. "We figured, well, the Americans surely would like it." ☐

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: Domenica Trevor
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Caren Chesler-Marsh, Kelley Holland, Gordon Matthews, David Neustadt
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Bankers See Little Change In East Bloc Lending Risk

Reuters

NEW YORK — Despite the political and economic changes sweeping through Eastern Europe and the Soviet Union, the risks in making loans to those countries are little changed, according to a survey of international bankers released Thursday.

The bankers regard the most creditworthy nation to be Japan, trailed by Switzerland, West Germany, and the United States, according to the report, which was conducted by *Institutional Investor* magazine. The creditworthiness rankings of the top four nations were unchanged since a survey six months ago.

The poll of about 100 unidentified international bankers ranks the creditworthiness of 112 countries. The next report, for the six months ending March 1990, will appear in the March edition of the magazine.

The Soviet Union dropped to 25th place from 24th and Bulgaria dropped to 43d from 41st. On the other hand, Poland moved up one notch to 77th place as bankers concluded that its rating was so low that any political and economic initiatives would be a sign of improvement.

The nation whose creditworthiness improved the most was Chile, not only because of "good economic results, but also because it has achieved an aura of political stability and receptivity to foreign capital," the report said. However, it moved up only a notch in in the rankings, to 50th.

Mexico was also considered a much safer bet for repayment of loans as its economy performed strongly and rescheduling negotiations were going well.

But it was China and Colombia whose credibility rankings declined dramatically. China fell to 35th place from 27th, while Colombia dropped to 56th place from 48th.

— Reuters

... by country

SOVIET UNION

The United States will not join a proposed European Development Bank if the bulk of its resources is committed to shoring up the Soviet Union's flagging economy, Treasury Secretary Nicholas Brady said Wednesday in testimony before a House subcommittee.

Soviet Finance Minister Valentin Pavlov, who was in Washington this week meeting with U.S. officials, said he did not expect such a problem.

"We have no intention of joining the bank just to swallow its capital," Mr. Pavlov said through an interpreter. "We are against being singled out."

— Reuters

JAPAN

The Bank of Japan's governor, Yasushi Mieno, said the central bank was still monitoring the effect of higher interest rates on financial and currency markets and the economy following its December increase in the official discount rate to 4.25%.

He told reporters, after returning from a trip to Europe, that the United States and other major industrialized nations would continue strong intervention as necessary to counter currency speculation.

Speculation earlier in the week had focused on the possibility that Mr. Mieno might announce a new increase in the discount rate upon his return from Europe.

— Reuters

THE PHILIPPINES

The Philippines and Britain have signed an agreement to reschedule $25.8 million of debt owed the U.K. Export Credit Guarantee Department, the Philippine Department of Finance said in Manila.

The accord covers official loans maturing between June 1989 and June 1991.

The Philippines is in the process of rescheduling $2.2 billion of official debt owed to 14 Paris Club members falling due over two years. It had previously signed agreements with the United States, Canada, and four other countries.

— Reuters

CHINA

Fearing a recession would be induced by excessive austerity measures, China announced it would inject money into the economy and cut interest rates.

Official newspapers in Beijing said the moves were decided at a banking conference conducted by telephone and headed by the central bank's President Li Guixian on Wednesday.

"They are afraid of a recession which they are in danger of causing. There is no need to continue throttling the economy until its completely lifeless," said a Western economist.

— Reuters

GREECE

The National Mortgage Bank of Greece said it and 12 of its employees in the United States have been indicted by a federal grand jury in New York on 30 charges of unauthorized banking and violations of the Bank Secrecy Act.

The bank, whose majority owner is the government of Greece, said it and its employees intend to plead not guilty and to establish their innocence during the trial.

— Reuters

Venezuelan Debt Pact May Be Near

Negotiators Expect Plan to Include Menu of Options

By JAMES R. KRAUS

NEW YORK — Venezuela and its creditor banks could reach a preliminary debt-reduction agreement over the weekend, according to senior U.S. bankers and Venezuelan officials involved in the negotiations.

"We're going to have a new money and debt-reduction scheme," said one U.S. banker, who asked not to be identified.

Negotiators, meeting in New York this week, declined to spell out the details but said that the agreement is likely to include a menu of options, including new loans, temporary interest rate reduction, and a reduction in principal of between 20% and 35% on a portion of the $22 billion Venezuela owes to foreign banks.

Loan Buyback Option

Another option would allow Venezuela to buy back a portion of its foreign bank debt from banks that offer to sell it at the deepest discount.

As of Sept. 30, Venezuela owed U.S. banks $7.43 billion. BankAmerica is the single biggest U.S. lender to Venezuela, with $ 1.03 billion in medium- and long-term loans, followed by Bankers Trust Co., with $960 million and Chase Manhattan Bank, with $800 million.

As with a debt-reduction agreement signed with Mexico last month, banks that agree to cut the interest or principal on their loans to Venezuela would be allowed to exchange them for government bonds backed by guarantees from the International Monetary Fund and the World Bank, sources said.

Serious debt-reduction talks began with Venezuela in November but were hampered by the country's demands for a reduction of at least 50% of its foreign bank debt.

Banks rejected the Venezuelan demands, arguing that Venezuela's ability to repay its debts was far stronger than the government maintained.

A Year of Debt Reduction

A debt-reduction agreement with Venezuela would be the fourth since Treasury Secretary Nicholas F. Brady one year ago called on commercial banks to forgive a portion of their loans to financially troubled countries in order to spur their economic recovery.

Agreements have so far been signed with Mexico, Costa Rica, andthe Philippines. Debt-reduction negotiations are currently under way with Morocco.

A new government in Brazil, which takes office today, is also expected to begin debt-reduction talks with banks soon. ☐

Venezuelan Exposure

As of Sept. 30, 1989

	($ mil.)
BankAmerica	$1,030
Manufacturers Hanover	960
Chase Manhattan	800
Chemical Banking	618
Citicorp	600
Bank of New York	399
Bankers Trust	358*
J.P. Morgan	300*
Continental Bank	242
First Chicago	161

* Total outstandings
Source: Keefe, Bruyette & Woods Inc.

A Venezuelan pact would be the fourth under the Brady plan for debt reduction.

Study Finds U.S., U.K. Families Borrow Most

By JOHN EVANS

LONDON — The average American household owes nearly five times the debt of its counterpart in Europe and easily leads the world in use of consumer credit, according to a British consumer protection agency.

However, Britain tops all other industrial nations in terms of interest rates, which can range up to 500% annually, says the National Consumer Council, in a report distributed to banks, finance houses, and thrifts.

British 2d Only to Americans

The average U.S. household has mortgage and consumer debt of $71,500, more than half the average British family's borrowings of $35,500.

The British average is the highest in Europe. West Germany had borrowings of $27,700 for each household, France $27,650, and the Netherlands $5,000.

High Interest Rates

Switzerland is at the bottom of the list. The average household borrows, on average, only $800.

In terms of interest charges, Britain outstripped its European neighbors, with rates ranging from 12.5% to 500%, which is 485 percentage points above the current British prime rate. The highest rates were charged on small loans for short periods by "doorstep" salesmen working for finance companies, the council said.

Elsewhere in Europe, banks and credit suppliers are not allowed to assess more than a certain percentage about the prevailing prime rates.

Consumer interest rates in France last year were between 8% and 17.96%, in Germany between 9% and 25%, and in Holland between 9.5% and 18.8%.

More Information Urged

While half of Europe's 45 million credit cards are held by the British, the French are ahead in card use. A Frenchman charges goods or services five times a month on average, compared with a Britain's two times.

The National Consumer Council is calling for more information for Britain's consumers so they can compare lenders' rates, as well as for more money-advice centers and credit counselors. ☐

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	3/15	3/14	3/08	3/15	3/14	3/08	3/15	3/14	3/08	3/15	3/14	3/08	3/15	3/14	3/08
United States	8.31	8.31	8.31	8.56	8.56	8.43	8.75	8.75	8.50	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.06	6.87	6.56	7.68	7.68	7.43	7.87	7.87	7.56	4.25	4.25	4.25	4.87	4.87	4.87
Canada	13.06	13.00	13.31	13.37	13.12	13.25	13.25	13.12	13.06	13.31	13.31	13.41	14.25	14.25	14.25
U.K.	15.00	14.93	14.93	15.37	15.31	15.25	15.56	15.50	15.43	14.45	14.45	14.45	15.00	15.00	15.00
West Germany	7.81	8.06	7.81	8.37	8.43	8.37	8.87	8.93	8.75	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	8.75	8.87	8.68	9.00	9.12	9.00	9.12	9.12	9.06	6.00	6.00	6.00	11.00	11.00	11.00
France	10.28	N/A	10.18	10.68	N/A	10.68	10.87	N/A	10.87	9.50	9.50	9.50	11.00	11.00	11.00
Italy	12.18	12.06	11.71	12.69	12.67	12.75	13.06	13.06	13.00	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.77	15.25	9.05	9.08	7.93
6 to 12 months	9.07	14.86	9.35	9.03	7.98
12 to 24 months	9.53	14.09	8.41	8.43	7.79

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 16, 20-22

Banc One Shows Best Return on Assets Among Big Institutions

Continued from *page* **1**

benefited from the sale of its credit card portfolio last year, also was the best performer in return on equity among the 57 largest banking companies. Wells Fargo was the top superregional in return on equity in 1989. NCNB Corp., Charlotte, N.C., was second.

For the first time since the survey was begun in 1982, the market values of money-center bank stocks exceeded their book values last year.

In 1989, the median market-to-book ratio for the money-centers was 104.40%, indicating their stocks were selling for an average of 4.4% above book value. The average for 1988 was 93.34%, a discount to book averaging 6.66%.

57 Companies Covered

The *American Banker* performance survey covers 57 commercial bank holding companies with assets of $10 billion or more on Dec. 31. Data are supplied by SNL Securities, Hoboken, N.J. Tables begin on page 16.

The companies are reviewed within three peer groups: 11 money-center banks, 26 superregional banks, and 20 large regional companies with total assets of $10 billion to $20 billion.

Among other findings from the survey:

- First Chicago Corp. was the best-performing money-center bank during 1989, with a return on assets of 0.74% and a return on equity of 15.52%. Pittsburgh's Mellon Bank Corp. was second, returning 0.69% on assets and 14.09% on equity.
- The market's favorite money-centers last year were J.P. Morgan & Co. and Bankers Trust New York Corp. Morgan's 1989 market-to-book ratio was 202% - up from 114.27% the year before. Bankers Trust was second with a 157.4% ratio, up from 81.13% in 1988.

A Leader Falls

Republic New York Corp., the 1988 money-center peer group leader with a ratio of 115.32%, fell to third place despite a 26% gain in its ratio to 146.10%.

- Among the superregionals, the market's top choices were Banc One Corp. and NCNB Corp., with market-to-book ratios of 187.90% and 172.60%, respectively.
- CoreStates Financial Corp., Philadelphia, was second in return on assets with a ratio of 1.22%, and Northern Trust Corp., Chicago, was second in return on equity with a ratio of 23.79%. Further, Northern Trust was the market's favorite large regional with a market-to-book ratio of 201.9%.
- The worst performing money-center bank was Bankers Trust, with a negative return on assets of -1.62% and a negative return on equity of -31.58. These ratios include the third-quarter provisions for refinancing country credit losses of $1.65 billion.

Confidence Retained

Nevertheless, the market has expressed confidence in Bankers Trust's future, rating it just behind Morgan as its favorite money-center bank.

- The worst-performing superregional was Bank of New England Corp., Boston, with a negative return on assets of -3.48%. The bank experienced significant problems with its commercial real estate lending portfolio last year, took a $1.52 billion provision for credit losses in the fourth quarter and lost $1.11 billion last year.
- The worst-performing large regional was Valley National Corp., Phoenix. The bank, also suffering from a troubled real estate portfolio, lost $149.2 million last year.

Stock Prices Also Up

The improvement in the market to book ratio of the money centers cannot be completely accounted for by book-value erosion at some large banks last year. The stock market normally adjusts for such developments. In absolute terms, the prices of money-center stocks also turned in a good performance for the year.

"A third of it may be attributable to a feeling that the Third World debt situation is finally nearing resolution at big banks," said Mark Alpert, an analyst at Bear, Stearns & Co.

The rest, he said, may be the market's recognition that these institutions have built up large tax credits as reserves have been created, a positive future development for earnings.

* * *

Yesterday's Market

For the second day in a row, First Chicago Corp. stock was the biggest loser. The shares were down $1.125, to $32.875, late Thursday afternoon, after a $1.625 drop on Wednesday.

Overall, the stock market was stronger Thursday, with the Dow up slightly, although the performance of most bank stocks was mixed.

First Chicago's stock fell on Wednesday amid rumors of problems in real estate projects of Trammell Crow Co. involving First Chicago financing. The huge Dallas developer denied that any of its project are in serious jeopardy.

A spokesperson for the bank said Wednesday the bank knew of no reason for the activity, and said the bank had nothing to add to its previous statement.

But separately, First Chicago said on Thursday that its highly leveraged transactions in 1989 totaled $2.7 billion as defined under federal law, more than double its previous total under its own definition.

Shares of NCNB Corp., which were hit on Wednesday by the same Trammell Crow rumors, recovered ground on Thursday. In afternoon trading, they were up 62.5 cents to $40.875.

Among superregionals, the best performer was Banc One Corp., Columbus, Ohio, which appreciated 75 cents, reaching $29.25.

In the loser column, Barnett Banks, Jacksonville, Fla., was off 50 cents to $30.50 while Shawmut National Corp., Hartford, Conn., was off 50 cents, to $15. Both stocks have been hurt by investor jitters over regulatory examinations of their real estate portfolios.

Columbia Plan to Sell Junk a Big Gamble

Continued from *page* **1**

Corp. shortly after passage of the thrift-bailout law last year to find investors for an organization that would acquire the thrift's junk holdings. Mr. Harshfield said Columbia had stopped pursuing a "collateralized bond offering," in which securities are grouped according to risk, because the technique is "too complex," in favor of the new equity-and-debt structured transaction.

Analysts say that Columbia's maneuvering amounts to paper shuffling that will not be able to overcome the underlying reality that junk bonds have lost much of their value.

Columbia lost $226 million in the third quarter, largely because of writedowns on its junk holdings. The thrift has not released its end-of-the-year earnings statement. But it is certain to take additional writedowns and will likely fail two of three capital tests, while barely meeting standards for tangible capital.

Danger of Takeover

Any further erosion would put the thrift below minimum tangible capital requirements, making it ripe for federal takeover.

"They don't have just a regulatory gun to their heads," said Kenneth B. Funsten, credit analyst with Wedbush-Morgan Securities, Los Angeles. "They've got a gun, a cannon and, a bazooka."

Sources familiar with Columbia's plan said the Office of Thrift Supervision had been studying the proposal for selling the junk portfolio since mid-February, but has not given its approval.

By all accounts, finding an investor willing to buy the entire portfolio, even if only a 10% to 15% down payment were required, will not be easy. "I don't know who is big enough," Mr. Funsten said. Any deal will be complicated by the nature of the portfolio, which is believed to include a wide range of private-placement issues and other hard-to-sell instruments.

"It's not an easy deal to pull off," said one source familiar with the plan.

Columbia's efforts to sell its bonds contrasts with the Resolution Trust Corp.'s decision to keep its vast junk holdings. Debt analysts said it was too early to predict what effect putting $3.5 million worth of securities up for sale would have on the junk market as a whole. But they noted that a deal structured the way Columbia proposes would have less of an impact than a decision to dump the bonds on the open market. □

Duff & Phelps Inc.

CERTIFICATES OF DEPOSIT

Short Term Ratings

Banco de Ponce (Puerto Rico)	Duff 1
Banco Popular de Puerto Rico	Duff 1+
Banco Santander-Puerto Rico	Duff 1
Bank of America Nat'l. Tr. & Svgs. Assn.	Duff 1-
Bank of Hawaii	Duff 1+
Bankers Trust Co.	Duff 1+
Chase Manhattan Bank (N.A.)	Duff 1
Chemical Bank	Duff 1+
Citibank, N.A.	Duff 1+
Citizens & Southern Nat'l. Bank-Georgia	Duff 1+
Continental Bank	Duff 1-
Fidelity Federal Savings & Loan Assn.	Duff 2
First Bank National Association	Duff 2
First Interstate Bank of California	Duff 1
First National Bank of Boston	Duff 1-
Frost Nat'l. Bank of San Antonio	Duff 2
Glendale Federal Bank, FSB	Duff 2
Manufacturers & Traders Trust Co.	Duff 1
Manufacturers National Bank of Detroit	Duff 1
Mellon Bank, N.A.	Duff 1-
Morgan Guaranty Trust Co. of N.Y.	Duff 1+
NCNB Texas National Bank	Duff 1+
Security Pacific National Bank	Duff 1+
Southeast Bank, N.A.	Duff 1
Union Federal Savings Bank	Duff 1-
U.S. National Bank of Oregon	Duff 1+
Wachovia Bank & Trust Co., N.A.	Duff 1+
Wells Fargo Bank, N.A.	Duff 1+

Long Term Ratings

Banco Popular de Puerto Rico—Senior Debt	A+
Banco Popular de Puerto Rico—Sub. Debt	A
Banco Santander-Puerto Rico—Sub. Debt	A
Bank of New England, N.A.	BB+
Citizens & Southern National Bank-Georgia	AA-
Franklin Savings Association—Senior Debt	B
Franklin Savings Association—Sub. Debt	CCC
Manufacturers & Traders Trust Company	A
Manufacturers National Bank of Detroit	A+
NCNB Texas National Bank—Senior Debt	AA-
NCNB Texas National Bank—Sub. Debt	A+
Union Federal Savings Bank	BBB+

Reliability • Integrity • Independence

Our CD reports are issued quarterly to over 1,200 investors.

For more information, contact: G. Lawrence Bliss, Group VP
Duff & Phelps Inc., 55 E. Monroe, Chicago, IL 60603
Phone: (312) 368-3192

House Panel's Laundering Bill Would Let Treasury Set the Rules

Continued from *page* **1**

Kenneth A. Guenther, executive vice president of the Independent Bankers Association of America, denounced the legislation, however, and said his organization would lobby against it.

"I'm concerned about the increased regulatory burden," he said. "This is overkill."

The draft legislation is on the fast track and is expected to win committee approval easily Tuesday. It faces favorable odds on the House floor as well.

A measure is in the works in the Senate, too, where Sen. John F. Kerry, D-Mass., is expected to soon introduce money-laundering legislation that could move as a free-standing bill. Or it could be attached to the crime bill being developed in the Senate.

"I think there's a 90% chance that some kind of money-laundering legislation will be enacted this year," Mr. Byrne said.

Legislation could affect a sizable number of transactions. In 1989, more than 96 million wire transfers were routed through the Federal Reserve's domestic network and the New York Clearing House's international system.

Aides to the chairman of the House Banking Committee, Henry B. Gonzalez, D-Tex., were scrambling Thursday to put the final touches on the draft legislation before the panel, and copies of it were not available. But sections of the bill obtained by American Banker indicated that Treasury is being given discretion in a number of areas.

For example, it had been expected that the bill would require reporting or record keeping on all transfers of $10,000 or more. The Gonzalez draft calls for record-keeping only and gives the Treasury discretion to set a threshold for which wire transfers must be documented.

However, the bill calls for detailed record-keeping. The information to be maintained includes:

- The name and address of the originator, plus any account numbers involved in the transaction.
- Identification of the institution receiving the transfer, plus the name, address, and account number of the beneficiary.
- The name, address, and account number "of any person on whose behalf the funds are transferred or received, and any other person who is directly or indirectly involved in originating or receiving the transfer."
- Information about payment orders received that directed a transfer of funds, including data about the originator, the beneficiary, and any other people directly or indirectly involved.

Mr. Byrne of the ABA said it may be impossible to find out about individuals indirectly involved in transactions. For example, if money is wired overseas and passed through a number of accounts before reaching the ultimate beneficiary, it may not be possible to determine who ends up with the funds.

As a practical matter, the Treasury is already at work on regulations requiring increased record-keeping for international wire transfers and would be ready to issue regulations quickly. □

1989 Performance of Top U.S. Banking Companies

Money Center Banks

Return on Average Assets

Rank 1989	Rank 1988		ROA 1989	ROA 1988
1	2	First Chicago Corp.	0.74	1.12
2	11	Mellon Bank Corp.	0.69	-0.21
3	5	Continental Bank Corp.	0.52	1.03
4	9	Citicorp	0.23	0.82[1]
5	8	Bank of Boston Corp.	0.19	0.96
6	10	Republic New York Corp.	0.09	0.67
7	7	Chemical Banking Corp.	-0.62	0.99
8	4	Chase Manhattan Corp.	-0.65	1.11
9	6	Manufacturers Hanover Corp.	-0.72	1.02[1]
10	1	J.P. Morgan & Co., Inc.	-1.28	1.21
11	2	Bankers Trust New York Corp.	-1.62	1.12
		Mean Values for Group	-0.22	0.89
		Median Values for Group	0.09	1.02

Return on Average Equity

Rank 1989	Rank 1988		ROE 1989	ROE 1988
1	1	First Chicago Corp.	15.52	29.33
2	11	Mellon Bank Corp.	14.09	-11.66
3	5	Continental Bank Corp.	8.62	26.38
4	6	Citicorp	4.25	21.40[1]
5	9	Bank of Boston Corp.	3.91	18.33
6	10	Republic New York Corp.	0.11	14.29
7	3	Chase Manhattan Corp.	-18.12	27.75
8	4	Chemical Banking Corp.	-19.01	27.74
9	8	J.P. Morgan & Co., Inc.	-24.34	19.14
10	1	Manufacturers Hanover Corp.	-24.44	29.33[1]
11	7	Bankers Trust New York Corp.	-31.58	20.27
		Mean Values for Group	-6.45	20.21
		Median Values for Group	0.11	21.40

Gain in Earnings/Share

Rank 1989	Rank 1988		% Gain 1989	% Gain 1988
1	11	Mellon Bank Corp.	191	88
2	7	First Chicago Corp.	-37	174
3	10	Continental Bank Corp.	-60	121
4	5	Citicorp	-76	210
5	2	Bank of Boston Corp.	-82	4,330
6	4	Republic New York Corp.	-99	683
7	8	Chemical Banking Corp.	-169	172
7	6	Chase Manhattan Corp.	-169	199
9	9	Manufacturers Hanover Corp.	-172	153
10	3	J.P. Morgan & Co., Inc.	-231	1,280
11	1	Bankers Trust New York Corp.	-250	★
		Mean Values for Group	-105	N.M.
		Median Values for Group	-99	199

Superregional Banking Firms

Return on Average Assets

Rank 1989	Rank 1988		ROA 1989	ROA 1988
1	1	Banc One Corp.	1.42	1.45
2	6	Wells Fargo & Co.	1.26	1.14
3	2	Fleet/Norstar Financial Group	1.25	1.24
4	5	National City Corp.	1.24	1.18
5	3	First Wachovia Corp.	1.19	1.22
6	8	SunTrust Banks, Inc.	1.16	1.13
7	–	MNC Financial, Inc.[4]	1.14	1.07
7	6	Sovran Financial Corp.	1.14	1.14
9	11	Citizens & Southern Corp.	1.07	1.00
9	12	NBD Bancorp., Inc.	1.07	0.98
11	10	Norwest Corp.	1.06	1.03
12	–	Midlantic Corp.[4]	0.97	1.20
13	13	Barnett Banks, Inc.	0.94	0.94
14	17	Security Pacific Corp.	0.90	0.84
14	4	PNC Financial Corp.	0.90	1.20
16	20	BankAmerica Corp.	0.85[1]	0.57[1]
17	9	First Union Corp.	0.84	1.06
18	16	NCNB Corp.	0.74	0.88
18	15	Shawmut National Corp.	0.74	0.92
20	22	First Fidelity Bancorp.	0.55	0.12
21	18	Bank of New York Co., Inc.	0.10	0.83
22	23	First Bank System, Inc.	0.01	-1.20
23	19	Marine Midland Banks, Inc.	-0.04[2]	0.61[2]
24	21	First Interstate Bancorp.	-0.22	0.23
25	–	National Westminster Bancorp.[4]	-0.68[2]	0.74[2]
26	13	Bank of New England Corp.	-3.48	0.94
		Mean Values for Group	0.62	0.85
		Median Values for Group	0.92	0.98

Return on Average Equity

Rank 1989	Rank 1988		ROE 1989	ROE 1988
1	1	Wells Fargo & Co.	24.49	23.99
2	19	NCNB Corp.	20.45	15.55
3	3	Norwest Corp.	19.62	19.21
4	4	Security Pacific Corp.	18.78	18.86
5	6	National City Corp.	18.62	18.42
6	–	MNC Financial, Inc.[4]	17.72	17.55
7	8	Sovran Financial Corp.	17.71	17.90
8	7	Fleet/Norstar Financial Gp.	17.70	18.15
9	10	Citizens & Southern Corp.	17.60	17.40
10	11	BankAmerica Corp.	17.17[1]	17.36[1]
11	11	SunTrust Banks, Inc.	16.88	17.36
12	9	Banc One Corp.	16.79	17.69
13	13	First Wachovia Corp.	16.48	17.18
14	17	NBD Bancorp., Inc.	16.19	16.11
15	15	Barnett Banks, Inc.	15.99	16.24
16	–	Midlantic Corp.[4]	14.36	17.87
17	2	PNC Financial Corp.	13.60	19.30
18	16	First Union Corp., Inc.	12.77	16.16
19	20	Shawmut National Corp.	11.61	15.32
20	22	First Fidelity Bancorp.	10.31	1.08
21	18	Bank of New York Co., Inc.	0.74	15.56
22	14	Marine Midland Banks, Inc.	-0.11[2]	16.35[2]
23	23	First Bank System, Inc.	-1.86	-24.87
24	21	First Interstate Bancorp.	-7.35	6.02
25	5	Bank of New England Corp.	-68.08	18.56
..	..	National Westminster Bancorp.[4]	N.A.	N.A.
		Mean Values for Group	10.32	14.56
		Median Values for Group	16.48	17.36

Gain in Earnings/Share

Rank 1989	Rank 1988		% Gain 1989	% Gain 1988
1	22	First Fidelity Bancorp.	765.5	-76
2	13	NCNB Corp.	53.1	43
3	5	BankAmerica Corp.	35.0	143
4	–	MNC Financial, Inc.[4]	21.1	14
5	3	Wells Fargo & Co.	19.8	1,669
6	9	National City Corp.	13.3	83
7	15	NBD Bancorp., Inc.	13.1	38
8	17	Citizens & Southern Corp.	12.9	29
9	4	Norwest Corp.	12.1	459
10	1	Security Pacific Corp.	12.0	★
11	19	Sovran Financial Corp.	10.0	12
12	20	SunTrust Banks, Inc.	9.7	10
13	11	Fleet/Norstar Financial Gp.	9.6	65
14	18	Barnett Banks, Inc.	8.5	22
14	16	First Wachovia Corp.	8.5	36
16	13	Banc One Corp.	5.5	43
17	–	Midlantic Corp.[4]	-8.0	18
18	21	First Union Corp., Inc.	-13.0	8
19	12	Shawmut National Corp.	-18.3	49
20	10	PNC Financial Corp.	-19.5	69
21	8	Bank of New York Co., Inc.	-94.8	85
..	7	Bank of New England Corp.	NM	103
..	2	First Bank System, Inc.	NM	1,910
..	6	First Interstate Bancorp.	NM	116
..	..	National Westminster Bancorp.[4]	NA	NA
..	..	Marine Midland Banks, Inc.	NA	NA
		Mean Values for Group	40.8	N.M.
		Median Values for Group	10.0	N.M.

Large Regional Banking Firms

Return on Average Assets

Rank 1989	Rank 1988		ROA 1989	ROA 1988
1	8	Michigan National Corp.	1.69[3]	1.05
2	3	CoreStates Financial Corp.	1.22	1.14
3	6	Society Corp.	1.11	1.07
4	9	Ameritrust Corp.	1.10	1.02
5	1	Signet Banking Corp.	1.08	1.38
5	–	Northern Trust Corp.	1.08	1.36
7	4	UJB Financial	1.05	1.13
8	–	Huntington Bancshares	1.02	1.01
9	10	U.S. Bancorp.	1.00	0.92
9	–	First of America Bank Corp.	1.00	0.96
11	12	Crestar Financial Corp.	0.97	0.87
12	11	KeyCorp	0.93	0.90
13	19	Boatmen's Bancshares, Inc.	0.91	0.49
14	–	Meridian Bancorp, Inc.	0.89	0.99
15	13	First City Bancorp of Texas, Inc.	0.88	0.84
16	5	Comerica, Inc.	0.69	1.10
17	14	First American Bancshares, Inc.	0.61[2]	0.81[2]
18	18	Southeast Banking Corp.	0.51	0.53
19	15	Harris Bankcorp, Inc.	0.45[2]	0.79[2]
20	17	Valley National Corp.	-1.39	0.61
		Mean Values for Group	0.84	0.93
		Median Values for Group	0.99	0.92

Return on Average Equity

Rank 1989	Rank 1988		ROE 1989	ROE 1988
1	6	Michigan National Corp.	29.08[3]	17.32
2	–	Northern Trust Corp.	23.79	28.86
3	3	First City Bancorp of Texas, Inc.	17.19	18.92
4	1	Signet Banking Corp.	17.12	25.13
5	7	CoreStates Financial Corp.	16.78	16.69
6	13	Ameritrust Corp.	16.10	13.65
7	–	Huntington Bancshares	15.81	16.24
8	9	Society Corp.	15.49	15.56
9	12	U.S. Bancorp.	15.13	13.78
10	10	Crestar Financial Corp.	15.06	14.48
11	11	KeyCorp	14.55	14.39
12	8	UJB Financial	14.52	15.80
13	–	First of America Bank Corp.	14.41	14.38
14	–	Meridian Bancorp, Inc.	13.45	13.58
15	18	Boatmen's Bancshares, Inc.	12.18	6.66
16	2	Comerica, Inc.	11.74	19.04
17	17	Southeast Banking Corp.	10.11	10.56
18	15	First American Bancshares, Inc.	8.40[2]	11.78[2]
19	14	Harris Bankcorp, Inc.	7.31[2]	12.63[2]
20	16	Valley National Corp.	-26.43	11.31
		Mean Values for Group	13.09	15.17
		Median Values for Group	14.82	15.02

Gain in Earnings/Share

Rank 1989	Rank 1988		% Gain 1989	% Gain 1988
1	9	Michigan National Corp.	90.9	28
2	8	Boatmen's Bancshares, Inc.	85.1	29
3	..	First City Bancorp of Texas, Inc.	68.4	NA
4	10	U.S. Bancorp.	21.0	24
5	1	Ameritrust Corp.	17.9	1,192
6	12	CoreStates Financial Corp.	11.8	15
7	7	Crestar Financial Corp.	11.3	54
8	14	Society Corp.	10.5	12
9	6	KeyCorp	10.3	58
10	–	First of America Bank Corp.	8.0	11.4
11	–	Meridian Bancorp, Inc.	6.1	8.1
12	3	Southeast Banking Corp.	4.5	265
13	–	Huntington Bancshares	3.4	85
14	14	UJB Financial	1.6	12
15	–	Northern Trust Corp.	-5.2	234
16	2	Signet Banking Corp.	-20.3	571
17	5	Comerica, Inc.	-30.7	64
..	4	Valley National Corp.	NM	240
..	..	First American Bancshares, Inc.	NA	NA
..	..	Harris Bankcorp, Inc.	NA	NA
		Mean Values for Group	17.3	NM
		Median Values for Group	10.3	NM

Data Sources: Data were supplied by **SNL Securities, Hoboken, N.J.**, unless otherwise noted. The rankings, means and medians were compiled by the **American Banker.** Please note that the 1988 data are as reported in 1989 and have not been restated for mergers or changes in accounting practices. ([1])— Calculated by **American Banker** and is based on net income excluding the utilization of tax loss carryforward. ([2])— Based on data provided by the bank to **American Banker**. ([3])— Includes gain on sale of credit card portfolio. ([4])— Bank was in the "Large Regionals" panel last year. (★)— Percentage gain is greater than 40,000%. **Definitions and methodology**: For a complete description of the information contained in this table, see the footnotes on page 18. **Dashes** (–) in the 1988 rank field indicate that the bank was not a member of panel that year. **NA**— Not available. **NM**— Not meaningful.

Copyright American Banker, 1990.

BANK PERFORMANCE

1989 Performance of Top U.S. Banking Companies

How the Market Looks at Banks

Mkt-Book Rank 1989	Mkt-Book Rank 1988		Ratio of Market-to-Book Value 1989	Ratio of Market-to-Book Value 1988	Price Earnings Multiple 1989	Price Earnings Multiple 1988	Dividend Yield (%) 1989	Dividend Yield (%) 1988
		Money Center Banks						
1	2	**J. P. Morgan & Co., Inc.**	202.00	114.27	NA	6.48	3.86	4.76
2	8	**Bankers Trust New York Corp.**	157.40	81.13	NA	4.33	5.18	5.94
3	1	**Republic New York Corp.**	146.10	115.32	NM	8.56	2.49	2.80
4	4	**Citicorp**	113.90	99.79	24.89	4.83	5.49	5.72
5	5	**First Chicago Corp.**	106.60	94.65	7.44	3.74	4.85	5.06
6	3	**Mellon Bank Corp.**	104.40	104.65	7.19	NM	4.89	5.60
7	10	**Chase Manhattan Corp.**	95.50	60.66	NA	2.49	6.79	7.55
8	9	**Chemical Banking Corp.**	87.60	65.69	NA	2.58	9.10	8.77
9	6	**Continental Bank Corp.**	82.80	93.34	9.65	4.00	4.28	3.86
10	11	**Manufacturers Hanover Corp.**	79.80	50.54	NA	1.53	9.90	11.56
11	7	**Bank of Boston Corp.**	71.70	87.44	23.75	5.33	6.53	5.25
		Mean Values for Group	**113.44**	**87.95**	**14.58**	**4.39**	**5.76**	**6.08**
		Median Values for Group	**104.40**	**93.34**	**9.65**	**4.17**	**5.18**	**5.60**
		Superregional Banking Firms						
1	6	**Banc One Corp.**	187.90	142.72	11.77	8.52	3.21	4.13
2	1	**NCNB Corp.**	172.60	152.49	10.42	9.40	2.38	3.67
3	12	**Norwest Corp.**	171.40	127.73	9.00	7.22	3.38	4.11
4	10	**First Wachovia Corp.**	163.00	139.45	10.70	8.98	3.41	4.01
5	2	**National City Corp.**	157.40	150.53	8.99	8.56	4.29	5.11
6	4	**Wells Fargo & Co.**	154.20	145.90	6.73	6.56	4.45	4.97
7	21	**Bank of New England Corp.**	151.90	94.50	NA	5.42	10.88	6.18
8	8	**Sovran Financial Corp.**	141.10	141.00	8.46	8.39	4.37	4.44
9	13	**Citizens & Southern Corp.**	140.50	123.94	8.38	7.62	4.29	5.01
10	7	**PNC Financial Corp.**	140.30	141.41	10.65	8.03	4.95	4.73
11	11	**SunTrust Banks, Inc.**	140.20	136.41	8.76	8.35	3.41	3.82
12	15	**NBD Bancorp., Inc.**	137.60	118.56	9.25	8.17	3.75	3.95
13	9	**Barnett Banks, Inc.**	134.20	139.52	8.88	9.07	3.21	3.06
14	3	**First Bank System, Inc.**	132.70	146.91	NA	NM	8.57	7.76
15	5	**Fleet/Norstar Financial Group**	131.50	142.94	7.92	8.47	5.01	5.02
16	22	**Bank of New York Co., Inc.**	116.60	90.04	149.07	7.10	4.89	5.19
17	20	**BankAmerica Corp.**	114.80	95.63	5.23	4.65	2.24	0.00
18	16	**Security Pacific Corp.**	114.40	114.61	6.49	6.46	5.42	5.43
19	19	**First Interstate Bancorp.**	113.90	101.91	NA	16.49	7.12	6.73
20	--	**MNC Financial, Inc.**	107.40	120.40	6.43	7.27	4.77	4.31
21	14	**First Union Corp.**	106.50	123.05	8.59	8.02	4.85	3.98
22	17	**First Fidelity Bancorp.**	102.60	114.26	9.26	N.M.	8.60	6.85
23	18	**Shawmut National Corp.**	87.50	105.76	7.56	7.16	6.91	5.79
24	..	**Midlantic Corp.**	81.00	107.64	5.98	6.65	5.59	4.30
..	..	**Marine Midland Banks, Inc.**	NA	NA	NA	NA	NA	NA
..	..	**National Westminster Bancorp**	NA	NA	NA	NA	NA	NA
		Mean Values for Group	**133.38**	**126.79**	**15.17**	**8.13**	**5.00**	**4.72**
		Median Values for Group	**135.90**	**132.07**	**8.76**	**8.10**	**4.61**	**4.85**
		Large Regional Banking Firms						
1	--	**Northern Trust Corp.**	201.90	164.00	10.22	6.99	2.12	2.38
2	13	**U.S. Bancorp.**	147.10	100.17	10.25	7.62	2.93	4.35
3	--	**Huntington Bancshares**	142.10	114.00	9.48	7.52	3.45	4.12
4	1	**CoreStates Financial Corp.**	135.00	142.61	8.47	9.00	4.08	4.15
5	9	**Ameritrust Corp.**	130.50	107.94	8.09	7.97	4.96	5.37
6	7	**Crestar Financial Corp.**	126.50	112.83	8.85	8.22	4.17	4.67
7	11	**First City Bancorp of Texas, Inc.**	122.90	105.38	8.66	10.38	4.72	0.00
8	4	**Comerica, Inc.**	121.90	119.86	10.58	6.95	4.77	4.37
9	15	**KeyCorp**	115.00	94.33	8.24	6.85	4.78	6.04
10	6	**Signet Banking Corp.**	114.10	118.67	7.06	5.21	4.73	4.71
11	--	**Meridian Bancorp, Inc.**	108.90	114.70	8.48	9.05	5.84	5.68
12	--	**First of America Bank Corp**	105.10	104.50	8.10	8.15	4.47	4.23
13	8	**Society Corp.**	102.90	110.98	7.37	7.94	4.69	4.09
14	5	**Michigan National Corp.**	102.50	119.03	4.08	7.39	4.04	4.46
15	12	**Boatmen's Bancshares, Inc.**	102.10	104.31	8.60	15.42	6.44	6.45
16	2	**UJB Financial, Inc.**	101.10	121.92	7.20	8.04	5.88	5.11
17	14	**Southeast Banking Corp.**	82.40	98.55	8.39	9.96	5.71	4.98
18	16	**Valley National Corp.**	57.00	78.30	NA	7.18	8.38	5.88
..	..	**First American Bankshares, Inc.**	NA	NA	NA	NA	NA	NA
..	..	**Harris Bankcorp., Inc.**	NA	NA	NA	NA	NA	NA
		Mean Values for Group	**117.72**	**110.18**	**8.36**	**8.25**	**4.79**	**4.58**
		Median Values for Group	**114.55**	**109.46**	**8.47**	**7.78**	**4.73**	**4.57**

Performance Study Peer Groups

Asset Rank 1989		Assets 12/31/89 ($ Million)
	Money Center Banking Companies	
1	**Citicorp, New York**	230,643
2	**Chase Manhattan Corp., New York**	107,369
3	**J.P. Morgan & Co., Inc., New York**	88,964
4	**Chemical Banking Corp., New York**	71,513
5	**Manufacturers Hanover Corp., New York**	60,500
6	**Bankers Trust New York Corp.**	55,658
7	**First Chicago Corp.**	47,907
8	**Bank of Boston Corp.**	39,178
9	**Mellon Bank Corp., Pittsburgh**	31,467
10	**Continental Bank Corp., Chicago**	29,549
11	**Republic New York Corp.**	25,467
	Superregional Banking Companies	
1	**BankAmerica Corp., San Francisco**	98,764
2	**Security Pacific Corp., Los Angles**	83,943
3	**NCNB Corp., Charlotte, N.C.**	66,191
4	**First Interstate Bancorp., Los Angeles**	59,051
5	**Bank of New York Co., Inc.**	48,856
6	**Wells Fargo & Co., San Francisco**	48,737
7	**PNC Financial Corp., Pittsburgh**	45,661
8	**Fleet/Norstar Financial Group, Inc., Providence, R.I.**	33,441
9	**First Union Corp., Charlotte, N.C.**	32,131
10	**SunTrust Banks, Inc., Atlanta**	31,044
11	**First Fidelity Bancorporation, Newark, N.J.**	30,728
12	**Bank of New England Corp., Boston**	29,773
13	**Barnett Banks, Inc., Jacksonville, Fla.**	29,007
14	**Shawmut National Corp., Hartford, Conn.**	28,145
15	**Marine Midland Banks, Inc., Buffalo, N.Y.**	27,067
16	**Banc One Corp., Columbus, Ohio**	26,552
17	**NBD Bancorp., Inc., Detroit**	25,771
18	**Sovran Financial Corp., Norfolk, Va.**	25,442
19	**Norwest Corp., Minneapolis**	24,335
20	**First Wachovia Corp., Winston-Salem, N.C.**	24,050
21	**Midlantic Corp., Edison, N.J.**	23,666
22	**Citizens & Southern Corp., Atlanta**	23,313
23	**National City Corp., Cleveland, Ohio**	22,972
24	**National Westminster Bancorp, Inc., New York**	21,773
25	**First Bank System, Inc., Minneapolis**	20,820
26	**MNC Financial, Inc., Baltimore**	20,316
	20 Large Regional Banking Companies	
1	**U.S. Bancorp., Portland, Ore.**	16,975
2	**CoreStates Financial Corp., Philadelphia**	16,849
3	**Southeast Banking Corp., Miami**	16,525
4	**KeyCorp, Albany, N.Y.**	15,461
5	**Boatmen's Bancshares, Inc., St. Louis**	14,542
6	**First City Bancorp. of Texas, Inc., Houston**	14,081
7	**First of America Bank Corp., Kalamazoo, Mich.**	12,793
8	**Signet Banking Corp., Richmond, Va.**	12,476
9	**Harris Bankcorp, Inc., Chicago**	12,374
10	**UJB Financial Corp., Princeton, N.J.**	12,172
11	**Comerica, Inc., Detroit**	12,149
12	**Meridian Bancorp, Inc., Reading, Pa.**	11,925
13	**Huntington Bancshares, Inc., Columbus, Ohio**	11,680
14	**First American Bankshares, Inc., Washington, D.C.**	11,490
15	**Michigan National Corp., Farmington Hills**	11,480
16	**Crestar Financial Corp., Richmond, Va.**	11,361
17	**Ameritrust Corp., Cleveland**	11,233
18	**Northern Trust Corp., Chicago**	10,938
19	**Society Corp., Cleveland**	10,903
20	**Valley National Corp., Phoenix**	10,549

Source of Asset Data: American Banker survey of the top 100 bank holding companies scheduled for publication on April 11.

Money Center banking companies: are banks that are large in asset size; oriented toward commercial and industrial lending with a proclivity to sell a high amount of their C&I originations; noncore funded (a high percentage of purchased money); and a large international presence.

Superregional banking companies: are non-money center banking companies with $20 billion or more in total assets on Dec. 31, 1989, that has merged across state lines to establish a full commercial banking presence in another state.

Large regional banking companies: the next 20 largest bank holding companies in the U.S. on Dec. 31, 1989 (assets between $10 billion and $20 billion.)

N.A.— Not available. **N.M.**— Not meaningful.

Definitions and Methodology

The statistical tables for the **American Banker's** annual performance study were compiled by the **American Banker** from data provided by **SNL Securities, Hoboken, N.J.** The data were taken from two sources: (1) the **SNL Bank DataSource,** which contains GAAP financials on market and per share data on all publicly traded commercial banks and bank holding companies; and (2) the **SNL Bank Securities Monthly,** which contains the stock price information needed for this survey.

A listing of the 57 banking companies in the study appears above. The companies are divided into three peer groups: peer group 1 — 11 money center banks (defined above); peer group 2 — 26 superregional banking firms (defined above); and peer group 3 — 20 bank holding companies with assets of between $10 billion and $20 billion on Dec. 31, 1989. In the table above, entitled **Performance Study Peer Groups**, the companies are listed in order of their asset size on December 31, 1989, within their respective peer group. Banks that are not owned by holding companies are excluded from the survey.

In the table appearing on page 16, within peer groups the banks are ranked by three measures of performance: the return on average assets; the return on average equity; and the percentage change in earnings per share. **Dashes** (–) in the 1988 rank field indicate that the bank was not a member of panel that year.

Net income is income after taxes but before extraordinary items for the full year 1989. **Please note:** American Banker has excluded the extraordinary credit resulting from the utilization of tax loss carryforward from 1988 and 1989 net income, whenever possible. The banks affected are footnoted.

The return on average assets, as defined by SNL Securities, is net income divided by average assets for the period.

The return on average (common) equity is net income minus preferred stock dividends divided by average common shareholders' equity for the year.

The percentage change in earnings per share where calculated by American Banker from SNL Securities' data. These data are the actual fully diluted earnings per share before extraordinary items for 1987, 1988, and 1989. In calculating percent changes involving negative numbers, American Banker considers the movement from a negative amount to zero, or from zero to a negative amount, as a change of 100%.

Market-to-book value for 1989 is the stock price on December 29, 1989 divided by the book value per share on December 31, 1989. The market-to-book value for 1988 is calculated by dividing the stock price on December 30, 1988, by book value per share on December 31, 1988.

The price earnings multiple is the stock price, as defined above, as a multiple of fully diluted earnings per share.

The dividend yield for 1989 is the indicated annual dividend for the fourth quarter of 1989 as an annualized percentage of the December 29, 1989 price. The dividend yield for 1988 is the indicated annual dividend for the fourth quarter of 1988 as an annualized percentage of the December 31, 1988 price.

The group **means** are calculated by American Banker by summing all of the values and dividing that number by the total number of observations. The **median** is obtained by finding the midpoint of the array of values. The 1988 means and medians were for the banks in the panel that year. **Copyright American Banker, 1990.**

8050

C0175-1

TOP 300 BANKS
Tables begin on page 14A

AMERICAN BA

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 59 *Tuesday, March 27, 1990* *155th year*

Chase Limiting Retail Ambition To Northeast

By YVETTE D. KANTROW

NEW YORK — In a move typical of the changing meaning of "nationwide banking," Chase Manhattan Corp. is scaling back its retail ambitions to concentrate on the northeastern region bounded by Ohio on the west and Maryland to the south.

The parent of Chase Manhattan Bank, which once had aspirations of serving the mass market across the country, will limit its nationwide consumer efforts to private banking, investment products, credit cards, and other services it can sell without buying up other banks.

ANALYSIS: *Follow-up on the news*

Chase officials said the more limited focus will help differentiate it from money-center competitors with national ambitions. But in fact, many banks that had once looked beyond their historical boundaries are now reconsidering that strategy and focusing instead on better-defined, targeted regions.

To be sure, many financial institutions are still expansion minded.

Citicorp, Security Pacific

Citicorp, for example, makes no bones about its aspirations to become a mass-market bank of truly nationwide scope. And among the California banking companies, Security Pacific Corp. remains committed to a nationwide network of subsidiaries and affiliates in preparation for a further erosion of legal barriers to interstate banking.

But depressed earnings and expanding capital needs are forcing many retail bankers to chart a different, more conservative and profit-oriented course. They view First Interstate Bancorp, Los Angeles, as a cautionary example: It has operated throughout the West for many years, but its acquisition of a troubled Texas bank in 1987 set off a severe decline in companywide earnings.

"Superior returns in attractive markets – that's our theme," Arthur F. Ryan, a Chase vice chairman, said last week in a presentation to security analysts. "We believe our New York State franchise is expandable but not universally."

Expanding in the 1980s

In the 1980s, Chase gobbled up both banks and thrifts, some of them ailing, in Ohio, Maryland, Arizona, and Florida.

Today, Chase admits that its foray into Arizona – where a real estate downturn also hurt Citicorp, First Interstate, and others

See **ANALYSTS** *page* **13**

INSIDE NEWS

SPECIAL REPORT

BANKERS ARE BUYING advice from consultants at a pace never seen before. The Big Six accounting firms are joining traditional providers of strategic advice, and specialized "boutiques" are popping up. Today's feature section looks at how banks are working with these players. *Page 1A*

REAL ESTATE

THE RESOLUTION Trust Corp. will probably miss an August deadline for auditing the 96 thrift rescue deals arranged in 1988. *Page 12*

FINANCE

MELLON BANK CORP. found a way to tap the markets with a preferred stock issue. *Page 20*

CONSUMER

BANKS ARE FLOODING the market with products and advice for people approaching retirement. *Page 8*

PEOPLE

CHARLES J. ZWICK, chairman of Southeast Bancorp., is optimistic about the Florida market. *Page 2*

INTERNATIONAL

BRAZIL'S NEW government hopes to name a top diplomat as its chief debt negotiator this week. *Page 14*

COMMENT

INSURANCE REFORM is necessary, but it does not attack the underlying cause of management behavior that leads to failure, writes Sanford Rose. *Page 4*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Executive Changes 9
Weekly Index of Stories 10
Classified Advertising 17
Bank and Thrift Stocks 19

Dutch Banks Aim to Form Global Giant

By JOHN EVANS

LONDON — The two largest banks in the Netherlands, Amsterdam-Rotterdam Bank NV and Algemene Bank Nederland NV, announced Monday the start of negotiations for a merger that would result in Europe's seventh-largest bank and one of the top 30 worldwide.

Their announcement triggered immediate industry speculation that further big banking combinations would emerge across Europe as banks seek greater weight to compete in the single financial market that the European Community is due to implement at the end of 1992.

The Dutch banks made it clear that the proposed merger was aimed at speeding their global expansion, including within the EC, as well as defending their domestic market position.

"You need a strong capitalization if you want to be a global player from a small market like the Dutch," said ABN chairman Robert Hazelhoff.

ABN bought Exchange Bancorp of Chicago last year for

See **DUTCH** *page* **14**

Thrifts Lose $19 Billion In Worst Year Ever

By BILL ATKINSON

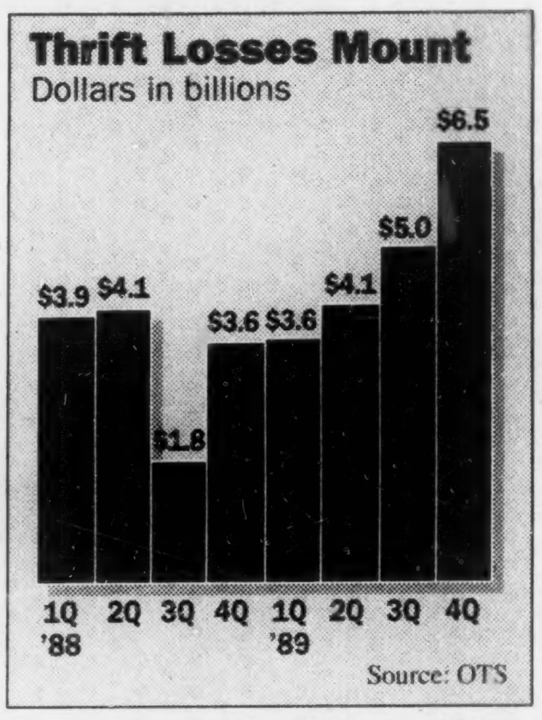
WASHINGTON — Savings and loans lost a record $19.2 billion in 1989 and observers warn the trend will continue if the hundreds of remaining insolvent institutions are not closed or sold off quickly.

Last year's loss, up 43% over the $13.4 billion loss in 1988 and 146% over $7.8 billion lost in 1987, reflects the huge write-offs of real estate assets as well as accounting changes called for in the 1989 thrift-bailout bill. The loss in the fourth quarter was $6.49 billion, the worst quarter in the industry's history.

As a sign of thrifts' weak profitability, the 1,812 profitable thrifts, out of a total of 2,597 institutions, earned only $1.3 billion in the fourth quarter, according to data released by the Office of Thrift Supervision.

Timing Is Crucial

Analysts say future profits or losses hinge on the RTC's ability to quickly clean up problem cases. At the end of the year, 281 thrifts were placed into the conservatorship. Those institutions posted a $4.4 billion loss for the fourth quarter. Another 204 institutions, which were not yet in conservatorship but headed that way at yearend, lost nearly $3.4 billion in the final three months of the year.



Source: OTS

"I would presume by this time next year . . . the industry would be smaller and the losses would be smaller," said James Freund, acting chief economist for the Office of Thrift Supervision.

But other industry followers disagree, holding that the key to halting the flow of red ink is to clean up zombie S&Ls that continue to operate and take deposits.

"I don't think we have reached the pinnacle until all the institutions that need to be addressed are removed from the

See **THRIFTS** *page* **6**

AT&T Credit Card: No Annual Fee, Discount on Long-Distance Calls

By YVETTE D. KANTROW

NEW YORK — Ending months of speculation about its plan to launch a general-purpose credit card, American Telephone and Telegraph Co. unveiled on Monday the AT&T Universal Card, combining a long-distance calling card and MasterCard or Visa.

AT&T will underprice its bank-card competitors by not charging an annual fee. AT&T said it will consider imposing annual fees after evaluating the first year's experience, but people who sign up during the first year will never be charged a fee if they use the card at least once a year.

The interest rate on outstanding balances will be the prime rate plus 8.9 percentage points, or 18.9% to start, which is about the national average for bank credit cards.

Discount on Calls

Cardholders will get a 10% discount on long-distance calls charged to the Universal Card. Like bank gold cards, AT&T's product also comes with buyer-protection insurance and collision-damage reimbursements on car rentals.

AT&T
Universal
VISA

AT&T'S OFFERING: Company will offer MasterCard or Visa with long-distance charge card.

Bank credit card executives expressed little concern in recent months about competition from AT&T. The telecommunications giant's advertising pitch, however, is aimed at cutting into the banks' MasterCard and Visa market.

Television commercials that debuted during the Academy Awards telecast Monday night depicted the Universal Card as the only one that consumers need, and highlighted the no-fee offer among other features. The spots ended with the tag line, "One world, one card."

Simplicity Sought

"Consumers have told us they are tired of complexity and tired of annual fees," Paul G. Kahn,

See **AT&T** *page* **7**

Citicorp Makes King of the Hill As Card Issuer

NEW YORK — Citicorp has vaulted past American Express to become the largest international issuer of credit and charge cards, according to yearend data published by the companies.

Citicorp's 35 million MasterCard, Visa, and Diners Club cards also outnumber Sears' Discover cards, giving the New York banking company a numerical edge over another of its primary competitors.

While Citicorp has long led U.S. banks in MasterCard and Visa issuance, it now lays claim to an international leadership position, with cards a linchpin of its global consumer banking strategy.

American Express Travel Related Services Co. said it had issued 34 million green, gold, platinum, and Optima cards worldwide at the end of 1989.

Greenwood Trust Co., the subsidiary of Sears, Roebuck and Co. responsible for the Discover program, was close behind with a reported 32.8 million cards at yearend.

Sears was in the elite of card-issuers even before its introduc-

See **CITICORP** *page* **7**

PEOPLE *in the news*

Southeast Chief Sees Realty Woes As Pothole in the Road to a Boom

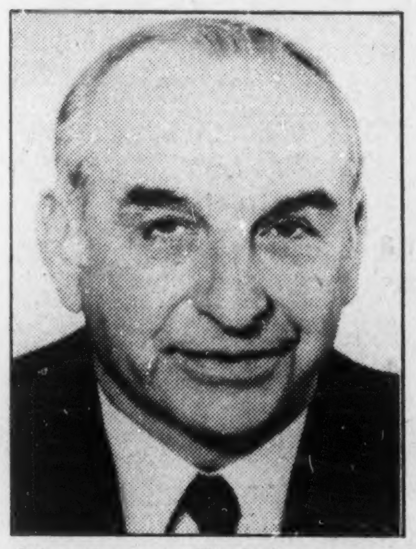
By TOM LEANDER

To veterans of Capitol Hill, the name Charles J. Zwick may evoke an image of fiscal stability. As President Lyndon B. Johnson's budget director in 1968, Mr. Zwick produced a balanced budget. No one else has done that since.

But that was a generation ago, and, now, as chairman of Southeast Banking Corp. in Florida, Mr. Zwick has fiscal woes familiar to many East Coast bankers: a rocky real estate portfolio.

Southeast Banking said Friday it expected to lose $53 million to $57 million in the first quarter, largely because of its Florida real estate lending.

But the 63-year-old Mr. Zwick, a perennial Florida booster, thinks his bank's current problems are only a pothole on the road to an economic boom.


Charles J. Zwick

"The Florida market is cyclical – this is the third cycle since the mid-seventies," he says. "The worst one was in the '74 to '76 period, when the price of oil went down."

He predicts that the regional troubles assailing the bank will result in "an intermediate-level slowdown," one in which Southeast will easily survive – unless the U.S. economy is mired in recession.

Mr. Zwick, who became president of the bank in 1969 and chairman in 1982, has staked his bank's future on expansion within the Sunshine State.

The bank has built its franchise in Florida alone and avoided jumping into the interstate game in an era when Citicorp , Chase Manhattan Corp., and NCNB Corp. have set up Florida operations. So far, his $16.5 billion-asset company has produced disappointing results.

Some analysts said that Mr. Zwick's Florida-based strategy had exposed his bank to real estate woes more than any other Southeast bank.

"Analysts are interesting people," he says, with a wry note in his voice, "I've seen some of their comments, and I don't know where they get that from."

Last Friday, analysts expressed relief that Southeast's loan problems were not as grave as had been rumored.

If Mr. Zwick takes such speculation in stride, it is because he is used to facing a problem by adopting the long view. A native of rural Connecticut, Mr. Zwick is the son of a farmer who eventually gave up tilling the Connecticut soil in part because Florida farmers were putting up such stiff competition.

He stayed close to roots even as a student, earning a bachelor's and master's degree in agricultural economics at the University of Hartford. He earned a doctorate in economics at Harvard.

He taught economics first at the University of Connecticut and then at Harvard between 1954 and 1956. For the next 10 years, Mr. Zwick lent his brains to the Rand Corp., a prestigious California think tank, puzzling over such imponderables as urban transportation and the economies of Southeast Asia.

He was tapped by the Johnson Administration to become assistant director of the Bureau of the Budget in 1965, and named as director in 1968.

Though loaded down with academic credentials and intellectual honors – for example, he is chairman of the Carnegie Endowment for International Peace – Mr. Zwick avoids academic hyperbole in conversation. Rather, his voice conveys the no-nonsense tone of a seasoned Washington bureaucrat fielding questions from errant Congressmen.

"I say only partly in jest that my experience as military policeman helped shape me as a banker," he said. "I learned the amount of law and order and discipline it takes to get a job done."

An avid reader, Mr. Zwick says he spends his leisure hours playing golf and poring over books on global trends. ☐

Franklin S&L Challenges Takeover

Reuters

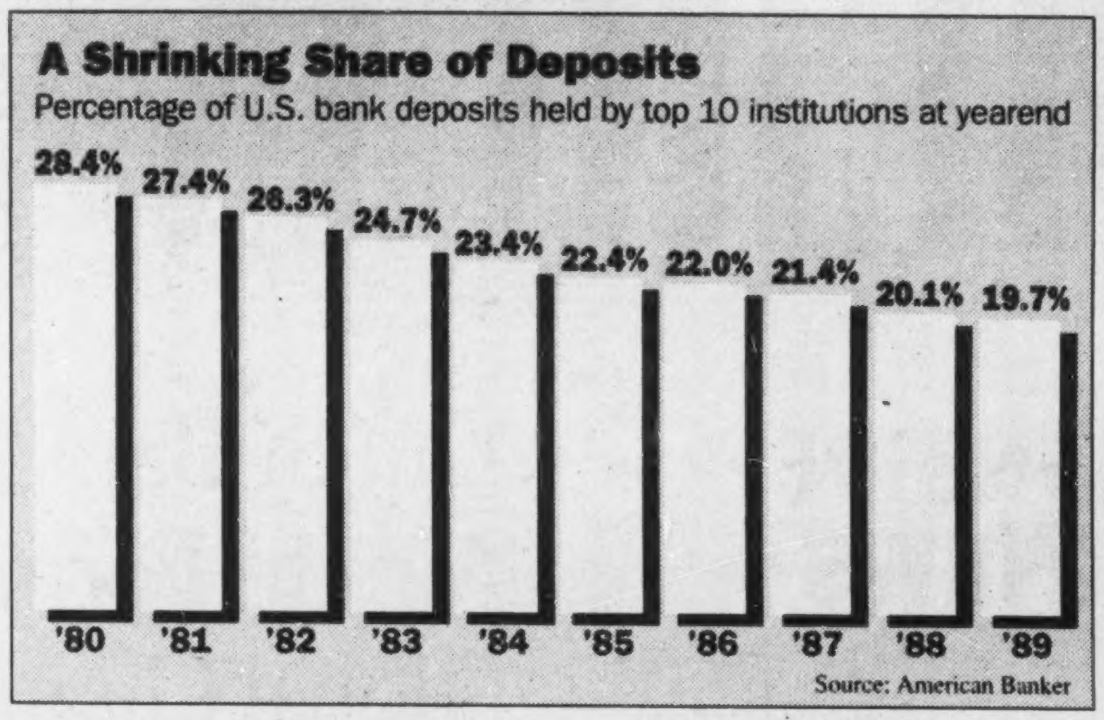
PORTLAND, Ore. — The former board of directors of Benjamin Franklin Federal Savings and Loan Association said it has sued the Office of Thrift Supervision, challenging the government takeover on Feb. 21 and asking the court to return control to the board.

"We feel we have been unfairly treated," former chairman G. Dale Weight told a press conference after the suit was filed in U.S. district court here.

The $5.4 billion-asset institution was taken over by federal regulators because it failed to meet capital requirements under the 1989 thrift-bailout bill.

Much of the Franklin suit hinges on arguments advanced in a suit filed by Olympic Federal Savings and Loan of Berwyn, Ill., Mr. Weight said. The Olympic lawsuit questioned the constitutional authority of the former and current acting directors of the OTS.

A federal judge blocked the seizure of Olympic by the OTS last Wednesday. But an appeals court granted a government request to prevent the lower court injunction from taking effect and will hear further arguments April 11. ☐


A Shrinking Share of Deposits
Percentage of U.S. bank deposits held by top 10 institutions at yearend

Source: American Banker

Deposit Share Continues To Slide at Top 10 Banks

By L. MICHAEL CACACE

NEW YORK — The share of deposits held by the nation's 10 largest banks continued a decade-long decline last year, according to an annual *American Banker* survey.

The share of deposits fell to 19.7% on Dec. 31, 1989, from the previous record low of 20% the year before. It marked the 10th year in a row that share has fallen, from a peak of 28.5% in 1979. (Tables ranking the 300 largest banks by deposits and by assets begin on page 14A.)

Less Emphasis on Growth

Analysts said the decline reflects the fact that large banks no longer consider asset and deposit growth as desirable, unless profits grow accordingly. In addition, many large banks have reduced assets and deposits to meet tougher capital requirements. Other factors included strategic decisions to exit lines of business, and the securitization of assets.

"These trends are still in evidence and should continue in 1990," said James McDermott, an analyst at Keefe Bruyette & Woods Inc., New York.

The survey found that while deposits in the rest of the industry increased 5.2%, they rose just 3.1% at the top 10 banks. In 1988, the top 10 had a 2.4% drop, compared with a 5.5% increase at other institutions.

Four of the top 10 banks posted deposit declines last year. Tenth-ranked Bankers Trust Co. had a 16% decline; fifth-ranked Morgan Guaranty Trust Co. had a 10% drop; ninth-ranked Chemical Bank's deposits fell 3%; and fourth-ranked Manufacturers Hanover Trust Co. had a 0.3% decline.

Equity Capital Down

Equity capital at the top 10 banks fell 4.1%, to $32.7 billion, from $34.1 billion a year earlier. The decline was attributable to the special provisions taken in the third and fourth quarters for LDC debt. The decline in equity, coupled with a 3.7% growth in assets at the top 10, caused their equity-capital-to-assets ratio to fall 40 basis points last year to 4.70% from 5.10%.

For the banks ranked 11 to 300, equity capital rose 5.9% and assets rose 7.4%. The equity capital ratio was 5.64% on Dec. 31.

Bank of New York was the only newcomer to the top 10, propelled to the eighth spot by its acquisition of $15 billion-deposit Irving Trust Co.

The largest deposit decline was posted by 41st-ranked Boston Safe Deposit and Trust Co., which is shrinking after a decline in profitability in 1988 and 1989. Its deposits fell 50% last year, to $7.8 billion. ☐

Centrust Failure Expected to Cost U.S. $2 Billion

By ROBERT M. GARSSON

WASHINGTON — Regulators now expect the collapse of Centrust Bank to cost the government at least $2 billion, up to $1 billion more than previously expected.

The new estimate puts the Miami-based thrift in contention with Lincoln Savings and Loan Association as the nation's most costly thrift failure.

The estimate was delivered to the House Banking Committee by officials from the Resolution Trust Corp., who described Centrust as a poorly managed investment bank that funded itself with federal deposit insurance. The $8.2 billion-asset thrift was seized by federal regulators on Feb. 2.

Committee aides said the estimated cost to the government was $500 million to $1 billion more than they expected.

Banking Committee Chairman Henry B. Gonzalez, D-Tex., said the revelations about Centrust and Lincoln, which is expected to cost the government $2 billion or more, suggest the need for a major overhaul of the laws and regulations governing the banking and thrift industries, as well as those of the accounting profession.

"I am more bothered now than I was a year ago," when the committee was preparing to take up the thrift bailout law, he said.

Multiple Accounts

Mr. Gonzalez said afterward he plans to introduce legislation later this spring. His primary focus will be on ensuring that individuals are not able to obtain more than $100,000 in deposit insurance coverage by dividing their deposits among more than one insured institution.

In an indication that he wants the committee to begin considering an overhaul of the deposit insurance laws this year or early

See **ESTIMATED** *page* **6**

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Action Systems 1
Algemene Bank Nederland 14
American Bankers Assn. 8
American Express 1,9
Amsterdam-Rotterdam Bank 14
Arthur Andersen 9
AT&T 1
Australian Capital Equity 12

B
Bank of New England 20
Bank of New York 2
BankAmerica 1,12
Bankers Trust New York 1,2,20
Bankmont Financial 9
Barclays 14
Barnett Banks 9,20
Benjamin Franklin Federal 2
Boston Safe Deposit 2

C
Centrust 2
Chase Manhattan 1,2
Chemical Bank 2
Chubb 12
Citicorp 1,2
Citizens and Southern 9,20
City Federal Savings Bank 3
Coldwell Banker 12
Colorado Bankers Assn. 8
Credit Agricole 14
Credit Union Nat'l Assn. 8

D - E
Dillon Read 20
Dollar Dry Dock 8
Du Pont 3
Equitable Savings 2
European American Bank 14

F - G
Ferguson 1
Financial Institutions Marketing Assn. 8
Financial Services Marketing 3
First Chicago 1
First Florida Banks 20
First Interstate 1,20
First Union 20
First Wachovia 20
FISI Madison 8
Florida Nat'l Banks 20
Ford Motor 9
Gerald D. Hines Interests 18
Goldman Sachs 12

H - J
Hibernia 20
Hongkong and Shanghai 12
Industrial Bk of Japan 18
Integra Financial 8
Interstate/Johnson Lane 20
Investors Financial 9

K - L
Kawasaki Steel 18
Keefe Bruyette & Woods 2
Kidder Peabody 20
Long-Term Credit Bank 18

M
Maine Bankers Assn. 8
Manufacturers Hanover 2,3,4
Marine Midland 8
MasterCard 1
Mellon Bank 20
Meridian Bancorp. 8
Meritor Savings 20
Michigan National 20
Midlantic National Bank 4
Midwest Federal Savings 4
Moody's Investors Service 18,20
J.P. Morgan 1,2,18

N - O
Nat'l Alliance of Senior Citizens 8
National Capital Group 1
NBD Bancorp 18
Old Stone 9
Olympic Federal Savings 2
Oregon Bankers Assn. 8

P - Q
PaineWebber 20
Palmer National Bank 9
People's Mutual Holdings 3
Postbank 14
Price Waterhouse 9
Prudential Securities Group 1

R
Raddon Financial Services 8
Rand 2
Resolution Trust Corp. 3,12
Robinson-Humphrey 20

S - Z
Sanwa Bank 18
Sears Roebuck 1
Security Pacific 1
Shri Mahila Sewa Sahakari Bank 14
Society for Savings 3
Southeast Banking 2,20
Standard & Poor's 20
Suntrust Banks 20
U.S. League 1,3
Visa 1

COMMENT/*By Sanford Rose*

The Reforms We Really Need

The Treasury Department will shortly discharge its responsibilities under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to recommend changes in the system of deposit insurance. Surely changes are long overdue.

But it is far too simplistic to argue, as do some, that deposit insurance reform will greatly reduce the likelihood of bank and thrift failures. Insurance reform is necessary; it is by no means necessary and sufficient. It does not attack the underlying cause of management behavior that leads to failure.

There is always the danger, moreover, that we will get the wrong sort of insurance changes. Schemes to lower the insurance maximum from $100,000, for example, are apt to do more harm than good.

Such measures are designed to force the depositor to "discipline" his bank and thereby help prevent its failure. But this makes precious little sense. The depositor with a balance of less than $100,000 cannot in general monitor his bank's risk-taking tendencies with much efficiency.

And even if he could, one shouldn't want him to do so. Every time a bank or thrift was mentioned adversely in the newspapers, depositors who thought they might suffer losses would rush to transfer money to other institutions. This continuous migration of deposit balances is bound to prove counterproductive.

Although it has been shown that deposit runs are not as costly as many believe, neither are they costless.

The way to improve the system is not by fiddling with the amount of insurance but rather by changing the method by which it is priced. As is well known, banks and thrifts pay flat-rate premiums. As is also well known, this practice amounts to a subsidy from the risk-averse to the risk-prone.

Is the Treasury going to recommend that premiums for deposit insurance be henceforth graduated according to institutional risk?

And if it is, will it also suggest a practical and objective method of achieving that graduation – a problem that has thus far confounded those who are longtime advocates of risk-related charges?

If the Treasury comes up with a viable method of modernizing deposit insurance, we should all be properly grateful. But we need more than this to stabilize the financial system. After all, flat-rate insurance has been with us for over half a century, but it is only in the last decade that droves of banks and thrifts have begun to fail. If flat-rate insurance promotes the kind of risk taking that leads to widespread failure, why weren't failure rates higher in the past?

Crumbling Charter Values

The reason, quite simply, is that the value of bank and thrift charters was greater in the past, and valuable charters will induce managements to operate prudently, despite the incentives for outsize risk-taking inherent in a flawed insurance system.

In the past decade, the charter values of banks and thrifts have been significantly depressed by heightened competitive pressures. The inroads of competitors into geographic areas hitherto protected by restrictions on branching and on interstate banking – or, in many cases, the mere threat of such inroads – have forced banks to raise deposit rates and lower loan rates, undermining the worth of their franchises.

The thrifts, which once were practically the only institutions willing to hold home mortgages to term, have had their "warehousing" monopoly destroyed by the market for mortgage-backed securities. The securitization movement greatly increased the public's demand for mortgage paper. And as this demand burgeoned, the price of mortgages rose and their yields concomitantly fell.

A much-overlooked cause of thrift woes is very simply a decline in home-mortgage rates, relative, that is, to other open-market rates.

Given the erosion of their franchise values, many banks and thrifts have had little to lose from unconscionable gambling in the credit markets or from playing the yield curve with even greater abandon than before. So the cause of the rash of bank and thrift failures is not just a faulty deposit-insurance system. The cause is a decline in charter values that encouraged desperate managers to exploit the weaknesses of that system.

'We must tear down barriers that artificially delimit and demarcate the financial-services industry.'

Exacerbating the Problem

If the cause of the problem is not deposit insurance per se, the remedy cannot be simply an overhaul of the insurance system, however desirable that may be. To arrest the tendency of institutions to fail, government must look to ways to help them rebuild shattered franchise values. Yet the government is doing just the opposite. It is, for example, contributing to a situation that will promote more, not fewer, thrift failures.

With the decline in relative mortgage rates, the true yield earned on new home mortgages is now less than the marginal cost of funding these mortgages. Yet FIRREA mandates that qualified thrift lenders hold an even higher percentage of their assets in home mortgages than was previously the case.

In other words, Congress is forcing the thrifts to engage in activities that will produce more red ink. Locked into a money-losing business, thrifts will inevitably continue to gravitate to highly risky undertakings in an effort to offset losses in their core activity.

This kind of nonsense has to stop. Thrifts can do everything that the public should legitimately require of them. They can originate and service home mortgages, and do so profitably. What they can't do profitably – and what Congress has perverse-

See **NEEDED** *page* **18**

CRIME BLOTTER/*By Tom Leander*

Appraiser Admits Inflating Estimate

A real estate appraiser has pleaded guilty to preparing an inflated report in connection with loans that allegedly led to the insolvency of Midwest Federal Savings and Loan, the U.S. Attorney's office in Minneapolis said.

Peter P. Jackson entered the guilty plea before Judge Paul A. Magnuson in U.S. district court in St. Paul on March 16.

Mr. Jackson, a New York City resident, was cited in an indictment that also named Susan Greenwood Olson, a former vice president of the thrift.

The government says Ms. Greenwood Olson withheld an appraisal from the Federal Home Loan Bank Board that put a Miami resort's value at $9.7 million while she arranged for Mr. Jackson to appraise it at about $22 million. Midwest Federal had lent the resort more than $23 million.

A spokeswoman for the U.S. Attorney's office said Mr. Jackson agreed to cooperate with the continuing investigation as part of his plea agreement.

Harold W. Greenwood Jr., Ms. Greenwood Olson's father and chairman of the thrift until it was seized in February 1989, is still under investigation.

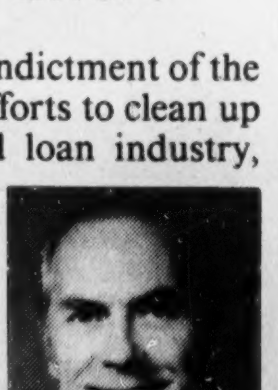
Mark W. Peterson, a lawyer for Ms. Greenwood Olson, said that the charges against her resulted from loans that went bad and that she exercised no criminal intent.

— **Nanine Alexander**

* * *

Barnard Blasts Antifraud Effort

In a stinging indictment of the government's efforts to clean up the savings and loan industry, Rep. Doug Barnard Jr., D-Ga., criticized the Bush administration's decision to spend only $50 million to investigate S&L fraud, instead of allocating the $75 million mandated by Congress under the thrift-bailout law.



Rep. Doug Barnard

"This question of spending another $25 million must be weighed against the hundreds of billions of dollars that the S&L debacle will cost the taxpayers," Mr. Barnard said at a hearing of the consumer affairs subcommittee of the House Government Operations Committee.

Mr. Barnard said the lack of funding has meant that 1,298 cases involving fraud and embezzlement of amounts exceeding $100,000 are inactive because the Justice Department lacks personnel to carry out the investigations.

Justice Department spokesman Douglas Tillett responded by saying that $50 million was handed over to the department in December, "and since then we've put every nickel into the field." He also said it was "a little naive" for Mr. Barnard to expect a significant number of arrests by March.

* * *

Businessmen Plead Guilty in Jersey Scam

The former chairman and president of a discount apparel chain have pleaded guilty to falsifying company financial statements in 1985 and 1986 in a scheme that helped the now-bankrupt company obtain - a $2.95 million loan from Midlantic National Bank and a $1.5 million loan from Manufacturers Hanover Trust Corp.

Oliver's Stores Inc., which operated in New York, New Jersey, and Connecticut, also used the falsified information to help raise $7.8 million in an initial public offering, according to U.S. Attorney Samuel A. Alito in Newark, N.J.

Joseph Wolfer, the 47-year-old former chairman, and Thomas Nadler, 44, the former president, admitted creating false invoices and bills of lading. In doing so, they made it appear that another apparel company, Maspeth Industries, had made a job-lot purchase of $506,525 of inventory in June 1985 and $183,250 in February 1986.

The duo gave their own money to employees to purchase cashier's checks, which were then deposited and credited to Oliver's books. This gave the appearance that Maspeth Industries, which is based in Maspeth, N.Y., had made payments against the accounts receivable.

According to Mr. Alito, the president of Maspeth signed a false confirmation for Oliver's auditors indicating that the sale had actually taken place.

Neither Maspeth Industries, which is now defunct, nor its employees has been charged with any crime, Mr. Alito said.☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Kelley Holland, William Goodwin, Gordon Matthews
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 300 U.S. Commercial Banks in Deposits

In order of deposits December 31, 1989, compared with December 31, 1988, and December 31, 1985
Compiled Annually Since 1921 by the American Banker

Rank 12/31/89		Deposits		Rank		Deposits	Rank	Equity Capital	
		12/31/89	12/31/88	1988	Gain	12/31/85	1985	12/31/89	6/30/88
1	**Citibank NA, New York**	111,487,000,000	104,996,000,000	1		78,392,000,000	2	7,628,000,000	8,168,000,000
2	**Bank of America NT&SA, San Francisco**	73,295,000,000	69,640,000,000	2		90,250,018,000	1	4,414,000,000	3,611,000,000
3	**Chase Manhattan Bank NA, New York**	61,720,245,000	58,241,477,000	3		59,824,598,000	3	3,770,846,000	4,372,933,000
4	**Manufacturers Hanover Trust Co., New York**	42,736,000,000	42,876,000,000	5	+ 1	42,186,468,000	4	2,524,000,000	2,560,000,000
5	**Morgan Guaranty Trust Co., New York**	40,953,451,000	45,471,746,000	4		39,419,026,000	5	2,988,829,000	4,020,073,000
6	**Security Pacific National Bank, Los Angeles**	40,597,338,000	36,095,333,000	6		27,763,181,000	9	2,653,816,000	2,216,631,000
7	**Wells Fargo Bank NA, San Francisco**	36,462,605,000	35,109,059,000	7		19,045,237,000	12	2,947,135,000	2,576,537,000
8	**Bank of New York**	34,411,451,000	16,665,898,000	14	+ 6	9,564,834,783	18	2,109,304,000	1,204,914,000
9	**Chemical Bank, New York**	32,312,000,000	33,298,000,000	8		33,355,815,000	6	2,127,000,000	2,488,000,000
10	**Bankers Trust Co., New York**	27,879,571,000	33,261,373,000	9		24,506,971,000	10	1,503,190,000	2,889,133,000
11	**First National Bank, Chicago**	26,403,340,000	27,372,439,000	10		27,854,663,000	8	1,482,343,000	1,302,240,000
12	**NCNB Texas National Bank, Dallas**	25,623,428,000	20,474,765,000	11		8,754,883,000	19	1,505,597,000	1,070,177,000
13	**First National Bank, Boston**	22,061,157,000	17,687,897,000	13		11,180,445,000	16	1,246,060,000	1,299,784,000
14	**Continental Bank NA, Chicago**	18,178,226,000	17,763,339,000	12		30,082,230,000	7	1,779,411,000	1,727,145,000
15	**Marine Midland Bank NA, Buffalo, N.Y.**	18,021,665,000	16,659,085,000	15		16,409,827,000	13	813,983,000	860,449,000
16	**First Interstate Bank of California, Los Angeles**	17,849,795,000	16,613,623,000	16		15,266,068,000	14	1,037,785,000	865,420,000
17	**Mellon Bank NA, Pittsburgh**	15,022,808,000	15,603,197,000	17		12,924,800,000	15	942,497,000	609,809,000
18	**Republic National Bank, New York**	14,250,340,000	13,897,318,000	20	+ 2	7,263,260,000	23	1,533,631,000	1,631,123,000
19	**National Westminster Bank USA, New York**	12,740,471,000	11,389,004,000	23	+ 4	5,746,245,000	31	496,547,000	530,175,000
20	**Southeast Bank NA, Miami**	12,715,951,000	10,287,300,000	28	+ 8	6,434,788,000	26	782,342,000	587,866,000
21	**National Bank of Detroit**	12,288,133,000	11,989,495,000	21		7,638,307,000	21	915,650,000	849,081,000
22	**Union Bank, San Francisco**	11,637,088,000	11,911,043,000	22		3,818,193,000	55	928,989,000	819,773,000
23	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	11,344,443,000	10,517,863,000	27	+ 4	5,825,768,213	30	1,037,665,000	918,281,000
24	**NCNB National Bank of North Carolina, Charlotte**	10,585,048,000	11,054,684,000	24		6,608,873,000	24	990,818,000	914,710,000
25	**First Union National Bank, Charlotte, N.C.**	10,507,659,000	8,784,792,000	32	+ 7	4,481,502,000	40	957,590,000	818,264,000
26	**Pittsburgh National Bank**	10,263,540,000	10,045,593,000	29	+ 3	4,625,620,000	37	716,782,000	690,602,000
27	**Sovran Bank NA, Richmond**	10,193,846,000	9,779,420,000	30	+ 3	5,576,104,000	32	852,921,000	755,691,000
28	**Seattle-First National Bank**	9,660,669,000	8,870,643,000	31	+ 3	6,311,056,000	27	838,280,000	633,290,000
29	**NCNB National Bank of Florida, Tampa**	9,637,057,000	7,387,750,000	39	+10	2,213,069,000	94	658,970,000	591,395,000
30	**Citizens & Southern National Bank, Atlanta**	9,468,585,000	8,454,641,000	34	+ 4	4,200,268,000	45	813,910,000	737,460,000
31	**Bank of New England NA, Boston**	9,208,787,000	10,904,043,000	25		3,519,806,000	59	211,835,000	724,249,000
32	**First Bank NA, Minneapolis**	9,104,370,000	10,674,583,000	26		4,435,905,000	41	517,158,000	690,719,000
33	**First Fidelity Bank NA, Newark, N.J.**	8,615,504,000	7,967,395,000	36	+ 3	1,857,317,000	113	596,962,000	595,246,000
34	**Banc One, Texas NA, Dallas (a)**	8,525,136,000	4,033,803,000	90	+56	3,922,482,000	51	0	(164,720,000)
35	**Connecticut Bank & Trust Co. NA, Hartford**	8,450,053,000	7,509,700,000	38	+ 3	4,523,480,000	39	188,970,000	584,661,000
36	**Meridian Bank, Reading, Pa.**	8,394,187,000	6,010,077,000	56	+20	2,385,768,000	83	580,514,000	510,000,000
37	**Valley National Bank, Phoenix**	8,370,893,000	8,639,762,000	33		6,568,084,000	25	436,916,000	542,170,000
38	**Connecticut National Bank, Hartford**	8,196,372,000	8,045,283,000	35		3,479,602,000	60	700,966,000	672,820,000
39	**Michigan National Bank, Farmington Hills**	7,888,735,000	7,694,746,000	37		....	....	657,160,000	556,886,000
40	**Midlantic National Bank, Newark, N.J.**	7,791,480,000	4,658,275,000	77	+37	2,225,673,000	93	673,944,000	366,647,000
41	**Boston Safe Deposit & Trust Co.**	7,782,273,000	15,464,313,000	18		1,310,814,626	163	979,532,000	1,014,040,000
42	**Crestar Bank, Richmond**	7,631,619,000	7,291,054,000	40		4,161,072,000	46	591,857,000	497,565,000
43	**Comerica Bank-Detroit**	7,561,148,000	7,217,355,000	41		4,422,965,000	42	473,431,000	447,888,000
44	**Philadelphia National Bank**	7,261,814,000	7,131,118,000	42		4,363,328,000	44	649,363,000	573,219,000
45	**First Union National Bank of Florida, Jacksonville**	7,090,935,000	7,122,471,000	43		2,509,625,000	79	613,000,000	659,340,000
46	**Ameritrust Co. NA, Cleveland**	7,072,134,000	6,542,938,000	46		4,565,443,000	38	595,416,000	531,740,000
47	**United States National Bank, Portland, Ore.**	6,994,001,000	6,095,867,000	51	+ 4	4,399,197,000	43	715,237,000	619,041,000
48	**Manufacturers National Bank, Detroit**	6,946,034,000	6,521,981,000	47		3,980,447,000	49	511,226,000	438,329,000
49	**Bank of Hawaii, Honolulu**	6,940,435,000	5,602,067,000	60	+11	2,931,278,283	67	446,180,000	373,190,000
50	**Fidelity Bank NA, Philadelphia**	6,919,305,000	6,706,244,000	45		785,371,590	265	388,416,000	354,098,000
51	**Harris Trust & Savings Bank, Chicago**	6,854,159,000	6,508,050,000	48		4,735,607,000	35	542,582,000	545,746,000
52	**Maryland National Bank, Baltimore**	6,631,568,000	6,793,502,000	44		3,381,884,000	62	537,130,000	487,397,000
53	**Huntington National Bank, Columbus, Ohio**	6,566,863,000	6,055,783,000	54	+ 1	3,075,104,000	64	536,045,000	466,402,000
54	**Security Pacific Bank Washington, Seattle**	6,439,119,000	5,686,248,000	59	+ 5	4,811,956,000	33	467,854,000	457,752,000
55	**Texas Commerce Bank NA, Houston**	6,416,672,000	6,453,537,000	49		6,243,431,000	28	618,271,000	631,240,000
56	**Society National Bank, Cleveland**	6,280,633,000	4,607,396,000	78	+22	1,810,679,000	120	456,374,000	356,839,000
57	**First National Bank, Atlanta**	6,139,163,000	6,017,771,000	55		3,456,514,000	61	566,102,000	511,198,000
58	**State Street Bank & Trust Co., Boston**	6,137,917,000	5,390,469,000	65	+ 7	2,492,654,000	80	620,563,000	538,531,000
59	**Fleet National Bank, Providence, R.I.**	6,111,457,000	5,539,747,000	62	+ 3	3,542,902,000	58	591,314,000	488,901,000
60	**First Interstate Bank of Arizona NA, Phoenix**	6,105,115,000	5,818,569,000	57		4,138,695,000	47	267,235,000	415,881,000
61	**Florida National Bank, Jacksonville**	6,055,322,000	6,066,205,000	53		2,844,588,000	69	358,736,000	479,445,000
62	**First Interstate Bank of Texas NA, Houston**	5,881,038,000	6,073,573,000	52		2,376,695,000	85	25,716,000	190,866,000
63	**Bank of Tokyo Trust Co., New York**	5,805,020,000	5,497,629,000	64	+ 1	3,835,872,000	54	400,362,000	375,513,000
64	**AmSouth Bank NA, Birmingham, Ala.**	5,787,896,000	5,692,601,000	58		2,797,356,000	72	561,759,000	530,480,000
65	**Riggs National Bank, Washington, D.C.**	5,702,593,000	5,253,756,000	66	+ 1	3,882,434,000	53	279,262,000	266,900,000
66	**Provident National Bank, Philadelphia**	5,692,972,000	6,432,758,000	50		2,918,581,000	68	510,078,000	451,020,000
67	**Norwest Bank Minnesota NA, Minneapolis**	5,654,443,000	5,540,745,000	61		3,882,676,000	52	424,838,000	406,030,000
68	**Hibernia National Bank, New Orleans**	5,604,612,000	4,733,616,000	75	+ 7	1,232,536,000	173	353,604,000	314,732,000
69	**Sanwa Bank California, San Francisco**	5,564,162,000	5,137,163,000	68		1,128,462,000	186	516,002,000	379,371,000
70	**National City Bank, Cleveland**	5,528,397,000	5,512,392,000	63		2,534,571,000	78	477,793,000	428,138,000
71	**Greenwood Trust Co., New Castle, Del.**	5,493,442,000	4,291,049,000	84	+13	....	....	456,205,000	359,073,000
72	**Shawmut Bank NA, Boston**	5,451,740,000	5,059,673,000	69		2,100,967,000	100	642,667,000	533,725,000
73	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	5,447,691,000	4,605,646,000	79	+ 6	680,586,106	304	375,800,000	366,177,000
74	**Barnett Bank of South Florida NA, Miami**	5,337,370,130	4,865,028,000	72		1,892,519,000	110	317,102,738	303,235,000
75	**Bank of California NA, San Francisco**	5,307,898,000	4,868,600,000	71		2,623,772,000	77	418,623,000	332,004,000
76	**Northern Trust Co., Chicago**	5,208,610,000	5,165,804,000	67		3,974,898,000	50	442,693,000	365,471,000
77	**Signet Bank/Virginia, Richmond**	5,204,778,000	5,040,448,000	70		3,032,889,000	66	456,196,000	369,844,000
78	**First Interstate Bank of Oregon NA, Portland**	5,132,209,000	4,835,390,000	73		4,111,885,000	48	397,190,000	337,958,000
79	**Boatmen's National Bank, St. Louis**	5,080,552,000	3,180,418,000	114	+35	888,201,000	230	548,282,000	293,019,000
80	**First Pennsylvania Bank NA, Philadelphia**	4,933,350,000	4,756,989,000	74		3,789,992,000	56	164,002,000	315,446,000
81	**Banco Popular de Puerto Rico, San Juan**	4,926,304,000	4,715,833,000	76		2,347,449,307	88	375,807,000	334,867,000
82	**First City, Texas-Houston NA**	4,843,074,000	4,222,849,000	87	+ 5	7,974,072,000	20	368,634,000	315,577,000
83	**First Tennessee Bank NA, Memphis**	4,764,950,000	4,468,737,000	80		1,573,713,000	136	349,607,000	346,996,000
84	**First National Bank of Maryland, Baltimore**	4,759,549,000	4,227,194,000	86	+ 2	2,463,236,000	82	370,492,000	313,426,000
85	**South Carolina National Bank, Columbia**	4,667,966,000	4,028,127,000	92	+ 7	1,625,252,000	134	391,705,000	322,217,000
86	**First Alabama Bank, Montgomery**	4,656,599,000	4,238,964,000	85		461,353,000	413	463,466,000	434,722,000
87	**First Florida Bank NA, Tampa**	4,631,618,000	4,294,028,000	83		1,310,508,000	164	395,286,000	375,001,000
88	**European American Bank, New York**	4,607,572,000	4,385,398,000	81		4,674,868,000	36	450,563,000	389,227,000
89	**Israel Discount Bank, New York**	4,404,126,000	3,965,892,000	95	+ 6	3,105,755,000	63	255,563,000	230,485,000
90	**First Hawaiian Bank, Honolulu**	4,322,099,000	3,621,793,000	99	+ 9	2,063,608,000	104	274,396,000	238,530,000
91	**BancOhio National Bank, Columbus**	4,241,084,000	3,984,094,000	93	+ 2	4,763,410,000	34	339,058,000	319,652,000
92	**American Security Bank NA, Washington, D.C.**	4,239,736,000	3,969,228,000	94	+ 2	2,753,382,000	73	337,174,000	311,488,000
93	**National Westminster Bank NJ, Jersey City, N.J.**	4,209,994,000	4,327,064,000	82		967,141,000	218	294,783,000	280,428,000
94	**Central Fidelity Bank, Richmond**	4,142,504,000	3,744,671,000	97	+ 3	1,286,787,000	168	302,564,000	272,939,000
95	**Chase Lincoln First Bank NA, Rochester, N.Y.**	4,105,545,000	4,066,672,000	89		3,066,110,000	65	401,182,000	393,571,000
96	**Norstar Bank of Upstate NY, Albany**	4,040,677,000	4,029,608,000	91		973,235,000	213	326,566,000	323,583,000
97	**Chemical Bank New Jersey NA, Morristown**	4,024,524,000	1,698,163,000	206	+ 109	782,186,000	268	291,059,000	119,999,000
98	**U.S. Bank of Washington NA, Seattle**	3,995,400,000	3,417,178,000	103	+ 5	1,745,364,000	122	299,110,000	253,980,000
99	**Citibank (New York State), Perinton**	3,958,060,000	3,745,548,000	96		1,844,848,000	116	445,517,000	419,088,000
100	**City National Bank, Beverly Hills**	3,855,866,000	3,465,407,000	101	+ 1	1,617,527,000	135	270,335,000	227,842,000

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1989, and various state banking departments. Deposits for 1989 may not be comparable with deposits reported for 1988 and 1985 deposits because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks, equity capital also includes the cumulative foreign currency translation adjustments. **(a)**— Bank was formed on 3/29/89, as a bridge bank via various agreements with the FDIC. Data for prior periods are for the former MBank Dallas NA, the largest of the 20 MCorp bank affiliates merged to form the bank. N.A.— Not available.

Compiled by American Banker, Copyright 1990.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 14A, 16A,

18A, 20A-22A, 24A-28A

Top 300 U.S. Commercial Banks in Deposits

In order of deposits December 31, 1989, compared with December 31, 1988, and December 31, 1985
Compiled Annually Since 1921 by the American Banker

Rank		Deposits		Rank		Deposits	Rank	Equity Capital	
12/31/89		12/31/89	12/31/88	1988	Gain	12/31/85	1985	12/31/89	6/30/88
101	Team Bank NA, Fort Worth, Tex. (a,s)	3,780,218,000	1,591,160,000	217	+ 116	1,708,256,000	124	(506,136,000)	(139,968,000)
102	Premier Bank NA, Baton Rouge, La.	3,749,929,000	3,537,890,000	100		863,012,387	238	184,600,000	271,483,000
103	Branch Banking & Trust Co., Wilson, N.C.	3,731,838,000	3,400,029,000	104	+ 1	1,482,003,000	146	277,490,000	251,278,000
104	UJB/Hackensack, N.J.	3,669,538,000	3,312,691,000	107	+ 3	1,930,461,000	109	311,337,000	253,978,000
105	INB National Bank, Indianapolis	3,667,168,000	3,462,640,000	102		2,054,495,000	105	320,333,000	280,761,000
106	Trust Company Bank, Atlanta	3,663,669,000	3,669,377,000	98		2,002,861,000	108	527,250,000	463,351,000
107	Security Pacific Bank Arizona, Phoenix	3,619,887,000	4,208,639,000	88		2,277,022,000	91	269,604,000	266,787,000
108	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	3,577,783,000	3,258,708,000	110	+ 2	1,868,532,000	111	344,933,000	303,269,000
109	American National Bank & Trust Co., Chicago	3,554,562,000	3,186,786,000	113	+ 4	2,371,680,000	86	242,436,000	205,084,000
110	National Community Bank, Rutherford, N.J.	3,550,851,000	3,078,796,736	122	+12	1,210,760,620	177	225,365,000	193,702,176
111	BayBank Middlesex, Burlington, Mass.	3,533,341,000	3,118,903,000	118	+ 7	1,557,789,585	142	218,265,000	206,418,000
112	Mellon Bank (East) NA, Philadelphia	3,502,200,000	3,352,590,000	105		2,821,030,000	70	179,450,000	204,752,000
113	Continental Bank, Norristown, Pa.	3,477,584,000	3,174,552,000	115	+ 2	2,082,090,000	101	275,427,000	238,161,000
114	Equitable Bank NA, Baltimore	3,456,719,000	3,288,048,000	108		2,143,342,000	98	273,771,000	269,642,000
115	Sun Bank NA, Orlando, Fla.	3,447,737,000	3,214,358,000	112		1,687,033,000	126	273,016,000	249,471,000
116	Sumitomo Bank of California, San Francisco	3,378,390,000	3,318,751,000	106		2,231,072,158	92	232,605,000	184,175,000
117	Sovran Bank/Maryland, Bethesda, Md.	3,331,760,000	3,097,780,000	120	+ 3	2,034,020,000	106	245,618,000	222,942,000
118	Norstar Bank NA, Buffalo, N.Y.	3,329,666,000	3,142,946,000	117		727,359,242	281	268,322,000	256,643,000
119	Sovran Bank/Central South, Nashville, Tenn.	3,323,192,000	2,707,869,000	136	+17	1,163,309,359	183	283,104,000	227,204,000
120	Bank One Columbus NA, Ohio	3,262,049,000	3,013,558,000	126	+ 6	1,232,853,525	172	243,334,000	229,049,000
121	First Union National Bank, Atlanta	3,246,746,000	3,263,817,000	109		....	....	235,770,000	229,227,000
122	First-Citizens Bank & Trust Co., Raleigh, N.C.	3,239,040,000	2,991,772,000	127	+ 5	1,660,286,988	128	227,401,000	211,708,000
123	Chase Manhattan Bank (USA) NA, Wilmington, Del.	3,213,865,000	2,025,912,000	178	+55	471,002,783	405	691,163,000	521,414,000
124	Industrial Bank of Japan Trust Co., New York	3,199,148,000	3,089,858,000	121		1,464,353,000	150	318,251,000	232,301,000
125	Citizens & Southern National Bank, Charleston, S.C.	3,184,061,000	3,036,413,000	124		1,674,454,771	127	248,642,000	211,975,000
126	Midlantic National Bank/North, West Paterson, N.J.	3,181,582,000	2,841,480,000	132	+ 6	1,091,855,000	193	252,645,000	226,623,000
127	Dominion Bank NA, Roanoke, Va.	3,145,300,000	3,022,907,000	125		1,409,270,000	155	265,155,000	231,761,000
128	First American Bank of Virginia, McLean	3,136,873,000	2,930,151,000	129	+ 1	1,559,112,000	141	244,139,000	217,127,000
129	First Interstate Bank of Washington NA, Seattle	3,117,392,000	2,938,083,000	128		2,176,549,449	97	238,370,000	212,051,000
130	First Interstate Bank of Nevada NA, Reno	3,106,743,000	2,822,478,000	134	+ 4	2,077,582,768	102	256,356,000	224,523,000
131	Bank One Indianapolis NA	3,091,449,000	2,911,999,000	130		2,368,903,000	87	308,814,000	265,216,000
132	Mercantile Bank NA, Clayton, Mo.	3,066,659,000	3,043,981,000	123		191,857,000	928	245,619,000	269,410,000
133	Bank Leumi Trust Co., New York	3,056,650,000	2,826,862,000	133		2,696,421,193	74	144,539,000	143,156,000
134	Manufacturers & Traders Trust Co., Buffalo, N.Y.	3,023,335,000	3,115,988,000	119		1,573,018,000	137	218,781,000	203,594,000
135	First National Bank, Louisville, Ky.	3,008,809,000	3,147,699,000	116		2,326,689,000	89	267,513,000	258,347,000
136	Fifth Third Bank, Cincinnati	2,966,153,000	2,593,721,000	142	+ 6	1,046,786,000	199	290,776,000	238,423,000
137	Deposit Guaranty National Bank, Jackson, Miss.	2,945,751,000	2,844,645,000	131		1,641,553,000	131	266,300,000	247,335,000
138	Central Bank of the South, Birmingham, Ala.	2,933,514,000	2,614,001,000	140	+ 2	1,842,702,000	117	274,011,000	254,482,000
139	American Express Centurion Bank, Newark, Del.	2,918,559,000	2,101,683,000	171	+32	....	....	436,336,000	371,320,000
140	Bank South NA, Atlanta	2,876,322,000	2,727,320,000	135		1,027,722,000	203	239,806,000	215,736,000
141	Union Trust Co., Stamford, Conn.	2,848,483,000	2,695,767,000	137		1,408,908,000	156	239,799,000	246,092,000
142	Citizens First National Bank, Ridgewood, N.J.	2,743,388,000	2,405,170,000	152	+10	983,878,000	208	181,425,000	155,903,000
143	Barclays Bank of New York NA	2,703,620,000	2,676,770,000	139		1,288,124,000	167	202,875,000	183,691,000
144	Central Trust Co. NA, Cincinnati	2,703,551,000	2,416,457,000	151	+ 7	1,223,148,000	175	210,220,000	200,408,000
145	Society Bank & Trust, Toledo, Ohio	2,674,870,000	2,604,121,000	141		969,917,296	214	102,291,000	196,527,000
146	Bank of Baltimore	2,665,597,000	2,692,475,000	138		....	....	206,225,000	191,892,000
147	Banco de Ponce, P.R.	2,637,914,000	2,524,029,599	146		1,403,426,593	157	157,739,000	149,810,153
148	Citibank (South Dakota) NA, Sioux Falls	2,630,307,000	2,206,499,000	166	+18	2,191,285,000	96	816,542,000	800,595,000
149	Wilmington Trust Co., Del.	2,613,380,000	2,291,149,000	157	+ 8	1,283,378,000	169	257,552,000	228,038,000
150	First Wisconsin National Bank, Milwaukee	2,576,607,000	2,579,106,000	143		2,485,557,000	81	238,207,000	229,088,000
151	Trustmark National Bank, Jackson, Miss.	2,571,454,000	2,425,286,923	150		1,376,448,000	158	222,736,000	204,509,132
152	Old Kent Bank & Trust Co., Grand Rapids, Mich.	2,568,095,000	2,561,181,000	145		1,633,773,000	133	210,176,000	195,413,000
153	Signet Bank/Maryland, Baltimore	2,565,857,000	2,445,426,000	148		1,211,314,000	176	215,972,000	196,354,000
154	Equibank, Pittsburgh	2,530,316,000	2,253,006,000	164	+10	2,689,247,000	75	184,200,000	165,406,000
155	Imperial Bank, Los Angeles	2,512,238,000	2,032,477,000	177	+22	1,160,817,000	184	163,074,000	144,081,000
156	First Security Bank of Utah NA, Salt Lake City	2,504,707,000	2,322,666,000	155		2,066,028,000	103	211,519,000	195,700,000
157	Rhode Island Hospital Trust National Bank, Providence	2,417,841,000	2,338,972,000	153		1,445,340,000	152	200,033,000	182,989,000
158	Fuji Bank & Trust Co., New York	2,414,405,000	3,232,846,000	111		1,761,104,839	121	254,725,000	253,673,000
159	Star Bank NA, Cincinnati	2,410,707,000	2,330,951,000	154		1,116,625,000	188	233,616,000	214,912,000
160	West One Bank Idaho, NA, Boise	2,407,595,000	2,280,463,000	158		1,846,411,000	115	199,906,000	207,227,000
161	Citytrust, Bridgeport, Conn.	2,400,921,000	2,214,756,000	165	+ 4	998,534,000	205	84,095,000	165,412,000
162	First of America Bank-Southeast Michigan NA, Detroit	2,392,939,000	2,269,359,000	161		880,306,000	232	168,920,000	165,749,000
163	NCNB South Carolina, Columbia	2,383,450,000	2,081,160,000	173	+10	1,256,581,613	171	292,367,000	242,384,000
164	SouthTrust Bank of Alabama NA, Birmingham	2,383,206,000	2,129,553,000	169	+ 5	1,039,977,579	201	220,143,000	205,653,000
165	Valley Bank of Nevada, Las Vegas	2,367,526,000	1,944,006,000	185	+20	867,714,593	235	161,836,000	145,849,000
166	Puget Sound National Bank, Tacoma, Wash.	2,359,113,000	1,788,534,000	200	+34	1,036,110,410	202	168,782,000	138,565,000
167	Norstar Bank, Melville, N.Y.	2,331,419,000	2,273,667,000	160		701,003,134	295	163,161,000	153,465,000
168	Morgan Bank (Delaware), Wilmington	2,323,283,000	1,525,738,000	227	+59	1,223,631,000	174	510,357,000	323,925,000
169	Citibank (Arizona), Phoenix	2,315,606,000	2,076,098,000	174	+ 5	520,709,000	373	231,944,000	310,696,000
170	Bank of Boston Connecticut, Waterbury	2,297,777,000	2,263,014,000	163		1,173,589,000	181	132,973,000	162,464,000
171	Hamilton Bank, Lancaster, Pa.	2,290,285,000	2,278,858,000	159		1,810,772,000	119	206,150,000	212,139,000
172	Frost National Bank, San Antonio, Tex.	2,283,030,000	1,991,581,000	182	+10	1,296,767,322	165	139,953,000	131,385,000
173	Northeastern Bank of Pennsylvania, Wilkes-Barre	2,283,011,000	2,142,078,000	168		1,091,168,127	194	165,399,000	150,127,000
174	First National Bank of Commerce, New Orleans	2,277,171,000	2,083,635,000	172		1,465,777,000	149	178,255,000	165,322,000
175	First American National Bank, Nashville, Tenn. (b)	2,269,813,000	2,429,962,000	149		1,350,785,000	159	155,201,000	182,171,000
176	Whitney National Bank, New Orleans	2,248,016,000	2,266,667,000	162		1,651,236,411	130	193,715,000	275,068,000
177	Key Bank NA, Albany, N.Y.	2,237,541,000	2,036,675,000	175		1,097,472,753	192	156,971,000	145,924,000
178	Boatmen's First National Bank, Kansas City, Mo.	2,232,669,000	1,675,012,000	210	+32	918,424,000	226	225,993,000	179,469,000
179	Exchange National Bank, Chicago	2,203,684,000	2,019,982,000	179		927,033,805	225	151,274,000	123,661,000
180	First Fidelity Bank NA/North Jersey, Totowa, N.J.	2,158,066,000	2,035,938,000	176		1,087,598,000	195	170,035,000	163,988,000
181	First City, Texas-Dallas	2,140,872,000	2,008,241,000	180		768,143,000	272	123,853,000	123,072,000
182	New Jersey National Bank, Pennington	2,121,265,000	1,989,041,000	183	+ 1	1,171,368,000	182	172,483,000	156,246,000
183	Merchants National Bank & Trust Co., Indianapolis	2,096,313,000	2,120,819,000	170		1,439,623,000	153	195,121,000	179,890,000
184	Southern National Bank, Lumberton, N.C.	2,090,430,000	1,918,505,000	189	+ 5	860,833,154	240	145,212,000	126,954,000
185	Barnett Bank of Central Florida NA, Orlando	2,068,002,000	1,874,266,000	191	+ 6	792,874,000	257	133,631,000	116,824,000
186	Barnett Bank of Pinellas Cty., St. Petersburg, Fla.	2,065,123,000	1,836,376,000	194	+ 8	....	....	136,053,000	132,397,000
187	Liberty National Bank & Trust Co., Louisville, Ky.	2,060,445,000	1,844,305,000	193	+ 6	1,084,706,000	196	174,755,000	155,573,000
188	Union Planters National Bank, Memphis, Tenn.	2,035,930,000	1,886,412,000	190	+ 2	1,314,593,000	162	122,290,000	166,567,000
189	United Carolina Bank, Whiteville, N.C.	2,027,757,000	1,835,260,000	195	+ 6	968,758,000	216	143,271,000	129,815,000
190	Bank One Milwaukee NA	1,999,796,000	1,246,821,000	258	+68	959,959,000	223	187,939,000	112,305,000
191	Union National Bank, Pittsburgh	1,999,075,000	1,997,750,000	181		1,510,844,000	144	143,272,000	146,422,000
192	Third National Bank, Nashville, Tenn.	1,993,183,000	2,205,219,000	167		1,453,095,000	151	195,748,000	185,920,000
193	First Eastern Bank NA, Wilkes-Barre, Pa.	1,989,748,000	1,819,833,000	198	+ 5	843,852,000	245	156,080,000	140,507,000
194	Zions First National Bank, Salt Lake City, Utah	1,981,694,000	1,938,736,000	186		1,564,730,000	139	133,437,000	112,248,000
195	Commerce Bank of St. Louis NA, Clayton, Mo.	1,956,465,000	1,744,004,000	203	+ 8	93,460,457	2107	120,805,059	113,554,000
196	Key Bank of Central New York NA, Syracuse	1,944,289,000	1,984,521,000	184		677,235,827	306	165,338,000	152,665,000
197	United States Trust Co., New York	1,941,095,000	2,495,454,000	147		1,744,850,000	123	174,933,000	167,246,000
198	Bank One Dayton NA, Ohio	1,940,749,000	1,695,692,000	207	+ 9	989,857,000	206	166,088,000	144,085,000
199	Banco Santander Puerto Rico, Hato Rey	1,939,109,000	1,660,311,000	213	+14	847,820,673	241	134,185,000	111,022,000
200	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	1,919,134,000	1,825,727,000	197		725,188,358	283	122,133,000	108,467,000

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1989, and various state banking departments. Deposits for 1989 may not be comparable with deposits reported for 1988 and 1985 deposits because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks, equity capital also includes the cumulative foreign currency translation adjustments. **N.A.**— Not available. **(a)**— Bank was formed by the FDIC on 7/21/89, as a bridge bank. Data for prior periods are for the former Texas American Bank/Fort Worth NA, the largest of the 24 Texas American Bancshares bank affiliates merged to form the bank. **(b)**— On Jan. 1, 1990, the bank merged eight affiliate banks of its parent, First American Corp. **(s)**— Data for Dec. 31, 1989, were not available. Therefore, Sept. 30, 1989 data were used. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

Top 300 U.S. Commercial Banks in Deposits

In order of deposits December 31, 1989, compared with December 31, 1988, and December 31, 1985
Compiled Annually Since 1921 by the American Banker

Rank 12/31/89		Deposits		Rank 1988	Gain	Deposits 12/31/85	Rank 1985	Equity Capital	
		12/31/89	12/31/88					12/31/89	6/30/88
201	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	1,918,777,000	1,858,344,000	192		1,257,521,166	170	204,358,000	186,158,000
202	National State Bank, Elizabeth, N.J.	1,902,775,000	1,831,423,000	196		1,131,293,000	185	127,975,000	115,596,000
203	United Bank of Denver NA	1,902,313,000	1,919,965,000	188		1,815,280,018	118	175,548,000	170,866,000
204	Texas Commerce Bank Dallas NA	1,894,148,000	1,737,337,000	204		317,996,370	563	90,018,000	93,378,000
205	First Virginia Bank, Falls Church	1,871,455,000	1,813,793,000	199		960,554,000	222	152,716,000	136,246,000
206	M & I Marshall & Ilsley Bank, Milwaukee	1,863,470,000	1,746,954,000	202		845,575,000	242	179,179,000	169,795,000
207	Sun Bank/Miami NA	1,847,080,000	1,757,999,000	201		779,748,000	269	147,929,000	134,710,000
208	First Fidelity Bank NA, Burlington Twp., N.J.	1,825,687,000	1,676,448,000	209	+ 1	873,001,000	233	138,744,000	134,380,000
209	Sun Bank/South Florida NA, Fort Lauderdale	1,797,627,000	1,724,711,000	205		726,048,000	282	168,046,000	146,756,000
210	United Jersey Bank Central NA, Princeton, N.J.	1,780,089,000	1,655,654,000	214	+ 4	392,041,000	478	118,559,000	109,014,000
211	First National Bank, Akron, Ohio	1,716,105,000	1,673,445,000	211		975,169,000	211	187,879,000	177,658,000
212	United Bank & Trust Co., Hartford, Conn.	1,708,824,000	1,589,347,000	218	+ 6	404,455,000	470	145,561,000	130,536,000
213	Trust Company of New Jersey, Jersey City	1,704,052,000	1,512,883,000	228	+15	804,246,000	254	114,534,000	94,885,000
214	First National Bank, Toms River, N.J.	1,703,047,000	1,566,546,000	222	+ 8	650,503,417	313	143,162,000	134,083,000
215	Society Bank NA, Dayton, Ohio	1,698,668,000	1,601,894,000	216	+ 1	785,370,000	266	111,978,000	111,674,000
216	Bank of Oklahoma NA, Tulsa	1,697,079,000	1,437,399,000	237	+21	1,294,789,000	166	61,500,000	71,471,000
217	Citizens Bank of Maryland, Laurel	1,685,578,000	1,433,339,000	239	+22	768,583,287	270	204,608,000	189,064,000
218	National Bank of Alaska, Anchorage	1,682,878,000	1,274,131,000	255	+37	806,830,000	252	186,176,000	158,862,000
219	Merchants Bank NA, Allentown, Pa.	1,680,080,156	1,587,345,506	219		690,183,692	300	134,457,100	130,990,812
220	Merchants Bank, Kansas City, Mo.	1,675,921,000	1,494,535,000	231	+11	106,290,000	1811	118,360,000	100,843,000
221	Bank of Delaware, Wilmington	1,672,458,000	1,584,631,000	220		899,366,000	228	128,725,000	115,215,000
222	United Missouri Bank of Kansas City NA	1,672,228,000	1,555,796,000	224	+ 2	969,017,000	215	159,934,000	151,092,000
223	MBNA America Bank, NA, Newark, Del.	1,667,986,000	1,433,569,000	238	+15	190,253,000	941	109,460,000	106,755,000
224	Bank of New England North, Lowell, Mass. (a)	1,665,293,000	497,237,000	....		266,575,000	671	(59,116,000)	33,932,000
225	Provident Bank, Cincinnati	1,641,879,000	1,529,740,000	226	+ 1	718,344,000	289	136,356,000	117,258,000
226	Norwest Bank South Dakota NA, Sioux Falls	1,637,675,000	1,479,928,000	233	+ 7	606,192,000	326	109,234,000	91,748,000
227	Bank of the West, San Francisco	1,618,194,000	1,373,543,000	248	+21	974,613,000	212	115,223,000	102,816,000
228	Barnett Bank of Jacksonville NA, Fla.	1,603,672,000	1,400,199,000	246	+18	696,933,000	298	112,708,000	97,224,000
229	First Security Bank of Idaho NA, Boise	1,602,728,000	1,464,920,000	234	+ 5	1,341,090,000	160	142,473,000	130,918,000
230	Valley National Bank, Passaic, N.J.	1,586,994,000	1,495,634,000	229		786,620,951	264	155,027,000	139,729,000
231	Barnett Bank of Southwest Florida, Sarasota	1,586,364,000	1,495,457,000	230		116,420,000	1621	102,422,000	101,135,000
232	Daiwa Bank Trust Co., New York	1,585,135,000	1,401,666,000	245	+13	789,332,000	262	180,498,000	179,458,000
233	First American Bank NA, Washington, D.C.	1,579,162,000	1,534,251,000	225		709,833,142	291	122,765,000	110,811,000
234	Central Carolina Bank & Trust Co. NA, Durham, N.C.	1,575,041,000	1,422,240,000	242	+ 8	739,525,000	277	117,750,000	105,854,000
235	Casco Northern Bank NA, Portland, Me.	1,568,424,000	1,456,484,000	235		636,577,665	318	103,603,000	92,073,000
236	Fleet Bank-NH, Nashua	1,566,432,000	789,785,000	371	+ 135	327,310,000	545	123,877,000	56,821,000
237	BayBank Norfolk County Trust Co., Dedham, Mass.	1,553,095,000	1,414,025,000	244	+ 7	730,622,000	279	108,507,000	97,089,000
238	Bank of New England-West NA, Springfield, Mass.	1,543,179,000	1,558,823,000	223		617,179,574	325	70,665,000	127,887,000
239	National Bank of Washington, Washington, D.C.	1,538,170,000	1,632,443,000	215		967,443,000	217	92,914,000	83,401,000
240	Bank One Cleveland NA	1,506,233,000	1,480,850,000	232		889,802,000	229	131,803,000	126,542,000
241	Fleet Bank of Maine, Portland	1,503,516,000	1,389,825,000	247	+ 6	303,068,830	579	131,914,000	121,528,000
242	Manufacturers Hanover Bank (Delaware), Wilmington	1,462,278,000	1,688,557,000	208		668,995,000	307	244,059,000	234,810,000
243	Key Bank of Maine, Augusta	1,457,284,000	1,365,337,000	249	+ 6	379,963,998	487	115,552,000	106,739,000
244	Bank of New York (Delaware), Wilmington	1,435,314,000	1,661,265,000	212		....	....	282,876,000	221,125,000
245	Sunwest Bank of Albuquerque NA, N.M.	1,428,159,000	1,429,201,000	240		1,079,890,311	198	135,205,000	133,297,000
246	Bank of New England South NA, Brockton, Mass. (a)	1,412,752,000	622,049,000	429	+ 183	....	....	63,672,000	43,182,000
247	Summit Bank, Fort Wayne, Ind.	1,408,292,000	1,363,993,000	250	+ 3	681,639,000	303	106,733,000	101,189,000
248	Summit Trust Co., N.J.	1,392,449,000	1,226,752,000	261	+13	592,006,000	334	80,340,000	77,932,000
249	IBJ Schroder Bank & Trust Co., New York	1,390,817,000	1,583,723,000	221		1,655,596,000	129	333,419,000	326,823,000
250	Mercantile-Safe Deposit & Trust Co., Baltimore	1,370,075,000	1,189,036,000	270	+20	704,945,722	293	157,114,000	140,546,000
251	Dominion Bank of Middle Tennessee, Nashville	1,353,367,000	1,328,731,000	251		284,482,645	620	111,076,000	110,738,000
252	First American Bank of Georgia NA, Atlanta	1,351,021,000	1,287,824,000	252		802,814,000	255	112,246,000	108,911,000
253	Barnett Bank of Tampa NA, Fla.	1,345,582,000	1,286,649,000	253		447,941,930	428	79,334,000	78,429,000
254	San Diego Trust & Savings Bank, Calif.	1,343,063,000	1,258,412,000	257	+ 3	844,769,000	243	96,543,000	88,342,000
255	Commerce Bank of Kansas City NA, Mo.	1,334,364,000	1,197,549,000	265	+10	786,905,000	263	104,683,000	99,311,000
256	BayBank Harvard Trust Co., Cambridge, Mass.	1,324,366,000	1,177,819,000	272	+16	570,109,000	348	76,671,000	76,453,000
257	Shawmut Arlington Trust Co., Lawrence, Mass.	1,306,239,000	1,428,940,000	241		723,275,000	287	116,678,000	116,803,000
258	Central Jersey Bank & Trust Co., Freehold, N.J.	1,300,081,000	1,198,243,000	264	+ 6	658,271,000	310	118,078,000	106,660,000
259	Security Bank & Trust Co., Southgate, Mich.	1,298,274,000	1,198,854,000	263	+ 4	798,249,000	256	92,444,000	83,189,000
260	Norwest Bank Nebraska NA, Omaha	1,295,915,000	1,199,189,000	262	+ 2	452,575,000	421	77,921,000	73,813,000
261	Marquette Bank Minneapolis NA	1,286,837,000	1,106,095,000	289	+28	964,722,000	220	120,012,000	98,009,000
262	First American Bank of Maryland, Silver Spring	1,286,115,000	1,151,569,000	278	+16	364,361,734	504	89,752,000	71,535,000
263	National Bank of Commerce, Memphis, Tenn.	1,279,000,000	1,158,264,000	277	+14	791,530,000	259	113,555,000	103,219,000
264	Shawmut Worcester County Bank NA, Worcester, Mass.	1,262,096,000	1,174,584,000	274	+10	701,394,000	294	103,676,000	91,036,000
265	Sunburst Bank, Grenada, Miss.	1,256,754,000	1,193,843,000	269	+ 4	491,062,000	392	93,794,000	95,519,000
266	First Nat'l Bank of Central Jersey, Bridgewater Twp, N.J.	1,251,194,000	1,103,211,000	291	+25	486,768,103	395	102,044,000	89,371,000
267	Banco Central Corp., Hato Rey, P.R.	1,250,796,000	1,136,612,000	281	+14	809,945,350	250	122,309,000	111,493,000
268	First American Bank of New York	1,250,258,000	1,083,302,000	293	+25	73,440,355	2769	110,280,000	102,457,000
269	Norwest Bank Des Moines NA, Jowa	1,245,008,000	1,040,823,000	302	+33	844,328,000	244	76,345,000	69,734,000
270	Jefferson National Bank, Charlottesville, Va.	1,240,749,000	1,194,623,000	268		48,503,433	4441	121,600,000	113,447,000
271	Mark Twain Bank, Ladue, Mo.	1,239,906,000	1,235,035,000	260		119,830,000	1564	97,649,000	86,414,000
272	Bank of Mississippi, Tupelo	1,238,825,000	1,145,366,000	279	+ 7	456,113,012	416	129,246,000	97,849,000
273	Westamerica Bank NA, San Rafael, Calif.	1,233,418,000	1,125,312,000	283	+10	815,114,000	249	74,647,000	67,395,000
274	First National Bank, Omaha, Neb.	1,230,621,000	925,062,000	329	+55	490,477,446	393	91,505,000	86,028,000
275	Commonwealth National Bank, Harrisburg, Pa.	1,215,016,000	1,119,844,000	285	+10	998,974,000	204	75,019,000	82,846,000
276	First Interstate Bank of Denver NA	1,212,948,000	1,275,263,000	254		1,853,786,000	114	147,452,000	150,033,000
277	Bank IV Wichita NA, Kan.	1,203,400,000	1,196,859,000	266		829,982,000	247	105,547,000	100,292,000
278	Bank of New England-Old Colony NA, Providence, R.I.	1,191,244,000	1,026,494,000	304	+26	....	....	70,167,000	67,563,000
279	First American National Bank, Knoxville, Tenn.	1,191,106,000	1,196,457,000	267		598,749,760	328	86,323,000	91,389,000
280	Sun Bank of Tampa Bay, Tampa, Fla.	1,188,692,000	1,174,514,000	275		563,734,000	352	104,305,000	94,515,000
281	Marine Bank, Warren, Pa.	1,178,273,000	1,044,968,000	300	+19	790,855,000	261	110,381,000	94,094,000
282	Mitsui Manufacturers Bank, Los Angeles	1,177,787,000	1,447,006,000	236		1,472,502,000	148	123,305,000	118,804,000
283	Key Bank of Oregon, Portland	1,164,297,000	1,068,016,000	296	+13	....	....	89,735,000	81,554,000
284	Laredo National Bank, Tex.	1,162,271,000	1,237,884,000	259		744,400,130	275	69,523,000	64,231,000
285	LaSalle National Bank, Chicago	1,159,775,000	1,105,378,000	290	+ 5	912,629,000	227	93,828,000	90,787,000
286	Colonial Bank-Northern Region, Montgomery, Ala.	1,156,843,000	839,216,000	353	+67	46,467,285	4657	92,914,000	74,193,000
287	Amalgamated Bank, New York	1,156,470,000	1,144,708,000	280		699,443,000	297	86,939,000	86,373,000
288	Bank of New England-Worcester, Mass. (a)	1,147,291,000	1,131,868,000	282		507,492,262	383	33,065,000	85,275,000
289	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	1,137,629,000	1,006,247,000	308	+19	623,427,262	322	79,387,000	76,792,000
290	First Security Nat'l Bank & Trust Co., Lexington, Ky.	1,137,237,000	1,040,889,000	301	+11	594,524,000	331	95,988,000	92,161,000
291	Provident Bank of Maryland, Baltimore	1,136,739,000	1,118,488,000	286		....	....	116,339,000	115,330,000
292	Delaware Trust Co., Wilmington	1,129,153,000	1,038,057,000	303	+11	681,925,000	302	97,017,000	89,542,000
293	FirsTier Bank NA, Omaha, Neb.	1,122,917,000	1,077,260,000	295	+ 2	641,460,000	316	91,105,000	85,355,000
294	Maine National Bank, Portland	1,119,549,000	1,080,085,000	294		505,994,000	384	62,137,000	74,304,000
295	Bank One Akron NA, Ohio	1,117,399,000	1,056,191,000	299	+ 4	623,783,000	320	118,736,000	115,242,000
296	United Penn Bank, Wilkes-Barre, Pa.	1,111,411,000	1,001,079,000	309	+13	667,901,000	308	79,912,000	89,449,000
297	Gainer Bank NA, Gary, Ind.	1,110,451,000	1,113,546,000	287		584,205,902	342	99,119,000	96,838,000
298	First Bank NA, Milwaukee	1,097,825,000	1,062,804,000	298		454,855,000	418	67,326,000	70,388,000
299	NBD Grand Rapids NA, Mich.	1,091,944,000	955,417,000	318	+19	585,364,000	340	69,072,000	62,820,000
300	First Deposit National Bank, Tilton, N.H. (s)	1,084,636,000	1,007,809,000	307	+ 7	....	....	88,393,000	N.A.

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1989, and various state banking departments. Deposits for 1989 may not be comparable with deposits reported for 1988 and 1985 deposits because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks, equity capital also includes the cumulative foreign currency translation adjustments. **N.A.**— Not available. **(a)**— Bank was merged into Bank of New England NA, Boston, on Feb. 9, 1990. **(s)**— Data for Dec. 31, 1989, were not available. Therefore, Sept. 30, 1989 data were used. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

Top 300 U.S. Commercial Banks

Listed geographically in deposit-size order within states

		Deposits 12/31/89
	Alabama	
64	AmSouth Bank NA, Birmingham	5,787,896,000
86	First Alabama Bank, Montgomery	4,656,599,000
138	Central Bank of the South, Birmingham	2,933,514,000
164	SouthTrust Bank of Alabama NA, Birmingham	2,383,206,000
286	Colonial Bank-Northern Region, Montgomery	1,156,843,000
	Alaska	
218	National Bank of Alaska, Anchorage	1,682,878,000
	Arizona	
37	Valley National Bank, Phoenix	8,370,893,000
60	First Interstate Bank of Arizona NA, Phoenix	6,105,115,000
107	Security Pacific Bank Arizona, Phoenix	3,619,887,000
169	Citibank (Arizona), Phoenix	2,315,606,000
	California	
2	Bank of America NT&SA, San Francisco	73,295,000,000
6	Security Pacific National Bank, Los Angeles	40,597,338,000
7	Wells Fargo Bank NA, San Francisco	36,462,605,000
16	First Interstate Bank of California, Los Angeles	17,849,795,000
22	Union Bank, San Francisco	11,637,088,000
69	Sanwa Bank California, San Francisco	5,564,162,000
75	Bank of California NA, San Francisco	5,307,898,000
100	City National Bank, Beverly Hills	3,855,866,000
116	Sumitomo Bank of California, San Francisco	3,378,390,000
155	Imperial Bank, Los Angeles	2,512,238,000
227	Bank of the West, San Francisco	1,618,194,000
254	San Diego Trust & Savings Bank	1,343,063,000
273	Westamerica Bank NA, San Rafael	1,233,418,000
282	Mitsui Manufacturers Bank, Los Angeles	1,177,787,000
	Colorado	
203	United Bank of Denver NA	1,902,313,000
276	First Interstate Bank of Denver NA	1,212,948,000
	Connecticut	
35	Connecticut Bank & Trust Co. NA, Hartford	8,450,053,000
38	Connecticut National Bank, Hartford	8,196,372,000
141	Union Trust Co., Stamford	2,848,483,000
161	Citytrust, Bridgeport	2,400,921,000
170	Bank of Boston Connecticut, Waterbury	2,297,777,000
212	United Bank & Trust Co., Hartford	1,708,824,000
	Delaware	
71	Greenwood Trust Co., New Castle	5,493,442,000
123	Chase Manhattan Bank (USA) NA, Wilmington	3,213,865,000
139	American Express Centurion Bank, Newark	2,918,559,000
149	Wilmington Trust Co.	2,613,380,000
168	Morgan Bank (Delaware), Wilmington	2,323,283,000
221	Bank of Delaware, Wilmington	1,672,458,000
223	MBNA America Bank, NA, Newark	1,667,986,000
242	Manufacturers Hanover Bank (Delaware), Wilmington	1,462,278,000
244	Bank of New York (Delaware), Wilmington	1,435,314,000
292	Delaware Trust Co., Wilmington	1,129,153,000
	District of Columbia	
65	Riggs National Bank, Washington, D.C.	5,702,593,000
92	American Security Bank NA, Washington, D.C.	4,239,736,000
233	First American Bank NA, Washington, D.C.	1,579,162,000
239	National Bank of Washington, Washington, D.C.	1,538,170,000
	Florida	
20	Southeast Bank NA, Miami	12,715,951,000
29	NCNB National Bank of Florida, Tampa	9,637,057,000
45	First Union National Bank of Florida, Jacksonville	7,090,935,000
61	Florida National Bank, Jacksonville	6,055,322,000
73	Citizens & Southern National Bank, Fort Lauderdale	5,447,691,000
74	Barnett Bank of South Florida NA, Miami	5,337,370,130
87	First Florida Bank NA, Tampa	4,631,618,000
115	Sun Bank NA, Orlando	3,447,737,000
185	Barnett Bank of Central Florida NA, Orlando	2,068,002,000
186	Barnett Bank of Pinellas Cty., St. Petersburg	2,065,123,000
200	Barnett Bank of Palm Beach Cty., West Palm Beach	1,919,134,000
207	Sun Bank/Miami NA	1,847,080,000
209	Sun Bank/South Florida NA, Fort Lauderdale	1,797,627,000
228	Barnett Bank of Jacksonville NA	1,603,672,000
231	Barnett Bank of Southwest Florida, Sarasota	1,586,364,000
253	Barnett Bank of Tampa NA	1,345,582,000
280	Sun Bank of Tampa Bay, Tampa	1,188,692,000
	Georgia	
30	Citizens & Southern National Bank, Atlanta	9,468,585,000
57	First National Bank, Atlanta	6,139,163,000
106	Trust Company Bank, Atlanta	3,663,669,000
121	First Union National Bank, Atlanta	3,246,746,000
140	Bank South NA, Atlanta	2,876,322,000
252	First American Bank of Georgia NA, Atlanta	1,351,021,000
	Hawaii	
49	Bank of Hawaii, Honolulu	6,940,435,000
90	First Hawaiian Bank, Honolulu	4,322,099,000
	Idaho	
160	West One Bank Idaho, NA, Boise	2,407,595,000
229	First Security Bank of Idaho NA, Boise	1,602,728,000
	Illinois	
11	First National Bank, Chicago	26,403,340,000
	Illinois (continued)	
14	Continental Bank NA, Chicago	18,178,226,000
51	Harris Trust & Savings Bank, Chicago	6,854,159,000
76	Northern Trust Co., Chicago	5,208,610,000
109	American National Bank & Trust Co., Chicago	3,554,562,000
179	Exchange National Bank, Chicago	2,203,684,000
285	LaSalle National Bank, Chicago	1,159,775,000
	Indiana	
105	INB National Bank, Indianapolis	3,667,168,000
131	Bank One Indianapolis NA	3,091,449,000
183	Merchants National Bank & Trust Co., Indianapolis	2,096,313,000
247	Summit Bank, Fort Wayne	1,408,292,000
289	Lincoln National Bank & Trust Co., Fort Wayne	1,137,629,000
297	Gainer Bank NA, Gary	1,110,451,000
	Iowa	
269	Norwest Bank Des Moines NA	1,245,008,000
	Kansas	
277	Bank IV Wichita NA	1,203,400,000
	Kentucky	
108	Citizens Fidelity Bank & Trust Co., Louisville	3,577,783,000
135	First National Bank, Louisville	3,008,809,000
187	Liberty National Bank & Trust Co., Louisville	2,060,445,000
290	First Security Nat'l Bank & Trust Co., Lexington	1,137,237,000
	Louisiana	
68	Hibernia National Bank, New Orleans	5,604,612,000
102	Premier Bank NA, Baton Rouge	3,749,929,000
174	First National Bank of Commerce, New Orleans	2,277,171,000
176	Whitney National Bank, New Orleans	2,248,016,000
	Maine	
235	Casco Northern Bank NA, Portland	1,568,424,000
241	Fleet Bank of Maine, Portland	1,503,516,000
243	Key Bank of Maine, Augusta	1,457,284,000
294	Maine National Bank, Portland	1,119,549,000
	Maryland	
52	Maryland National Bank, Baltimore	6,631,568,000
84	First National Bank of Maryland, Baltimore	4,759,549,000
114	Equitable Bank NA, Baltimore	3,456,719,000
117	Sovran Bank/Maryland, Bethesda	3,331,760,000
146	Bank of Baltimore	2,665,597,000
153	Signet Bank/Maryland, Baltimore	2,565,857,000
217	Citizens Bank of Maryland, Laurel	1,685,578,000
250	Mercantile-Safe Deposit & Trust Co., Baltimore	1,370,075,000
262	First American Bank of Maryland, Silver Spring	1,286,115,000
291	Provident Bank of Maryland, Baltimore	1,136,799,000
	Massachusetts	
13	First National Bank, Boston	22,061,157,000
31	Bank of New England NA, Boston	9,208,787,000
41	Boston Safe Deposit & Trust Co.	7,782,273,000
58	State Street Bank & Trust Co., Boston	6,137,917,000
72	Shawmut Bank NA, Boston	5,451,740,000
111	BayBank Middlesex, Burlington	3,533,341,000
224	Bank of New England North, Lowell	1,665,293,000
237	BayBank Norfolk County Trust Co., Dedham	1,553,095,000
238	Bank of New England-West NA, Springfield	1,543,179,000
246	Bank of New England South NA, Brockton	1,412,752,000
256	BayBank Harvard Trust Co., Cambridge	1,324,366,000
257	Shawmut Arlington Trust Co., Lawrence	1,306,239,000
264	Shawmut Worcester County Bank NA, Worcester	1,262,096,000
288	Bank of New England-Worcester	1,147,291,000
	Michigan	
21	National Bank of Detroit	12,288,133,000
39	Michigan National Bank, Farmington Hills	7,888,735,000
43	Comerica Bank-Detroit	7,561,148,000
48	Manufacturers National Bank, Detroit	6,946,034,000
152	Old Kent Bank & Trust Co., Grand Rapids	2,568,095,000
162	First of America Bank-Southeast Michigan NA, Detroit	2,392,939,000
259	Security Bank & Trust Co., Southgate	1,298,274,000
299	NBD Grand Rapids NA	1,091,944,000
	Minnesota	
32	First Bank NA, Minneapolis	9,104,370,000
67	Norwest Bank Minnesota NA, Minneapolis	5,654,443,000
261	Marquette Bank Minneapolis NA	1,286,837,000
	Mississippi	
137	Deposit Guaranty National Bank, Jackson	2,945,751,000
151	Trustmark National Bank, Jackson	2,571,454,000
265	Sunburst Bank, Grenada	1,256,754,000
272	Bank of Mississippi, Tupelo	1,238,825,000
	Missouri	
79	Boatmen's National Bank, St. Louis	5,080,552,000
132	Mercantile Bank NA, Clayton	3,066,659,000
178	Boatmen's First National Bank, Kansas City	2,232,669,000
195	Commerce Bank of St. Louis NA, Clayton	1,956,465,000
220	Merchants Bank, Kansas City	1,675,921,000
222	United Missouri Bank of Kansas City NA	1,672,228,000
255	Commerce Bank of Kansas City NA	1,334,364,000
271	Mark Twain Bank, Ladue	1,239,906,000

Top 300 U.S. Commercial Banks

Listed geographically in deposit-size order within states

		Deposits 12/31/89
	Nebraska	
260	Norwest Bank Nebraska NA, Omaha	1,295,915,000
274	First National Bank, Omaha	1,230,621,000
293	FirsTier Bank NA, Omaha	1,122,917,000
	Nevada	
130	First Interstate Bank of Nevada NA, Reno	3,106,743,000
165	Valley Bank of Nevada, Las Vegas	2,367,526,000
	New Hampshire	
236	Fleet Bank-NH, Nashua	1,566,432,000
300	First Deposit National Bank, Tilton	1,084,636,000
	New Jersey	
33	First Fidelity Bank NA, Newark	8,615,504,000
40	Midlantic National Bank, Newark	7,791,480,000
93	National Westminster Bank NJ, Jersey City	4,209,994,000
97	Chemical Bank New Jersey NA, Morristown	4,024,524,000
104	UJB/Hackensack	3,669,538,000
110	National Community Bank, Rutherford	3,550,851,000
126	Midlantic National Bank/North, West Paterson	3,181,582,000
142	Citizens First National Bank, Ridgewood	2,743,388,000
180	First Fidelity Bank NA/North Jersey, Totowa	2,158,066,000
182	New Jersey National Bank, Pennington	2,121,265,000
202	National State Bank, Elizabeth	1,902,775,000
208	First Fidelity Bank NA, Burlington Twp.	1,825,687,000
210	United Jersey Bank Central NA, Princeton	1,780,089,000
213	Trust Company of New Jersey, Jersey City	1,704,052,000
214	First National Bank, Toms River	1,703,047,000
230	Valley National Bank, Passaic	1,586,994,000
248	Summit Trust Co.	1,392,449,000
258	Central Jersey Bank & Trust Co., Freehold	1,300,081,000
266	First Nat'l Bank of Central Jersey, Bridgewater Twp	1,251,194,000
	New Mexico	
245	Sunwest Bank of Albuquerque NA	1,428,159,000
	New York	
1	Citibank NA, New York	111,487,000,000
3	Chase Manhattan Bank NA, New York	61,720,245,000
4	Manufacturers Hanover Trust Co., New York	42,736,000,000
5	Morgan Guaranty Trust Co., New York	40,953,451,000
8	Bank of New York	34,411,451,000
9	Chemical Bank, New York	32,312,000,000
10	Bankers Trust Co., New York	27,879,571,000
15	Marine Midland Bank NA, Buffalo	18,021,665,000
18	Republic National Bank, New York	14,250,340,000
19	National Westminster Bank USA, New York	12,740,471,000
63	Bank of Tokyo Trust Co., New York	5,805,020,000
88	European American Bank, New York	4,607,572,000
89	Israel Discount Bank, New York	4,404,126,000
95	Chase Lincoln First Bank NA, Rochester	4,105,545,000
96	Norstar Bank of Upstate NY, Albany	4,040,677,000
99	Citibank (New York State), Perinton	3,958,060,000
118	Norstar Bank NA, Buffalo	3,329,666,000
124	Industrial Bank of Japan Trust Co., New York	3,199,148,000
133	Bank Leumi Trust Co., New York	3,056,650,000
134	Manufacturers & Traders Trust Co., Buffalo	3,023,335,000
143	Barclays Bank of New York NA	2,703,620,000
158	Fuji Bank & Trust Co., New York	2,414,405,000
167	Norstar Bank, Melville	2,331,419,000
177	Key Bank NA, Albany	2,237,541,000
196	Key Bank of Central New York NA, Syracuse	1,944,289,000
197	United States Trust Co., New York	1,941,095,000
232	Daiwa Bank Trust Co., New York	1,585,135,000
249	IBJ Schroder Bank & Trust Co., New York	1,390,817,000
268	First American Bank of New York	1,250,258,000
287	Amalgamated Bank, New York	1,156,470,000
	North Carolina	
23	Wachovia Bank & Trust Co. NA, Winston-Salem	11,344,443,000
24	NCNB National Bank of North Carolina, Charlotte	10,585,048,000
25	First Union National Bank, Charlotte	10,507,659,000
103	Branch Banking & Trust Co., Wilson	3,731,838,000
122	First-Citizens Bank & Trust Co., Raleigh	3,239,040,000
184	Southern National Bank, Lumberton	2,090,430,000
189	United Carolina Bank, Whiteville	2,027,757,000
234	Central Carolina Bank & Trust Co. NA, Durham	1,575,041,000
	Ohio	
46	Ameritrust Co. NA, Cleveland	7,072,134,000
53	Huntington National Bank, Columbus	6,566,863,000
56	Society National Bank, Cleveland	6,280,633,000
70	National City Bank, Cleveland	5,528,397,000
91	BancOhio National Bank, Columbus	4,241,084,000
120	Bank One Columbus NA	3,262,049,000
136	Fifth Third Bank, Cincinnati	2,966,153,000
144	Central Trust Co. NA, Cincinnati	2,703,551,000
145	Society Bank & Trust, Toledo	2,674,870,000
159	Star Bank NA, Cincinnati	2,410,707,000
198	Bank One Dayton NA	1,940,749,000
211	First National Bank, Akron	1,716,105,000
215	Society Bank NA, Dayton	1,698,668,000
225	Provident Bank, Cincinnati	1,641,879,000
240	Bank One Cleveland NA	1,506,233,000
295	Bank One Akron NA	1,117,399,000
	Oklahoma	
216	Bank of Oklahoma NA, Tulsa	1,697,079,000
	Oregon	
47	United States National Bank, Portland	6,994,001,000
78	First Interstate Bank of Oregon NA, Portland	5,132,209,000
283	Key Bank of Oregon, Portland	1,164,297,000
	Pennsylvania	
17	Mellon Bank NA, Pittsburgh	15,022,808,000
26	Pittsburgh National Bank	10,263,540,000
36	Meridian Bank, Reading	8,394,187,000
44	Philadelphia National Bank	7,261,814,000
50	Fidelity Bank NA, Philadelphia	6,919,305,000
66	Provident National Bank, Philadelphia	5,692,972,000
80	First Pennsylvania Bank NA, Philadelphia	4,933,350,000
112	Mellon Bank (East) NA, Philadelphia	3,502,200,000
113	Continental Bank, Norristown	3,477,584,000
154	Equibank, Pittsburgh	2,530,316,000
171	Hamilton Bank, Lancaster	2,290,285,000
173	Northeastern Bank of Pennsylvania, Wilkes-Barre	2,283,011,000
191	Union National Bank, Pittsburgh	1,999,075,000
193	First Eastern Bank NA, Wilkes-Barre	1,989,748,000
201	Dauphin Deposit Bank & Trust Co., Harrisburg	1,918,777,000
219	Merchants Bank NA, Allentown	1,680,080,156
275	Commonwealth National Bank, Harrisburg	1,215,016,000
281	Marine Bank, Warren	1,178,273,000
296	United Penn Bank, Wilkes-Barre	1,111,411,000
	Puerto Rico	
81	Banco Popular de Puerto Rico, San Juan	4,926,304,000
147	Banco de Ponce	2,637,914,000
199	Banco Santander Puerto Rico, Hato Rey	1,939,109,000
267	Banco Central Corp., Hato Rey	1,250,796,000
	Rhode Island	
59	Fleet National Bank, Providence	6,111,457,000
157	Rhode Island Hospital Trust National Bank, Providence	2,417,841,000
278	Bank of New England-Old Colony NA, Providence	1,191,244,000
	South Carolina	
85	South Carolina National Bank, Columbia	4,667,966,000
125	Citizens & Southern National Bank, Charleston	3,184,061,000
163	NCNB South Carolina, Columbia	2,383,450,000
	South Dakota	
148	Citibank (South Dakota) NA, Sioux Falls	2,630,307,000
226	Norwest Bank South Dakota NA, Sioux Falls	1,637,675,000
	Tennessee	
83	First Tennessee Bank NA, Memphis	4,764,950,000
119	Sovran Bank/Central South, Nashville	3,323,192,000
175	First American National Bank, Nashville	2,269,813,000
188	Union Planters National Bank, Memphis	2,035,930,000
192	Third National Bank, Nashville	1,993,183,000
251	Dominion Bank of Middle Tennessee, Nashville	1,353,367,000
263	National Bank of Commerce, Memphis	1,279,000,000
279	First American National Bank, Knoxville	1,191,106,000
	Texas	
12	NCNB Texas National Bank, Dallas	25,623,428,000
34	Banc One, Texas NA, Dallas	8,525,136,000
55	Texas Commerce Bank NA, Houston	6,416,672,000
62	First Interstate Bank of Texas NA, Houston	5,881,038,000
82	First City, Texas-Houston NA	4,843,074,000
101	Team Bank NA, Fort Worth (s)	3,780,218,000
172	Frost National Bank, San Antonio	2,283,030,000
181	First City, Texas-Dallas	2,140,872,000
204	Texas Commerce Bank Dallas NA	1,894,148,000
284	Laredo National Bank	1,162,271,000
	Utah	
156	First Security Bank of Utah NA, Salt Lake City	2,504,707,000
194	Zions First National Bank, Salt Lake City	1,981,694,000
	Virginia	
27	Sovran Bank NA, Richmond	10,193,846,000
42	Crestar Bank, Richmond	7,631,619,000
77	Signet Bank/Virginia, Richmond	5,204,778,000
94	Central Fidelity Bank, Richmond	4,142,504,000
127	Dominion Bank NA, Roanoke	3,145,300,000
128	First American Bank of Virginia, McLean	3,136,873,000
205	First Virginia Bank, Falls Church	1,871,455,000
270	Jefferson National Bank, Charlottesville	1,240,749,000
	Washington	
28	Seattle-First National Bank	9,660,669,000
54	Security Pacific Bank Washington, Seattle	6,439,119,000
98	U.S. Bank of Washington NA, Seattle	3,995,400,000
129	First Interstate Bank of Washington NA, Seattle	3,117,392,000
166	Puget Sound National Bank, Tacoma	2,359,113,000
	Wisconsin	
150	First Wisconsin National Bank, Milwaukee	2,576,607,000
190	Bank One Milwaukee NA	1,999,796,000
206	M & I Marshall & Ilsley Bank, Milwaukee	1,863,470,000
298	First Bank NA, Milwaukee	1,097,825,000

Top 300 Commercial Banks in the United States

In order of total assets December 31, 1989, compared with December 31, 1988

Rank 12/31/89		Assets		Rank 12/31/88	Gain
		12/31/89	12/31/88		
1	Citibank NA, New York	161,988,000,000	150,241,000,000	1	
2	Bank of America NT&SA, San Francisco	86,712,000,000	82,912,000,000	2	
3	Chase Manhattan Bank NA, New York	83,807,666,000	77,542,498,000	3	
4	Morgan Guaranty Trust Co., New York	64,707,226,000	71,227,778,000	4	
5	Manufacturers Hanover Trust Co., New York	54,740,000,000	54,210,000,000	6	+1
6	Security Pacific National Bank, Los Angeles	54,313,683,000	48,920,495,000	8	+2
7	Bankers Trust Co., New York	51,113,127,000	55,349,881,000	5	
8	Bank of New York	46,361,809,000	22,614,229,000	14	+6
9	Wells Fargo Bank NA, San Francisco	45,555,858,000	43,732,080,000	9	
10	Chemical Bank, New York	45,512,000,000	50,933,000,000	7	
11	First National Bank, Chicago	36,410,165,000	35,172,664,000	10	
12	NCNB Texas National Bank, Dallas	33,748,419,000	25,573,596,000	13	+1
13	First National Bank, Boston	30,000,100,000	26,182,108,000	12	
14	Continental Bank NA, Chicago	29,358,018,000	30,571,113,000	11	
15	Mellon Bank NA, Pittsburgh	22,697,193,000	22,154,559,000	15	
16	Marine Midland Bank NA, Buffalo, N.Y.	21,546,713,000	20,987,400,000	17	+1
17	First Interstate Bank of California, Los Angeles	21,228,507,000	20,489,545,000	18	+1
18	Republic National Bank, New York	21,030,950,000	20,153,084,000	19	+1
19	NCNB National Bank of North Carolina, Charlotte	20,443,391,000	16,741,026,000	22	+3
20	Pittsburgh National Bank	17,151,513,000	16,793,779,000	21	+1
21	National Bank of Detroit	17,014,841,000	15,459,413,000	24	+3
22	First Union National Bank, Charlotte, N.C.	16,767,084,000	15,061,529,000	25	+3
23	Southeast Bank NA, Miami	15,966,390,000	13,782,545,000	28	+5
24	Union Bank, San Francisco	15,375,629,000	15,010,277,000	26	+2
25	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	15,143,871,000	13,584,304,000	29	+4
26	National Westminster Bank USA, New York	14,531,012,000	13,286,323,000	31	+5
27	Bank of New England NA, Boston	14,292,638,000	15,564,083,000	23	
28	Sovran Bank NA, Richmond	13,815,734,000	12,412,914,000	32	+4
29	First Bank NA, Minneapolis	12,702,725,000	14,982,414,000	27	
30	Connecticut National Bank, Hartford	12,471,078,000	12,182,456,000	33	+3
31	Citizens & Southern National Bank, Atlanta	12,441,682,000	11,461,816,000	35	+4
32	First Fidelity Bank NA, Newark, N.J.	12,342,949,000	11,178,081,000	36	+4
33	Seattle-First National Bank	12,332,648,000	10,834,350,000	37	+4
34	Banc One, Texas NA, Dallas (a)	12,271,581,000	6,556,056,000	72	+ 38
35	NCNB National Bank of Florida, Tampa	11,876,828,000	9,645,879,000	42	+7
36	Texas Commerce Bank NA, Houston	11,625,807,000	11,651,575,000	34	
37	Citibank (South Dakota) NA, Sioux Falls	11,142,112,000	13,557,319,000	30	
38	Boston Safe Deposit & Trust Co.	10,771,670,000	17,517,376,000	20	
39	United States National Bank, Portland, Ore.	10,263,310,000	8,524,105,000	51	+ 12
40	Crestar Bank, Richmond	10,190,113,000	9,367,784,000	43	+3
41	State Street Bank & Trust Co., Boston	10,101,462,000	8,543,089,000	50	+9
42	Meridian Bank, Reading, Pa.	10,100,927,000	7,909,881,000	59	+ 17
43	Comerica Bank-Detroit	10,097,839,000	8,782,806,000	49	+6
44	Philadelphia National Bank	10,038,832,000	10,395,009,000	38	
45	Harris Trust & Savings Bank, Chicago	9,969,430,000	9,209,202,000	45	
46	Michigan National Bank, Farmington Hills	9,853,367,000	9,296,202,000	44	
47	Midlantic National Bank, Newark, N.J.	9,818,182,000	5,712,781,000	86	+ 39
48	Connecticut Bank & Trust Co. NA, Hartford	9,735,030,000	9,916,178,000	41	
49	Fleet National Bank, Providence, R.I.	9,701,134,000	7,948,879,000	57	+8
50	Maryland National Bank, Baltimore	9,487,848,000	9,017,583,000	47	
51	Fidelity Bank NA, Philadelphia	9,475,294,000	10,242,852,000	39	
52	Valley National Bank, Phoenix	9,391,928,000	10,187,118,000	40	
53	Chase Manhattan Bank (USA) NA, Wilmington, Del.	9,387,758,000	6,816,276,000	69	+ 16
54	Shawmut Bank NA, Boston	9,270,551,000	8,869,586,000	48	
55	First Union National Bank of Florida, Jacksonville	9,180,518,000	9,139,431,000	46	
56	Signet Bank/Virginia, Richmond	8,934,256,000	7,480,047,000	64	+8
57	Ameritrust Co. NA, Cleveland	8,923,360,000	8,429,749,000	53	
58	Huntington National Bank, Columbus, Ohio	8,899,567,000	7,691,567,000	62	+4
59	American Express Centurion Bank, Newark, Del.	8,754,152,000	8,005,567,000	55	
60	Manufacturers National Bank, Detroit	8,678,071,000	7,818,327,000	60	
61	Northern Trust Co., Chicago	8,634,500,000	8,061,840,000	54	
62	Norwest Bank Minnesota NA, Minneapolis	8,512,834,000	8,479,295,000	52	
63	First National Bank, Atlanta	8,493,590,000	7,947,463,000	58	
64	Provident National Bank, Philadelphia	8,322,387,000	7,977,681,000	56	
65	Bank of Tokyo Trust Co., New York	8,239,421,000	6,945,732,000	67	+2
66	National City Bank, Cleveland	8,209,006,000	7,622,497,000	63	
67	Society National Bank, Cleveland	8,130,642,000	6,086,826,000	80	+ 13
68	Security Pacific Bank Washington, Seattle	8,073,701,000	7,105,063,000	66	
69	Bank of Hawaii, Honolulu	8,016,497,000	6,367,581,000	77	+8
70	Bank of California NA, San Francisco	7,897,834,000	6,932,653,000	68	
71	Florida National Bank, Jacksonville	7,830,325,000	7,761,996,000	61	
72	Boatmen's National Bank, St. Louis	7,808,409,000	4,334,179,000	110	+ 38
73	First City, Texas-Houston NA	7,622,619,000	6,296,958,000	78	+5
74	AmSouth Bank NA, Birmingham, Ala.	7,557,555,000	7,339,014,000	65	
75	Greenwood Trust Co., New Castle, Del.	7,050,646,000	6,474,688,000	73	
76	Citibank (Nevada) NA, Las Vegas (s)	7,044,688,000	5,794,941,000	83	+7
77	Sanwa Bank California, San Francisco	6,918,322,000	6,427,937,000	75	
78	First Interstate Bank of Arizona NA, Phoenix	6,754,000,000	6,689,515,000	71	
79	Riggs National Bank, Washington, D.C.	6,691,634,000	6,467,526,000	74	
80	First Pennsylvania Bank NA, Philadelphia	6,555,086,000	6,376,335,000	76	
81	Hibernia National Bank, New Orleans	6,525,987,000	5,783,052,000	84	+3
82	Chase Lincoln First Bank NA, Rochester, N.Y.	6,444,770,000	6,287,096,000	79	
83	First National Bank of Maryland, Baltimore	6,367,057,000	5,677,592,000	87	+4
84	First Interstate Bank of Texas NA, Houston	6,345,285,000	6,722,384,000	70	
85	First Interstate Bank of Oregon NA, Portland	6,333,899,000	5,835,425,000	82	
86	Trust Company Bank, Atlanta	6,312,806,000	5,965,614,000	81	
87	Citizens & Southern National Bank, Fort Lauderdale, Fla.	6,209,090,000	5,302,580,000	94	+7
88	First Tennessee Bank NA, Memphis	6,142,997,000	5,733,432,000	85	
89	Barnett Bank of South Florida NA, Miami	6,108,748,066	5,599,186,000	89	
90	South Carolina National Bank, Columbia	6,074,409,000	5,480,373,000	90	
91	Banco Popular de Puerto Rico, San Juan	5,923,309,000	5,661,394,000	88	
92	American Security Bank NA, Washington, D.C.	5,915,463,000	5,382,288,000	92	
93	BancOhio National Bank, Columbus	5,910,659,000	5,131,435,000	98	+5
94	Citibank (New York State), Perinton	5,719,941,000	5,461,042,000	91	
95	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	5,659,249,000	5,133,890,000	97	+2
96	Industrial Bank of Japan Trust Co., New York	5,575,039,000	4,747,502,000	104	+8
97	First Florida Bank NA, Tampa	5,570,790,000	5,104,694,000	100	+3
98	Central Fidelity Bank, Richmond	5,433,351,000	4,826,668,000	103	+5
99	First Alabama Bank, Montgomery	5,398,038,000	5,115,298,000	99	
100	European American Bank, New York	5,293,279,000	5,335,141,000	93	

Data Sources: American Banker questionnaire, Federal regulatory report of condition for December 31, 1989, and various state banking departments. Assets for 1989 may not be comparable with assets reported for 1988 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **(a)**— Bank was formed on 3/29/89, as a bridge bank via various agreements with the FDIC. Data for prior periods are for the former MBank Dallas NA, the largest of the 20 MCorp bank affiliates merged to form the bank. N.A.— Not available. **(s)**— Data for Dec. 31, 1989, were not available. Therefore, Sept. 30, 1989 data were used.

Compiled by American Banker, Copyright 1990.

Top 300 Commercial Banks in the United States

In order of total assets December 31, 1989, compared with December 31, 1988

Rank 12/31/89		Assets		Rank 12/31/88	Gain
		12/31/89	12/31/88		
101	UJB/Hackensack, N.J.	5,277,948,000	4,332,093,000	111	+ 10
102	U.S. Bank of Washington NA, Seattle	5,091,369,000	4,093,077,000	116	+ 14
103	National Westminster Bank NJ, Jersey City, N.J.	5,071,749,000	5,148,803,000	96	
104	NCNB South Carolina, Columbia	5,025,504,000	3,556,512,000	139	+ 35
105	INB National Bank, Indianapolis	4,960,730,000	4,914,945,000	101	
106	FCC National Bank, Wilmington, Del.	4,943,849,000	3,224,442,000	155	+ 49
107	Morgan Bank (Delaware), Wilmington	4,900,310,000	3,229,693,000	154	+ 47
108	Equitable Bank NA, Baltimore	4,824,998,000	4,643,873,000	105	
109	Israel Discount Bank, New York	4,776,924,000	4,310,499,000	112	+3
110	First Hawaiian Bank, Honolulu	4,765,425,000	3,970,072,000	122	+ 12
111	Dominion Bank NA, Roanoke, Va.	4,763,899,000	4,403,948,000	108	
112	Chemical Bank New Jersey NA, Morristown	4,704,676,000	1,988,756,000	220	+108
113	City National Bank, Beverly Hills	4,696,685,000	4,295,645,000	113	
114	Mellon Bank (East) NA, Philadelphia	4,670,096,000	4,590,202,000	106	
115	Norstar Bank of Upstate NY, Albany	4,542,627,000	4,480,378,000	107	
116	First Union National Bank, Atlanta	4,508,899,000	4,161,750,000	114	
117	American National Bank & Trust Co., Chicago	4,492,976,000	4,135,111,000	115	
118	Branch Banking & Trust Co., Wilson, N.C.	4,456,943,000	4,065,078,000	120	+2
119	Sumitomo Bank of California, San Francisco	4,400,655,000	3,718,885,000	133	+ 14
120	Continental Bank, Norristown, Pa.	4,373,021,000	3,903,435,000	126	+6
121	Sun Bank NA, Orlando, Fla.	4,326,301,000	3,937,904,000	123	+2
122	First National Bank, Louisville, Ky.	4,303,960,000	4,353,393,000	109	
123	Fuji Bank & Trust Co., New York	4,291,061,000	4,910,091,000	102	
124	Mercantile Bank NA, Clayton, Mo.	4,264,659,000	3,915,781,000	124	
125	Bank One Columbus NA, Ohio	4,247,840,000	4,085,281,000	117	
126	Central Bank of the South, Birmingham, Ala.	4,238,285,000	3,889,690,000	128	+2
127	Premier Bank NA, Baton Rouge, La.	4,230,700,000	4,067,211,000	119	
128	Security Pacific Bank Arizona, Phoenix	4,228,792,000	5,292,791,000	95	
129	Sovran Bank/Maryland, Bethesda, Md.	4,171,579,000	3,993,149,000	121	
130	Bank One Indianapolis NA	4,123,294,000	4,080,091,000	118	
131	Fifth Third Bank, Cincinnati	4,105,360,000	3,564,240,000	137	+6
132	Bank South NA, Atlanta	4,072,434,000	3,882,068,000	129	
133	Manufacturers & Traders Trust Co., Buffalo, N.Y.	4,044,705,000	3,855,814,000	130	
134	National Community Bank, Rutherford, N.J.	4,022,772,000	3,614,415,575	134	
135	Sovran Bank/Central South, Nashville, Tenn.	3,986,337,000	3,221,329,000	156	+ 21
136	Central Trust Co. NA, Cincinnati	3,973,481,000	3,511,236,000	140	+4
137	BayBank Middlesex, Burlington, Mass.	3,972,210,000	3,904,671,000	125	
138	Citizens & Southern National Bank, Charleston, S.C.	3,938,167,000	3,732,422,000	132	
139	Norstar Bank NA, Buffalo, N.Y.	3,899,913,000	3,891,972,000	127	
140	First American Bank of Virginia, McLean	3,861,848,000	3,568,710,000	136	
141	Bank of New York (Delaware), Wilmington	3,859,017,000	3,294,913,000	149	+8
142	First Interstate Bank of Nevada NA, Reno	3,857,809,000	3,466,040,000	142	
143	Signet Bank/Maryland, Baltimore	3,788,142,000	3,486,205,000	141	
144	Midlantic National Bank/North, West Paterson, N.J.	3,772,322,000	3,285,289,000	151	+7
145	Deposit Guaranty National Bank, Jackson, Miss.	3,728,679,000	3,556,611,000	138	
146	Wilmington Trust Co., Del.	3,702,878,000	2,982,145,000	165	+ 19
147	First-Citizens Bank & Trust Co., Raleigh, N.C.	3,678,959,000	3,396,198,000	145	
148	First Wisconsin National Bank, Milwaukee	3,669,265,000	3,570,769,000	135	
149	First Interstate Bank of Washington NA, Seattle	3,642,129,000	3,288,401,000	150	+1
150	Team Bank NA, Fort Worth, Tex. (a,s)	3,633,833,000	2,311,588,000	196	+ 46
151	Merchants National Bank & Trust Co., Indianapolis	3,632,032,000	3,336,776,000	147	
152	Union Trust Co., Stamford, Conn.	3,487,926,000	3,402,175,000	144	
153	SouthTrust Bank of Alabama NA, Birmingham	3,473,260,000	3,113,604,000	160	+7
154	First Security Bank of Utah NA, Salt Lake City	3,411,723,000	3,018,662,000	162	+8
155	Bank Leumi Trust Co., New York	3,348,375,000	3,129,940,000	159	+4
156	Barclays Bank of New York NA	3,339,696,000	3,136,265,000	158	+2
157	Bank of Baltimore	3,319,182,000	3,202,221,000	157	
158	West One Bank Idaho, NA, Boise	3,258,625,000	3,002,192,000	164	+6
159	Old Kent Bank & Trust Co., Grand Rapids, Mich.	3,238,265,000	3,259,086,000	153	
160	Star Bank NA, Cincinnati	3,146,184,000	3,030,652,000	161	+1
161	Society Bank & Trust, Toledo, Ohio	3,131,824,000	3,769,682,000	131	
162	Trustmark National Bank, Jackson, Miss.	3,101,804,000	2,890,721,859	167	+5
163	IBJ Schroder Bank & Trust Co., New York	3,074,761,000	3,424,308,000	143	
164	Citizens First National Bank, Ridgewood, N.J.	3,060,705,000	2,662,627,000	177	+ 13
165	First American National Bank, Nashville, Tenn. (b)	3,047,923,000	3,272,427,000	152	
166	Boatmen's First National Bank, Kansas City, Mo.	3,033,435,000	2,290,342,000	200	+ 34
167	Equibank, Pittsburgh	3,021,923,000	2,652,629,000	178	+ 11
168	First National Bank of Commerce, New Orleans	3,020,945,000	2,692,182,000	174	+6
169	Exchange National Bank, Chicago	3,016,449,000	2,593,598,000	180	+ 11
170	Rhode Island Hospital Trust National Bank, Providence	2,965,676,000	3,003,179,000	163	
171	Banco de Ponce, P.R.	2,947,020,000	2,745,756,396	170	
172	Imperial Bank, Los Angeles	2,914,163,000	2,390,809,000	191	+ 19
173	Valley Bank of Nevada, Las Vegas	2,881,101,000	2,361,111,000	192	+ 19
174	United Bank of Denver NA	2,870,804,000	2,740,911,000	171	
175	Citibank (Arizona), Phoenix	2,859,249,000	2,816,042,000	168	
176	Whitney National Bank, New Orleans	2,727,479,000	2,745,857,000	169	
177	Hamilton Bank, Lancaster, Pa.	2,727,436,000	2,718,769,000	173	
178	M & I Marshall & Ilsley Bank, Milwaukee	2,692,560,000	2,630,138,000	179	+1
179	Frost National Bank, San Antonio, Tex.	2,686,184,000	2,352,508,000	193	+ 14
180	Northeastern Bank of Pennsylvania, Wilkes-Barre	2,681,999,000	2,480,877,000	185	+5
181	Bank of Boston Connecticut, Waterbury	2,666,417,000	2,680,338,000	176	
182	Puget Sound National Bank, Tacoma, Wash.	2,655,180,000	2,124,540,000	210	+ 28
183	First of America Bank-Southeast Michigan NA, Detroit	2,634,659,000	2,557,293,000	182	
184	First Fidelity Bank NA/North Jersey, Totowa, N.J.	2,627,863,000	2,293,982,000	199	+ 15
185	Citytrust, Bridgeport, Conn.	2,626,458,000	2,589,519,000	181	
186	Key Bank NA, Albany, N.Y.	2,624,120,000	2,417,338,000	188	+2
187	Norstar Bank, Melville, N.Y.	2,623,176,000	2,502,461,000	183	
188	Third National Bank, Nashville, Tenn.	2,618,347,000	2,736,555,000	172	
189	Barnett Bank of Central Florida NA, Orlando	2,602,270,000	2,261,272,000	201	+ 12
190	First City, Texas-Dallas	2,589,122,000	2,296,766,000	198	+8
191	Union Planters National Bank, Memphis, Tenn.	2,584,207,000	2,688,932,000	175	
192	Bank One Milwaukee NA	2,573,590,000	1,828,787,000	237	+ 45
193	Liberty National Bank & Trust Co., Louisville, Ky.	2,559,270,000	2,306,162,000	197	+4
194	Key Bank of Central New York NA, Syracuse	2,516,249,000	2,400,031,000	190	
195	Southern National Bank, Lumberton, N.C.	2,502,824,000	2,246,448,000	202	+7
196	Zions First National Bank, Salt Lake City, Utah	2,500,694,000	2,442,930,000	187	
197	Daiwa Bank Trust Co., New York	2,491,302,000	2,132,168,000	209	+ 12
198	New Jersey National Bank, Pennington	2,428,007,000	2,346,203,000	194	
199	Bankers Trust (Delaware), Wilmington	2,404,019,000	2,338,844,000	195	
200	Bank One Dayton NA, Ohio	2,397,604,000	2,167,583,000	203	+3

Data Sources: American Banker questionnaire, Federal regulatory report of condition for December 31, 1989, and various state banking departments. Assets for 1989 may not be comparable with assets reported for 1988 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **(a)**— Bank was formed by the FDIC on 7/21/89, as a bridge bank. Data for prior periods are for the former Texas American Bank/Fort Worth NA, the largest of the 24 Texas American Bancshares bank affiliates merged to form the bank. **(b)**— On Jan. 1, 1990, the bank merged eight affiliate banks of its parent, First American Corp. **(s)**— Data for Dec. 31, 1989, were not available. Therefore, Sept. 30, 1989 data were used.

Compiled by American Banker, Copyright 1990.

Top 300 Commercial Banks in the United States

In order of total assets December 31, 1989, compared with December 31, 1988

Rank 12/31/89		Assets		Rank 12/31/88	Gain
		12/31/89	12/31/88		
201	United States Trust Co., New York	2,397,223,000	2,941,514,000	166	
202	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	2,387,576,000	2,490,797,000	184	
203	Barnett Bank of Pinellas Cty., St. Petersburg, Fla.	2,375,491,000	2,155,086,000	206	+3
204	United Bank & Trust Co., Hartford, Conn.	2,332,842,000	2,166,596,000	204	
205	Union National Bank, Pittsburgh	2,296,402,000	2,464,725,000	186	
206	First Eastern Bank NA, Wilkes-Barre, Pa.	2,295,695,000	2,075,889,000	211	+5
207	MBNA America Bank, NA, Newark, Del.	2,281,181,000	1,764,288,000	244	+ 37
208	First Fidelity Bank NA, Burlington Twp., N.J.	2,251,966,000	2,045,843,000	213	+5
209	Marine Midland Bank (Delaware) NA, Wilmington	2,250,055,000	2,067,723,000	212	+3
210	United Carolina Bank, Whiteville, N.C.	2,241,907,000	2,031,791,000	215	+5
211	Citibank (Maryland) NA, Towson	2,200,593,000	1,382,013,000	291	+ 80
212	National State Bank, Elizabeth, N.J.	2,193,000,000	2,134,490,000	207	
213	Commerce Bank of St. Louis NA, Clayton, Mo.	2,192,532,000	1,958,268,000	224	+ 11
214	Banco Santander Puerto Rico, Hato Rey	2,171,418,000	1,876,260,000	232	+ 18
215	Sun Bank/Miami NA	2,152,796,000	2,133,275,000	208	
216	First Virginia Bank, Falls Church	2,149,094,000	1,991,642,000	219	+3
217	Sun Bank/South Florida NA, Fort Lauderdale	2,145,086,000	1,965,908,000	223	+6
218	Norwest Bank South Dakota NA, Sioux Falls	2,141,456,000	1,831,253,000	236	+ 18
219	National Bank of Alaska, Anchorage	2,130,404,000	1,636,895,000	257	+ 38
220	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	2,129,152,000	1,999,574,000	218	
221	Citizens Bank of Maryland, Laurel	2,105,353,000	1,774,477,000	243	+ 22
222	United Missouri Bank of Kansas City NA	2,103,358,000	1,899,684,000	231	+9
223	First Security Bank of Idaho NA, Boise	2,095,378,000	1,776,973,000	241	+ 18
224	Provident Bank, Cincinnati	2,094,884,000	1,944,696,000	225	+1
225	Texas Commerce Bank Dallas NA	2,090,567,000	1,970,192,000	221	
226	Bank of Delaware, Wilmington	2,083,287,000	1,905,940,000	230	+4
227	Citibank (Delaware), New Castle	2,051,967,000	1,459,930,000	275	+ 48
228	United Jersey Bank Central NA, Princeton, N.J.	2,028,105,000	1,860,189,000	234	+6
229	First American Bank NA, Washington, D.C.	2,027,253,000	1,926,611,000	228	
230	First National Bank, Akron, Ohio	2,024,465,000	1,933,240,000	227	
231	Barnett Bank of Jacksonville NA, Fla.	1,997,847,000	1,784,228,000	240	+9
232	First National Bank, Toms River, N.J.	1,976,973,000	1,924,751,000	229	
233	Society Bank NA, Dayton, Ohio	1,973,134,000	1,942,888,000	226	
234	Merrill Lynch Bank & Trust Co., Plainsboro, N.J.	1,964,977,000	1,784,811,000	239	+5
235	Bank of Oklahoma NA, Tulsa	1,957,735,000	1,712,208,000	246	+ 11
236	Merchants Bank NA, Allentown, Pa.	1,956,494,010	1,831,296,793	235	
237	Manufacturers Hanover Bank (Delaware), Wilmington	1,916,379,000	2,163,869,000	205	
238	Bank of the West, San Francisco	1,912,098,000	1,683,433,000	249	+ 11
239	Fleet Bank-NH, Nashua	1,890,011,000	969,087,000	377	+138
240	National Bank of Washington, Washington, D.C.	1,884,642,000	1,967,460,000	222	
241	Sunwest Bank of Albuquerque NA, N.M.	1,853,902,000	1,805,014,000	238	
242	Trust Company of New Jersey, Jersey City	1,845,911,000	1,655,532,000	253	+ 11
243	First American Bank of Georgia NA, Atlanta	1,845,043,000	1,721,424,000	245	+2
244	Merchants Bank, Kansas City, Mo.	1,836,352,000	1,648,930,000	254	+ 10
245	Nationar, New York	1,836,051,000	1,250,632,000	319	+ 74
246	First Interstate Bank of Denver NA	1,825,592,000	2,028,480,000	216	
247	Fleet Bank of Maine, Portland	1,823,762,000	1,861,893,000	233	
248	Household Bank NA, Salinas, Calif.	1,814,274,000	1,225,881,000	328	+ 80
249	Custodial Trust Co., Trenton, N.J.	1,812,087,000	1,646,789,000	255	+6
250	Summit Bank, Fort Wayne, Ind.	1,810,424,000	1,693,237,000	247	
251	Valley National Bank, Passaic, N.J.	1,809,049,000	1,686,021,000	248	
252	Bank One Cleveland NA	1,778,419,000	1,774,510,000	242	
253	Central Carolina Bank & Trust Co. NA, Durham, N.C.	1,777,523,000	1,618,974,000	259	+6
254	BayBank Norfolk County Trust Co., Dedham, Mass.	1,776,362,000	1,620,122,000	258	+4
255	Marine Bank, Warren, Pa.	1,766,426,000	1,675,667,000	251	
256	Casco Northern Bank NA, Portland, Me.	1,765,822,000	1,599,699,000	262	+6
257	Shawmut Arlington Trust Co., Lawrence, Mass.	1,761,214,000	2,008,195,000	217	
258	Barnett Bank of Southwest Florida, Sarasota	1,757,141,000	1,672,513,000	252	
259	Key Bank of Maine, Augusta	1,754,305,000	1,681,080,000	250	
260	Mercantile-Safe Deposit & Trust Co., Baltimore	1,743,136,000	1,582,219,000	264	+4
261	Commerce Bank of Kansas City NA, Mo.	1,737,560,000	1,516,217,000	268	+7
262	Bank of New England-West NA, Springfield, Mass.	1,682,104,000	2,037,721,000	214	
263	Bank of New England North, Lowell, Mass. (a)	1,665,625,000	624,811,000	...	
264	Davenport Bank & Trust Co., Iowa	1,654,624,035	1,643,389,242	256	
265	Dominion Bank of Middle Tennessee, Nashville	1,649,345,000	1,535,010,000	266	+1
266	Banco Central Corp., Hato Rey, P.R.	1,647,600,000	1,473,920,000	274	+8
267	Marquette Bank Minneapolis NA	1,645,613,000	1,455,787,000	276	+9
268	National Bank of Commerce, Memphis, Tenn.	1,632,720,000	1,482,655,000	273	+5
269	First American Bank of New York	1,615,826,000	1,381,762,000	292	+ 23
270	Norwest Bank Des Moines NA, Iowa	1,592,699,000	1,390,099,000	288	+ 18
271	Amalgamated Bank, New York	1,574,721,000	1,574,287,000	265	
272	Bank IV Wichita NA, Kan.	1,574,363,000	1,514,259,000	269	
273	Corestates Bank of Delaware NA, Wilmington	1,568,871,000	1,197,193,000	333	+ 60
274	First Bank NA, Milwaukee	1,551,203,000	1,510,579,000	270	
275	Summit Trust Co., N.J.	1,535,590,000	1,372,548,000	294	+ 19
276	Shawmut Worcester County Bank NA, Worcester, Mass.	1,531,364,000	1,503,472,000	271	
277	First American Bank of Maryland, Silver Spring	1,530,522,000	1,369,668,000	295	+ 18
278	Norwest Bank Nebraska NA, Omaha	1,521,080,000	1,500,401,000	272	
279	Central Jersey Bank & Trust Co., Freehold, N.J.	1,514,060,000	1,386,741,000	289	+ 10
280	Colorado National Bank, Denver	1,504,834,000	1,408,171,000	282	+2
281	Barnett Bank of Tampa NA, Fla.	1,498,029,000	1,450,517,000	278	
282	First USA Bank, Wilmington, Del.	1,496,606,000	1,523,350,000	267	
283	Bank of New England South NA, Brockton, Mass. (a)	1,487,986,000	698,486,000	...	
284	Chemical Bank (Delaware), Wilmington	1,481,623,000	1,035,610,000	363	+ 79
285	Sunburst Bank, Grenada, Miss.	1,478,527,000	1,402,504,000	285	
286	San Diego Trust & Savings Bank, Calif.	1,474,915,000	1,381,295,000	293	+7
287	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	1,471,723,000	1,341,596,000	300	+ 13
288	First Security Nat'l Bank & Trust Co., Lexington, Ky.	1,469,804,000	1,348,051,000	298	+ 10
289	BayBank Harvard Trust Co., Cambridge, Mass.	1,466,346,000	1,429,737,000	280	
290	First Union National Bank, Greenville, S.C.	1,465,686,000	1,383,087,000	290	
291	Commonwealth National Bank, Harrisburg, Pa.	1,461,600,000	1,405,746,000	283	
292	First National Bank, Albuquerque, N.M.	1,456,541,000	1,336,636,000	301	+9
293	First American National Bank, Knoxville, Tenn.	1,431,157,000	1,455,194,000	277	
294	Massachusetts Co., Inc., Boston	1,428,241,000	1,410,904,000	281	
295	Security Pacific Bank Oregon, Portland	1,425,821,000	1,226,892,000	327	+ 32
296	Mark Twain Bank, Ladue, Mo.	1,422,469,000	1,352,941,000	297	+1
297	Citibank (Florida) NA, Miami	1,418,082,000	....	...	
298	Security Bank & Trust Co., Southgate, Mich.	1,415,358,000	1,329,796,000	302	+4
299	Bank of Mississippi, Tupelo	1,413,142,000	1,293,674,000	309	+ 10
300	LaSalle National Bank, Chicago	1,408,570,000	1,367,225,000	296	

Data Sources: American Banker questionnaire, Federal regulatory report of condition for December 31, 1989, and various state banking departments. Assets for 1989 may not be comparable with assets reported for 1988 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **(a)**— Bank was merged into Bank of New England NA, Boston, on Feb. 9, 1990. **(s)**— Data for Dec. 31, 1989, were not available. Therefore, Sept. 30, 1989 data were used.

Compiled by American Banker, Copyright 1990.

Summary Statistics

The 10 Largest Deposit Gains

	(Dollar Amounts in Millions)	Deposits 12/31/89	Deposits 12/31/88	Percent Increase	Bank Rank
1	Bank of New England North, Lowell, Mass.	1,665.3	497.2	235	224
2	Team Bank NA, Fort Worth, Tex. (s)	3,780.2	1,591.2	138	101
3	Chemical Bank New Jersey NA, Morristown	4,024.5	1,698.2	137	97
4	Bank of New England South NA, Brockton, Mass.	1,412.8	622.0	127	246
5	Banc One, Texas NA, Dallas	8,525.1	4,033.8	111	34
6	Bank of New York	34,411.5	16,665.9	106	8
7	Fleet Bank-NH, Nashua	1,566.4	789.8	98	236
8	Midlantic National Bank, Newark, N.J.	7,791.5	4,658.3	67	40
9	Bank One Milwaukee NA	1,999.8	1,246.8	60	190
10	Boatmen's National Bank, St. Louis	5,080.6	3,180.4	60	79

The 10 Largest Deposit Declines

	(Dollar Amounts in Millions)	Deposits 12/31/89	Deposits 12/31/88	Percent Decrease	Bank Rank
1	Boston Safe Deposit & Trust Co.	7,782.3	15,464.3	49.68	41
2	Fuji Bank & Trust Co., New York	2,414.4	3,232.8	25.32	158
3	United States Trust Co., New York	1,941.1	2,495.5	22.21	197
4	Mitsui Manufacturers Bank, Los Angeles	1,177.8	1,447.0	18.61	282
5	Bankers Trust Co., New York	27,879.6	33,261.4	16.18	10
6	Bank of New England NA, Boston	9,208.8	10,904.0	15.55	31
7	First Bank NA, Minneapolis	9,104.4	10,674.6	14.71	32
8	Security Pacific Bank Arizona, Phoenix	3,619.9	4,208.6	13.99	107
9	Bank of New York (Delaware), Wilmington	1,453.3	1,661.3	13.60	244
10	Manufacturers Hanover Bank (Delaware), Wilmington	1,462.3	1,688.6	13.40	242

State Totals of the Top 300 Commercial Banks

No. of Banks		Total Deposits
5	Alabama	16,918,058,000
1	Alaska	1,682,878,000
4	Arizona	20,411,501,000
14	California	205,832,842,000
2	Colorado	3,115,261,000
6	Connecticut	25,902,430,000
10	Delaware	23,929,718,000
4	District of Columbia	13,059,661,000
17	Florida	69,784,957,130
6	Georgia	26,745,506,000
2	Hawaii	11,262,534,000
2	Idaho	4,010,323,000
7	Illinois	63,562,356,000
6	Indiana	12,511,302,000
1	Iowa	1,245,008,000
1	Kansas	1,203,400,000
4	Kentucky	9,784,274,000
4	Louisiana	13,879,728,000
4	Maine	5,648,773,000
10	Maryland	28,889,617,000
14	Massachusetts	65,389,526,000
8	Michigan	42,035,302,000
3	Minnesota	16,045,650,000
4	Mississippi	8,012,784,000
8	Missouri	18,258,764,000
3	Nebraska	3,649,453,000
2	Nevada	5,474,269,000
2	New Hampshire	2,651,068,000
19	New Jersey	56,512,560,000
1	New Mexico	1,428,159,000
30	New York	454,997,042,000
8	North Carolina	45,101,256,000
16	Ohio	53,327,474,000
1	Oklahoma	1,697,079,000
3	Oregon	13,290,507,000
19	Pennsylvania	83,663,752,156
4	Puerto Rico	10,754,123,000
3	Rhode Island	9,720,542,000
3	South Carolina	10,235,477,000
2	South Dakota	4,267,982,000
8	Tennessee	18,210,541,000
10	Texas	62,549,887,000
2	Utah	4,486,401,000
8	Virginia	36,567,124,000
5	Washington	25,571,693,000
4	Wisconsin	7,537,698,000
	Top 300 Banks	$1,620,816,240,286

Comparison of Commercial Banks' Deposit Totals

By Groups, as of December 31, 1988, Compared with Previous Years

U.S. Banks' Deposits	12/31/89	12/31/88	12/31/85	12/31/80	12/31/75	12/31/70	12/31/65
Top 10	501,854,661,000	486,361,427,000	473,603,973,000	420,907,391,000	256,052,629,037	126,195,417,703	75,405,204,346
Top 25	741,084,213,000	708,593,719,000	653,889,100,000	565,575,179,816	340,247,013,573	176,216,290,596	107,255,073,084
Top 50	947,053,125,000	907,964,250,000	804,291,688,000	659,490,311,939	399,981,699,789	213,986,458,681	132,296,637,137
Top 100	1,208,007,133,130	1,148,769,932,000	984,658,340,412	759,730,492,039	461,006,495,233	255,693,371,152	160,782,537,295
Top 200	1,478,323,097,130	1,400,299,954,655	1,175,306,238,835	864,298,820,563	528,354,528,436	300,370,439,821	191,534,427,136
Top 300	1,620,816,240,286	1,535,850,444,161	1,282,211,865,264	923,193,028,707	566,136,238,170	324,308,997,030	208,192,426,631
All Other Banks	927,201,759,714	895,838,555,839[2]	835,564,134,736	560,244,871,432	352,998,401,769	204,973,915,688	131,970,379,501
All Banks	2,548,018,000,000	2,431,689,000,000[2]	2,117,776,000,000	1,483,437,890,139	919,134,639,939	529,282,912,718	340,162,808,132
Number of Banks[1]	12,706	13,122[2]	14,404	14,763	14,629	13,686	13,804

Data Sources: Deposit data for the top 300 banks are from the American Banker survey. Deposit data for all (FDIC-insured) banks are from the Federal Deposit Insurance Corp., Washington, D.C. The data for 12/31/89 are preliminary. (1)— Prior to 1985, the count included both insured and uninsured. The counts for 1985-1989 are for FDIC-insured commercial banks only. (2)— Revised.

Equity Capital at Top 300 Banks

Dec. 31, 1989, compared with Dec. 31, 1988

	12/31/89	12/31/88	% Chg.
Top 10 Banks	32,666,120,000	34,204,547,000	- 4.5
Top 100 Banks	83,859,221,738	82,752,225,000	+ 1.3
Second 100 Banks	21,993,494,059	20,613,484,461	+ 6.7
Third 100 Banks	11,612,121,100	10,948,012,812	+ 6.1
Total for Top 300 Banks	117,464,836,897	114,313,722,273	+ 2.8
Total for All Banks	205,547,000,000	196,524,000,000[2]	+ 4.6

Data Sources: Top 300 banks are from the American Banker. Data for all banks are from the FDIC, and the FDIC data for 12/31/89 are preliminary. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. In addition, for large banks, equity capital includes the cumulative foreign currency translation adjustments. The 1989 figures are for the top 300 banks in deposits on 12/31/89. The 1988 figures are for the top 300 banks in deposits on 12/31/88. (2)— Revised.

Top 300 Banks in Assets

Dec. 31, 1989, compared with Dec. 31, 1988

	12/31/89	12/31/88	% Chg.
Top 10 Banks	694,811,369,000	672,241,396,000	+ 3.4
Top 100 Banks	1,675,193,408,066	1,582,352,814,000	+ 5.9
Second 100 Banks	358,230,100,000	332,266,843,830	+ 7.8
Third 100 Banks	181,846,121,045	171,826,436,035	+ 5.8
Total for Top 300 Banks	2,215,269,629,111	2,086,446,093,865	+ 6.2
Total for All Banks	3,299,028,000,000	3,130,882,000,000	+ 5.4

Deposit-Taking Institutions

Total deposits in 1989 compared with 1988 (dollar amounts in billions)

Type of Insitution		Number of Institutions	Total Deposits
Commercial banks – FDIC insured	12/31/89:	12,706	$2,548.0
	12/31/88:	13,122	2,431.7
	Change 1988-1989:	–416	+ 4.8%
SAIF-insured savings institutions	12/31/89:	2,878[1]	$945.8[2]
	12/31/88:	2,949	971.7
	Change 1988-1989:	–71	- 2.7%
BIF-insured savings banks	12/31/89:	489[3]	$223.9
	12/31/88:	492[4]	220.9
	Change 1988-1989:	–3	+ 1.4%
Credit unions	12/31/89:	15,086	$184.8
	12/31/88:	15,700	178.4
	Change 1988-1989:	–614	+ 3.6%
All deposit-taking institutions	12/31/89:	31,159	$3,902.5
	12/31/88:	32,263	3,802.7
	Change 1988-1989:	–1,104	+ 2.6%

Compiled by American Banker. All data for 12/31/89 are preliminary and subject to revision. **Data sources:** Data for **FDIC-insured commercial banks** are provided by the Federal Deposit Insurance Corp., Washington, D.C. The number of banks includes: nationally chartered banks; state member banks of the Federal Reserve System; and state nonmember banks. (Non-FDIC insured banks are not included.) Data for **SAIF-insured savings institutions** are from the Office of Thrift Supervision, Washington, D.C. SAIF— Savings Association Insurance Fund— was formerly the Federal Savings and Loan Insurance Corp. (FSLIC). SAIF was created under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, or FIRREA. Data for **BIF-insured savings banks** provided by the FDIC. BIF— Bank Insurance Fund— was created under FIRREA. Data for **credit unions** provided by Credit Union National Association, Madison, Wisconsin. (1)— Includes 281 thrifts in conservatorship. (2)— Includes $90.0 billion in deposits of thrifts in conservatorship. (3)— The 1989 total includes 469 state-charted savings banks and 20 federally-chartered BIF-insured institutions. (4)— The 1988 total includes 471 state-charted savings banks and 21 federally-chartered BIF-insured institutions.

Acquisitions, Name and Location Changes

Bank and thrift acquisitions made by top 300 banks in deposits during 1989 (dollar amounts in millions)

Deposit Rank 12/89	Name of Acquiring Bank	Former Name of Bank, or City	Name of Bank/Thrift Acquired	Deposits of Merged Banks	Date of Change
218	**National Bank of Alaska, Anchorage**		Alliance Bank, Anchorage	780.0	Apr. 22
107	**Security Pacific Bank Arizona, Phoenix**	Arizona Bank			Apr. 19
169	**Citibank Arizona, Phoenix**		First Commerce National Bank, Phoenix	23.7	Dec. 8
7	**Wells Fargo Bank NA, San Francisco**		Bank of Paradise, Calif.	53.4	Aug. 1
16	**First Interstate Bank California, Los Angeles**		Bank of Alex Brown, Sacramento, Calif.	300.8	Sep. 1
6	**Security Pacific National Bank, Los Angeles**		Southwest Bank, Vista, Calif.	349.2	Oct. 20
223	**MBNA America Bank, NA, Newark, Del.**	Maryland Bank, NA			Oct. 26
73	**Citizens & Southern Nat'l Bk, Ft. Lauderdale, Fla.**		Citizens & Southern Bank, Tallahassee	102.2	Jan. 1
			Liberty FS&LA, Port Richey, Fla.	88.3	Aug. 11
87	**First Florida Bank NA, Tampa**		First Florida Bank Pasco County NA, Elfers	30.3	Jan. 14
20	**Southeast Bank NA, Miami**		Southeast Bank, Tallahassee	20.2	Mar. 13
			Southeast Bank, Gainesville	47.0	Dec. 30
			Southeast Bank for Savings FSB, Jacksonville	1,044.6	Dec. 30
29	**NCNB National Bank of Florida, Tampa**		Southern Floridabanc FS&LA, Riviera Beach	N.A.	Oct. 7
			Freedom S&LA, Tampa	N.A.	Oct. 14
57	**First National Bank of Atlanta, Ga.**		First Bank & Trust Co., Fayetteville, Ga.	32.7	Sep. 16
49	**Bank of Hawaii, Honolulu**		Bancorp Financial of Hawaii, Honolulu	66.2	Apr. 1
160	**West One Bank Idaho NA, Boise**	Idaho First National Bank			Apr. 7
131	**Bank One NA, Indianapolis**		Bank One, Carmel	23.9	Jan. 1
105	**INB National Bank, Indianapolis**	Indiana National Bank			Apr. 1
			Citizens National Bank of Bedford, Ind.	106.4	Sep. 30
68	**Hibernia National Bank, New Orleans**		National Bank of Bossier City	93.2	Jan. 13
			Louisiana Bank & Trust Co., Shreveport	356.0	Feb. 17
			Livingston Bank, Denham Springs	104.3	Mar. 17
			Evangeline FS&LA, Lafayette	79.3	Aug. 19
			First Savings of Louisianna, FSA	45.5	Sep. 16
			River City FSB, Baton Rouge	106.1	Oct. 7
174	**First National Bank of Commerce, New Orleans**		Elmwood FS&LA, Harahan, La.	47.1	Sep. 9
176	**Whitney National Bank, New Orleans**		Enterprise FS&LA, Marrero, La.	66.2	Sep. 9
217	**Citizens Bank of Maryland, Laurel[1]**	Citizens Bank & Trust Co., Riverdale			July 1
72	**Shawmut Bank NA, Boston**		First Bristol City NB, Taunton, Mass.	368.6	Aug. 11
246	**Bank of New England South NA, Brockton, Mass.[2] [3]**		Bank of New England NA, Boston[2]	737.0	Jan.
224	**Bank of New England North, Lowell, Mass.[3]**		Bank of New England Essex, Peabody	532.7	Aug. 18
21	**National Bank of Detroit**		Wyandotte Savings Bank	348.2	Jan. 1
39	**Michigan National Bank, Farmington Hills**		First State Bank & Trust, Port Lavaca, Tex.	105.4	Aug. 31
43	**Comerica Bank - Detroit**		Dearborn Bank & Trust Co., Mich.	252.2	Dec. 8
32	**First Bank NA, Minneapolis**		Suburban National Bank, Eden Prairie, Minn.	52.2	Mar. 22
261	**Marquette Bank Minneapolis NA**		Marquette Bank Columbia Heights, Minn.	80.7	Sep. 16
			Marquette Bank Lake, Minneapolis	42.6	Sep. 16
			Marquette Bank University NA, Minneapolis	53.3	Sep. 16
151	**Trustmark National Bank, Jackson, Miss.**		First United Bank, Bay Springs	161.1	Mar. 31
195	**Commerce Bank St. Louis NA, Clayton, Mo.**		Commerce Bank Jefferson County NA, Festus	114.4	Jan. 1
79	**Boatmen's National Bank, St. Louis**		Boatmen's Bank of Jefferson Cty., Festus	115.7	Apr. 3
			Boatmen's Bank of O'Fallon	59.1	Apr. 3
			Centerre Bank, NA, St Louis	2,313.6	Apr. 3
178	**Boatmen's First National Bank, Kansas City, Mo.**		Centerre Bank of Kansas City NA	527.8	May 1
132	**Mercantile Bank NA, Clayton, Mo.**	Mercantile Bank of St. Louis, NA			Sep. 29
274	**First National Bank of Omaha, Neb.**		First of Omaha Saving Co., Neb.	64.6	Nov. 22
97	**Chemical Bank NJ NA, Morristown**	Horizon Bank NA			Jan. 1
			Marine National Bank, Wildwood	621.6	Jan. 1
			Princeton Bank	1,418.1	Jan. 1
104	**UJB/Hackensack, N.J.**	United Jersey Bank, Hackensack, N.J.			Apr. 25
			United Jersey Bank Edgewater NA, Englewood Cliffs	145.6	Jan. 21
			United Jersey Bank Woodridge NA	95.6	Apr. 29
40	**Midlantic National Bank, Newark, N.J.**		Midlantic National Bank/South, Mt. Laurel	1,924.5	July 1
			Midlantic National Bank/Merchants, Neptune	1,273.1	July 1
8	**Bank of New York**		Dutchess Bank and Trust Co., Poughkeepsie, N.Y.	224.3	Aug. 4
			Nanuet National Bank, N.Y.	365.0	Aug. 18
			Scarsdale National Bank & Trust Co., N.Y.	429.5	Sep. 9
			Irving Trust Co., New York	15,028.4	Oct. 7
167	**Norstar Bank, Melville, N.Y.**	Norstar Bank, Hempstead, N.Y.			Sep. 18
24	**NCNB National Bank of North Carolina, Charlotte**		Great Atlantic Savings Bank, FSB, Manteo, N.C.	112.3	Sep. 16
184	**Southern National Bank of North Carolina, Lumberton**		American Bank & Trust Co., High Point, N.C.	48.3	Nov. 1
53	**Huntington National Bank, Columbus, Ohio**		Citizens State Bank, Silverton	40.7	May 1
144	**Central Trust Co. NA, Cincinnati**		Citizens Fidelity Ohio NA, Cincinnati	6.4	June 29
56	**Society National Bank, Cleveland**		Society Bank of Eastern Ohio NA, Canton	1,143.5	Sep. 9
145	**Society Bank & Trust, Toledo**	Trustcorp Bank Ohio			Jan. 90
216	**Bank of Oklahoma NA, Tulsa**		American National Bank, Midwest City	46.8	Mar. 25
			Bank of Oklahoma City Plaza, Tulsa	89.5	Oct. 14
			Bank of Oklahoma Lewis Center, Tulsa	104.9	Oct. 14
			Bank of Oklahoma NA, Broken Arrow	18.9	Oct. 14
			Bank of Oklahoma Southwest, Tulsa	21.6	Oct. 14
			Bank of Oklahoma Mercantile Center, Tulsa	93.5	Dec. 1
78	**First Interstate Bank of Oregon, NA, Portland**		Jefferson State Bank, Medford	30.2	May 13
36	**Meridian Bank, Reading, Pa.**		Hill Financial Savings Assn., Red Hill, Pa.	2,090.9	Oct. 14
226	**Norwest Bank South Dakota NA, Sioux Falls**		Norwest Capital Management & Trust Company	0.00	Mar. 31
175	**First American National Bank-Nashville, Tenn.**		First American Bank, Greenback	N.A.	Jan. 31
			First American Bank, Smyrna	N.A.	Jan. 31
119	**Sovran Bank/Central South, Nashville, Tenn.**		Sovran Bank/Clarksville	121.7	Jan. 21
			Sovran Bank Marshall City NA, Lewisburg, Tenn.	76.2	July 15
			Sovran Bank Eastern, Oak Ridge, Tenn.	207.0	Nov. 11
34	**Bank One, Texas, NA, Dallas**	Deposit Insurance Bridge Bank NA			July 5
			MBank Abiliene NA	213.2	Mar. 29
			MBank Midcities NA, Arlington	331.4	Mar. 29
			MBank Austin NA	560.1	Mar. 29
			MBank Brenham NA	132.4	Mar. 29
			MBank Corsicana NA	160.8	Mar. 29
			MBank Dallas NA	4,033.8	Mar. 29
			MBank Ft. Worth NA	624.2	Mar. 29
			MBank Greenville NA	152.7	Mar. 29
			MBank Houston NA	2,566.9	Mar. 29
			MBank Denton Co NA, Lewisville	212.3	Mar. 29
			MBank Longview NA	254.7	Mar. 29
			MBank Marshall NA	197.0	Mar. 29
			MBank Odessa NA	298.5	Mar. 29
			MBank Orange NA	144.5	Mar. 29
			MBank Jefferson Cty NA, Port Arthur	307.3	Mar. 29
			MBank Round Rock NA	162.6	Mar. 29
			MBank Alamo NA, San Antonio	708.2	Mar. 29
			MBank Sherman NA	271.4	Mar. 29
			MBank Wichita Falls NA	155.6	Mar. 29
			MBank The Woodlands NA	450.5	Mar. 29
181	**First City Texas-Dallas**	First City Bank of Dallas			Mar. 31
12	**NCNB Texas National Bank, Dallas**		First State Bank, Abilene	206.6	Feb. 18
			Century S&LA, Baytown, Texas	85.5	Aug. 19
			American FSB, Austin, Texas	31.1	Sep. 9
			First Capital SA of Texas, Houston	116.3	Sep. 23
			Village SA, Houston	161.5	Sep. 23
			University FSA, Houston	3,668.7	Oct. 14
			Greater Texas Bank Southwest NA, Austin	35.6	Dec. 1

Data sources: American Banker survey data and the Federal Reserve Board's monthly G 4.5 Report: "Changes in Status of Banks and Branches." **Table described:** Banks and thrift institutions acquired by the top 300 banks in deposits, as well as changes in bank title and location, are identified here. The acquiring banks are listed in geographic order, with their respective deposit ranks for December 31, 1989, shown in the left-hand column. Acquired banks and thrifts are listed by date of acquisition. If several acquisitions occur on the same date, banks and thrifts are listed geographically by city, and within a city, alphabetically. **Deposits of merged banks:** for mergers occurring during the first half of 1989 deposits as of 12/31/88 were used, and for mergers occurring in the second half of 1989 deposits as of 6/30/89 were used. **N.A.**— Not available. **(1)**— Changed location from Riverdale to Laurel on May 15. **(2)**— A branch acquisition. The bank purchased 32 branches from Bank of New England NA. This acquisition is not included in the summary statistics appearing on page 28A. **(3)**— Bank was acquired by Bank of New England NA, Boston on 2/9/90.

Compiled by American Banker, Copyright 1990.

ACQUISITIONS BY TOP 300

Acquisitions, Name and Location Changes

Bank and thrift acquisitions made by top 300 banks in deposits during 1989 (dollar amounts in millions)

Deposit Rank 12/89	Name of Acquiring Bank	Former Name of Bank, or City	Name of Bank/Thrift Acquired	Deposits of Merged Banks	Date of Change
82	**First City Texas-Houston NA**	First City National Bank of Houston			Mar. 31
55	**Texas Commerce Bank NA, Houston**		Security Bank, Houston	19.2	Feb. 17
172	**Frost National Bank, San Antonio**		Westpoint National Bank, San Antonio	11.0	Feb. 17
			Frost Bank Northern Austin NA	52.7	Mar. 3
			University National Bank, San Antonio, Tex.	22.5	Aug. 4
			First National Bank, Boerne, Tex.	55.8	Oct. 27
101	**Team Bank NA, Fort Worth, Texas**	Texas American Bridge Bank NA, Fort Worth			Sep. 23
			Texas American Bank, Fort Worth	1,354.3	July 21
			Texas American Bank Amarillo NA	207.4	July 21
			Texas American Bank Forum NA, Arlington	64.2	July 21
			Texas American Bank Austin NA	181.6	July 21
			Texas American Bank Breckenridge NA	86.2	July 21
			Texas American Bank-LBJ NA, Dallas	68.5	July 21
			Texas American Bank Prestonwood NA, Dallas	49.5	July 21
			Texas American Bank Dallas NA	262.8	July 21
			Texas American Bank Denison NA	137.1	July 21
			Texas American Bank Duncanville NA	215.7	July 21
			Texas American Bank Farmers Branch NA	47.5	July 21
			Texas American Bank Fredericksburg NA	138.9	July 21
			Texas American Bank Greater Southwest, Grand Prairie	31.5	July 21
			Texas American Bank Galleria NA, Houston	352.8	July 21
			Texas American Bank Levelland NA	179.1	July 21
			Texas American Bank Longview NA	91.4	July 21
			Texas American Bank McKinney NA	167.3	July 21
			Texas American Bank Midland NA	131.7	July 21
			Texas American Bank Plano NA	36.2	July 21
			Texas American Bank Richardson NA	42.4	July 21
			Texas American Bank Southwest NA, Stafford	40.4	July 21
			Texas American Bank Temple NA	70.1	July 21
			Texas American Bank NA, Tyler	139.9	July 21
			Texas American Bank Wichita Falls	64.7	July 21
42	**Crestar Bank, Richmond, Va.**		Mountain National Bank of Clifton, Clifton Forge, Va.	31.0	Sep. 1
129	**First Interstate Bank Washington NA, Seattle**		Bank of Spokane	27.5	Jan. 14
98	**US Bank of Washington NA, Seattle**		Auburn Valley Bank, Auburn	42.4	Mar. 3
			Northwestern Commercial Bank, Bellingham, Wash.	90.3	Feb. 3
28	**Seattle-First National Bank**		American Savings Bank, Tacoma, Wash.	531.5	Dec. 2
190	**Bank One Milwaukee NA**		Bank One Mequon, Wis.	22.7	Nov. 4
			Bank One Waukesha, Wis.	594.7	Nov. 18

Data sources: American Banker survey data and the Federal Reserve Board's monthly G 4.5 Report: "Changes in Status of Banks and Branches." **Table described:** Banks and thrift institutions acquired by the top 300 banks in deposits, as well as changes in bank title and location, are identified here. The acquiring banks are listed in geographic order, with their respective deposit ranks for December 31, 1989, shown in the left-hand column. Acquired banks and thrifts are listed by date of acquisition. If several acquisitions occur on the same date, banks and thrifts are listed geographically by city, and within a city, alphabetically. **Deposits of merged banks:** for mergers occurring during the first half of 1989 deposits as of 12/31/88 were used, and for mergers occurring in the second half of 1989 deposits as of 6/30/89 were used. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

TOP 300 BANK MERGERS

Summary Statistics

Geographical Breakdown of Mergers Among Top 300 Banks

(in Millions of Dollars)	Acquiring Banks 1989	Acquiring Banks 1988	Banks Acquired 1989	Banks Acquired 1988	Deposits Acquired 1989	Deposits Acquired 1988
Alabama	0	2	0	3	$0	$493
Alaska	1	0	1	0	780	0
Arizona	1	1	1	1	24	2,033
California	3	5	3	6	703	10,698
Connecticut	0	2	0	4	0	766
Florida	4	6	8	12	1,333	444
Georgia	1	1	1	2	33	117
Hawaii	1	0	1	0	66	0
Indiana	2	2	2	2	130	74
Kansas	0	1	0	2	0	43
Louisiana	3	2	8	8	898	1,891
Maine	0	2	0	4	0	1,490
Maryland	0	1	0	1	0	N.A.
Massachusetts	2	4	2	4	902	1,153
Michigan	3	4	3	15	706	2,317
Minnesota	2	2	4	17	229	1,914
Mississippi	1	1	1	1	161	102
Missouri	4	4	5	11	2,603	630
Nebraska	1	1	1	1	65	57
New Jersey	3	6	6	11	5,479	4,869
New York	1	2	4	2	16,047	581
North Carolina	2	1	2	1	161	N.A.
Ohio	3	2	3	3	1,191	551
Oklahoma	1	0	6	0	375	0
Oregon	1	0	1	0	30	0
Pennsylvania	1	2	1	2	2,091	189
South Dakota	1	0	1	0	0	0
Tennessee	2	4	5	12	405	185
Texas	5	9	56	107	20,671	20,566
Utah	0	1	0	2	0	23
Virginia	1	0	1	0	31	0
Washington	3	3	4	3	691	1,556
Wisconsin	1	1	2	1	617	91
Totals	**54**	**65**	**133**	**135**	**56,422**	**54,282**

Table Explained: American Banker follows the bank of charter when banks merge. The surviving bank is the bank whose charter has survived the merger. **Deposits Acquired**: These are the combined total deposits of the banks acquired through merger in the respective states. In calculating the deposits acquired through merger, the most recently available data for the acquired banks are used. When two affiliated banks of a holding company merge under the charter of the smaller bank, American Banker counts the deposits of the smaller bank, to avoid overstating the impact of internal mergers.

Top 10 Banks in Acquired Deposits

(In Millions of Dollars)	Deposits Acquired	Banks Acquired	Deposit Rank
1. Bank of New York	$16,047	4	8
2. Bank One, Texas, NA, Dallas	11,938	20	34
3. NCNB Texas National Bank Dallas	4,305	7	12
4. Team Bank NA, Fort Worth, Texas	3,775	20	101
5. Midlantic National Bank, Newark, NJ	3,198	2	40
6. Boatmen's National Bank, St. Louis	2,488	3	79
7. Meridian Bank, Reading, PA	2,091	1	36
8. Chemical Bank NJ NA, Morristown	2,040	2	97
9. Society National Bank, Cleveland	1,144	1	56
10. Southeast Bank NA, Miami	1,112	3	20
Totals for the Top 10	**48,138**	**63**	

Banks and Deposits Acquired Through Merger by Top 300 Banks

(In Billions of Dollars)	Acquiring Banks	Banks Acquired	Deposits Acquired
1989	54	133	$56.4
1988	71	238	54.3
1987	74	243	46.0
1986	65	123	42.9
1985	44	137	16.8
1984	68	130	22.2
1983	55	130	13.5
1982	59	93	11.4
1981	47	110	9.5
1980	36	38	3.4

800

C0175-1

AMERICAN BAN

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814
NEWSPAPER

VOL. CLV NO. 61 Thursday, March 29, 1990 155th year

Skeptics Caution Against Insuring Check Purchases

By SAM ZUCKERMAN

SAN FRANCISCO — As U.S. banks and thrifts rush to offer checking accounts that insure customer purchases, some industry executives are warning that bankers do not fully understand the strategic implications.

These skeptics say programs that provide casualty insurance and extended warranty protections on purchases made with checks merely add to a bank's costs. If such insurance becomes a common checking-account feature, as it has in the credit card industry, it may fail to accomplish the original purpose of distinguishing one bank's services from competitors'.

ANALYSIS: *Follow-up on the news*

"What is going to be the benefit? None. Just higher expenses," grumbled James R. Gibson, vice chairman and retail banking chief at Union Bank, San Francisco, the fifth-largest in California.

Will Customers Change Banks?

"The biggest question mark is whether these programs will drive customers to take their money out of one bank and go across the street to another bank that offers the service," said Dennis Propp, president of Propco Financial Marketing, Chicago, one of several firms marketing check-insurance packages. "The fact is, we just don't know."

Mr. Propp acknowledged that competitors could easily match the service, but he said there may be "value to being first in the market."

In January, Valley National Bank of Arizona, Phoenix, a subsidiary of Valley National Corp., became the first to introduce product insurance and extended warranty protection for checking-account customers.

But disclosures this week that the nation's three largest commercial banks - Citicorp's Citibank, the flagship subsidiary of Chase Manhattan Corp., and BankAmerica Corporation's Bank of America - will offer such packages is evidence of a bandwagon effect that some retail bankers find hard to resist. (Dime Savings Bank of New York will jump on it next week. See page 6.)

Pressure Can't Be Ignored

Even doubters like Mr. Gibson said that, in the increasingly cutthroat retail environment, it may be impossible to ignore pressures to offer buyer protection packages. Despite his reservations, Union Bank will soon

See **SKEPTICS** back page

INSIDE NEWS

TECHNOLOGY

MANUFACTURERS Hanover is offering a proxy solicitation service to clients engaged in proxy battles. *Page 3*

FINANCE

UAL BUYOUT talks are on hold until April 26, when Coniston Partners will seek to oust the company's board and install its own slate of candidates. *Page 18*

CONSUMER

MERCANTILE BANK in St. Louis has introduced a system that allows customers to apply for a loan and get a decision during the course of one phone call. *Page 6*

INTERNATIONAL

VENEZUELA will try to sell its debt-reduction package next week to bankers meeting in Montreal. Backers of the deal say its voluntary nature will make it easier to market than the Mexican and Philippine pacts. *Page 12*

MANAGEMENT

KERRY YEAGER, who coordinates volunteer efforts for Chase Manhattan, aims to incorporate charity into the bank's regular operations. *Page 8*

COMMENT

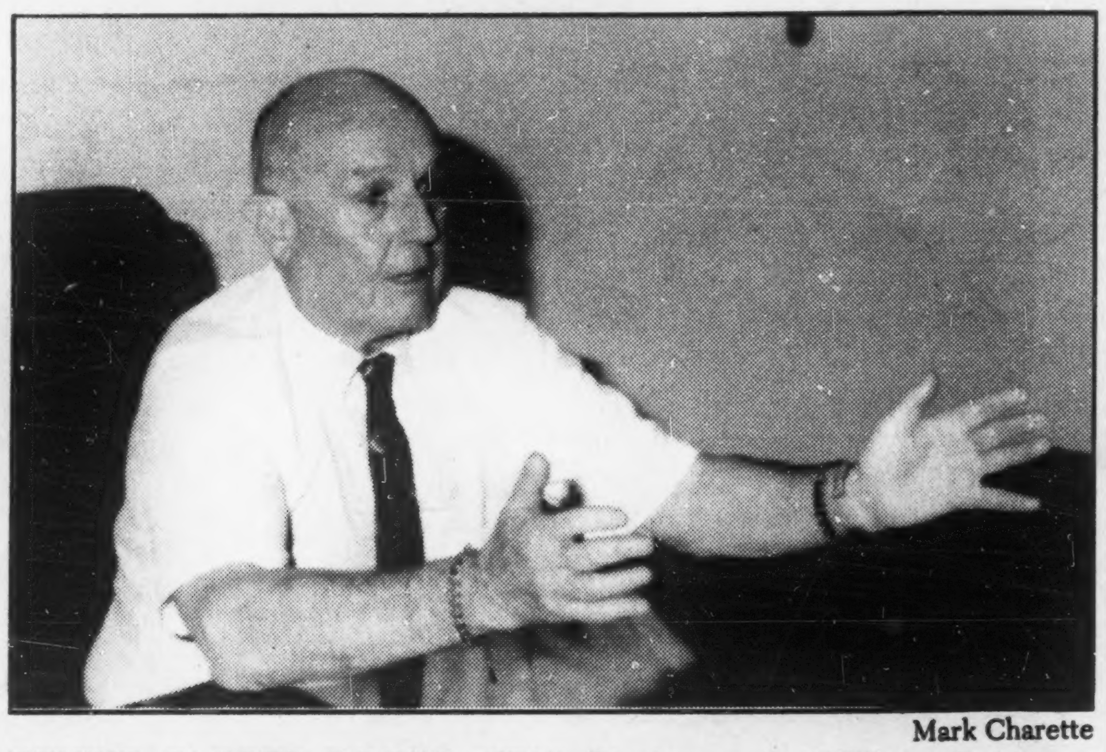
EXAMINERS MAY BE erring on the side of caution, writes Henry S. Peltz. *Page 4*

OTHER NEWS

THE BANK CAPITAL Markets Association is making a big push to regain members, particularly regional banks that have strayed from the fold. *Page 2*

INDEX

People in the News 2
Company Index 2
The Lobbyists 4
Executive Changes 14
Classified Advertising 16
Bank and Thrift Stocks 19



Mark Charette

BEHIND CLOSED DOORS: FDIC Chairman L. William Seidman aims to end the feud between credit unions and banks by mediating a face-to-face meeting with industry representatives.

Seidman to Mediate War of Words Between Credit Unions and Banks

By BILL ATKINSON

WASHINGTON — Seeking to put an end to an escalating war of words between credit unions and banks, regulator L. William Seidman will meet behind closed doors today with representatives of the two industries.

Regulators fear the sniping between the two industries will undermine public confidence in each side's deposit insurance fund. By sitting the rivals face-to-face, regulators hope they will agree to stop the feud.

Mr. Seidman, who is chairman of the Federal Deposit Insurance Corp. and the Resolution Trust Corp., recently agreed to act as mediator. The meeting will be held in Mr. Seidman's office.

Along with Roger W. Jepsen, chairman of the National Credit Union Administration, scheduled to attend are top officers of

See **SEIDMAN** page 11

Shareholder Resistance Blocks Sale Of Crossland

By ELLEN MEMMELAAR

NEW YORK — Citing objections from shareholders, Crossland Savings Bank said on Wednesday that it has terminated negotiations to get a $150 million capital infusion from a company affiliated with the Pritzker family of Chicago.

The $14 billion-asset Crossland, the largest thrift in New York City, had announced a tentative agreement in January to sell a controlling interest to Coast-to-Coast Financial Corp., whose owners include the Pritzkers and New York real estate investor Alvin Dworman.

The transaction would have given Coast-to-Coast 85% of Crossland's common stock. Existing shareholders' control would have been reduced to 15%.

"Shareholders weren't very enamored with the transaction," conceded Peter Cunningham, senior vice president at Cross-

See **SHAREHOLDER** page 11

Agencies End Ban On Accountants They Are Suing

By BARBARA A. REHM

WASHINGTON — Federal regulators have lifted a ban that prevented the Resolution Trust Corp. and the Federal Deposit Insurance Corp. from using accounting firms being sued by the government.

The change of heart stems from the agencies' high demand for auditing and asset valuation services provided by the nation's largest accounting firms - even though the government claims in numerous lawsuits that shoddy audits by many of these same firms resulted in massive losses at troubled financial institutions.

How to Get a Waiver

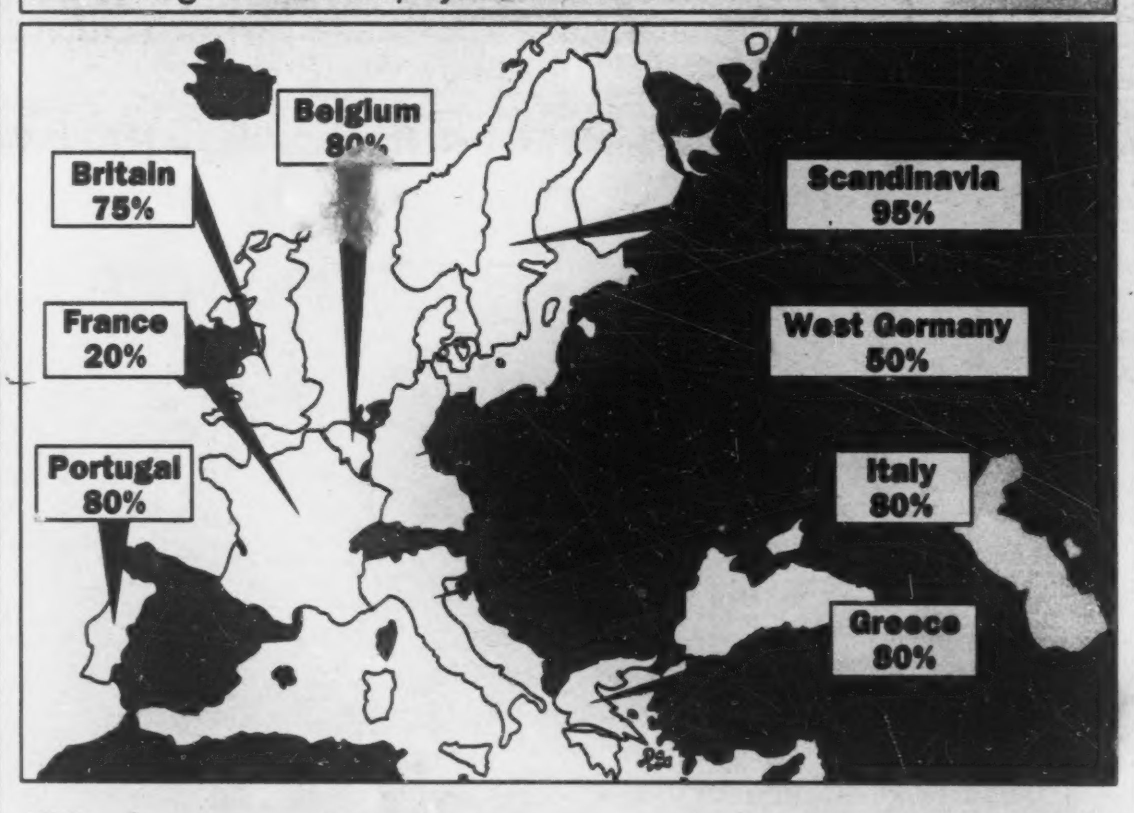
The new policy, approved by both agencies Tuesday, specifies how firms can get a waiver from the ban. They must prove that they have identified employees involved in the work that prompted the lawsuit and demonstrate that these people will not work on the contract.

"We're pleased that they've changed their policy," said J.A. Peers, a partner in Chicago with Ernst & Young, one of the firms sued by the federal agencies.

An internal RTC memo ob-

See **REGULATORS** page 16

Why Unions Have Clout at European Banks
Percentage of bank employees in unions



Unions at European Banks Build Network to Strike Across Borders

By JOHN EVANS

LONDON — Labor unions at Europe's big multinational banks, worried about layoffs because of mergers and cost controls, are preparing for strikes and other actions that reach across national borders.

As a result, banks involved in labor disputes face the prospect of simultaneous strikes at home and in their offices in other countries. They may also be hampered in shifting their transactions to banks in other countries, say senior union officials in Europe.

In recent months, labor unrest has stepped up in a number of countries, including two bitter monthlong strikes and lockouts at banks in Sweden and Finland. While disputes have been centered on pay, underlying these confrontations are employees' fears of deep layoffs as banks seek cost-cutting measures, say industry analysts.

Dutch Layoffs Likely

Just this week, the two largest Dutch banks announced they were planning a merger to im-

See **EUROPEAN** page 12

COMMENT/*By Henry S. Peltz*

Examiners May Be Erring On the Side of Cautiousness

Managers, accountants, and regulators are well advised to be cautious with regard to property valuations and estimates of future performance of real estate loans in the current slow enviornment.

For example, if loan files lack adequate documentation or appraisals, the underlying loans probably should be classified as substandard, doubtful, or even loss (and companies should disclose them as nonperforming), even if they are current on debt service payments.

In other situations, however, we suspect that the regulators are being overly cautious and that the resulting adverse effects on financial services companies are likely to prove counterproductive.

Diverging from Prior Standards

Some have characterized this caution as an overreaction by examiners in suggesting (requiring?) sharp increases in capitalization and discount rates and other valuation mechanisms that are considerably higher than those previously sanctioned by appraisers and accountants. The impact of this has been to force the classification of performing assets as nonperforming.

For some thrifts and banks, loan-loss reserves have had to be increased, and loans or real estate written down. Furthermore, income statements have been hit with interest reversals, and the capital positions of some companies have been reduced below required minimums. The result has been impairment of the ability of financial institutions to attract capital and a reduction in investor and consumer confidence.

A study of valuation mechanisms shows how overregulation can be used to reduce loan and real estate values to unrealistic levels.

In all mortgage lending, the value of the collateral is a vital indication of the soundness of the loan. For single-family residential loans, the most commonly used measurement of soundness is the loan-to-value ratio, where the amount of the loan is related to property values (usually determined by sale prices of comparable properties).

Demand Factor in Construction

For construction loans, an appraisal value of the property can only be approximated because it depends on demand for the project by buyers or lease tenants after completion. Further risks for lenders are unanticipated increases in construction costs, builder defalcations, and downturns in the housing cycle or economy that may reduce the ultimate selling price of the property.

Time to completion or sale is a critical factor in valuing the soundness of a construction loan. That is one reason why analysts look at the amount of funds remaining in interest reserves. It is no wonder that construction loans are regarded as more risky than other types of lending.

> **'Overregulation can reduce loan and property values to unrealistic levels.'**

Rental Properties Pose Problem

Income properties, unlike single-family homes, may be hard to value based on comparables. They often represent completed buildings with some history of rental income. If such properties have a history, the value of the property can be approximated by capitalizing the income stream the property is generating or would be expected to generate in a sale at some future date, after deducting taxes, maintenance, and selling costs.

The capitalization rate is used to convert the estimated cash flow into a market value that would be satisfactory to a buyer. To ensure that income-property loans are properly valued on a lender's balance sheet, accountants and regulators check the assumptions used by the lender, including the capitalization rate, the holding period, and projections of future income.

The latter often depend on assumptions about rental inflation rates, future occupancy rates, sales of comparable properties, and other factors. The objective is to arrive at the net realizable value of the property.

S&Ls Treated Differently

Unlike commercial and savings banks, in computing net realizable value savings and loans are required to discount the income that is expected during the period that a property is held (or a loan is expected to be outstanding) back to present value at a rate that reflects their cost of funds. Banks, on the other hand, merely add the undiscounted cash flows to the appraised value of the property to arrive at net realizable value. Thus, the valuation method used by thrifts is more conservative than that used by banks.

Figuring Fair Market Value

For shaky loans or foreclosed property another measurement is derived: fair market value. In this case a discount factor is used to reduce the expected stream of income, which is often higher than the financial institution's cost of funds and thus may reduce the carrying value of the property.

At the same time, the appraised value of the property may also be reduced by a higher capitalization rate. The effects of

See **REGULATORS** *page* 9

Mr. Peltz is a vice president of Keefe, Bruyette & Woods Inc., New York.

THE LOBBYISTS/*By Barbara A. Rehm*

Community Bankers Help Revive Analysis

The **Independent Bankers Association of America** joined the cacophony of complaints and persuaded the **Federal Reserve Board** to reinstitute its functional cost analysis program.

To produce the analysis, the 12 Fed district banks collect, average, and publish cost data from members, allowing executives to compare their operating and overhead costs with those of similar banks.

"Many community banks have relied on the program to set appropriate, competitive prices for customer services," former association president **O.J. Tomson** wrote late last year to Fed Governor **Wayne D. Angell**.

This month, Mr. Angell wrote back, explaining that the cost analysis, which was scrapped last year because of rising costs and declining bank participation, would return in 1991. Changes will be made, he added.

A full-time manager is being assigned to the analysis to help promote it, Mr. Angell wrote in the March 14 letter to Mr. Tomson. The report is being revised, and several banking products are being added, he wrote. Fees will be increased, too.

Mr. Angell said more banks must participate to keep the program going, and he asked for help from the independent bankers group. "It would be very helpful if you contacted your membership to encourage their participation . . . in a revitalized FCA program," he wrote.

* * *

Norwest Comes Out On Top in Indiana

Norwest Corp. defeated the **Indiana Bankers Association** this month when the **Indiana General Assembly** passed a bill allowing the Minneapolis-based banking company to buy a bank in South Bend, Ind.

Before the bill passed, Minnesota banks were banned from acquiring banks in the Hoosier state. Indiana is to open itself to reciprocal interstate banking in July 1992.

"It was not felt necessary to accelerate that trigger date," said **Tom Williams,** the top lobbyist for the Indiana bankers group.

Tom Williams

But the bill passed, clearing the way for Norwest to buy **First Interstate Corporation of Wisconsin,** Kohler, which in turn owns **First Interstate Bank of Northern Indiana,** South Bend. Norwest would have had to divest the South Bend bank if the bill had been defeated. The Federal Reserve approved the acquisition Monday.

The law also gives thrifts in the state a way to "flip" their charters into bank charters. The IBA opposed at least part of this measure, Mr. Williams said. "We were in favor of it, except one provision that allows mutual thrifts to become mutual savings banks," he said. "It allows those institutions a safe harbor from acquisition by any other institution."

* * *

Kansas Bankers Get To Put Bite on Bush

They weren't served broccoli, but three Kansas bankers did break bread with **President Bush** Tuesday.

The White House luncheon marked the 100th anniversary of Dwight D. Eisenhower's birth. Since Ike grew up in Kansas, Sen. **Bob Dole,** R-Kan., got to hand out a few invites.

Harold Stones

The recipients? Three representatives of the **Kansas Bankers Association: Harold Stones,** its energetic executive vice president, and the group's current and incoming presidents, **William R. Docking,** president of **Union State Bank,** Arkansas City, and **John M. Davis,** president of **Fidelity State Bank,** Garden City.

Mr. Stones has earned the nickname "the happy warrior" among banking lobbyists. He is a good-humored man who does not let go of an issue until he gets his way. For months last year, he beat on the **Resolution Trust Corp.,** trying to persuade it to sell insolvent thrifts by the branch rather than as whole institutions. The RTC now offers institutions to buyers by branch.

* * *

State Bankers Flock To Nation's Capital For Spring Rites

Spring is the season when state banking associations meet in Washington, hoping to bend the ears of a few lawmakers and regulators.

This week, members of the Alabama, Michigan, North and South Dakota, and Puerto Rico bankers associations met with their congressmen and regulatory officials.

Gary W. Fields, director of the **American Bankers Association's** state association division, said the visiting bankers, lawmakers and regulators, and even the ABA Washington staff benefit.

"From our point of view, we learn about what is happening outside the beltway," he said. "It's our reality check."

Mr. Fields listed the issues that bankers are pursuing with lawmakers and regulators in order of importance: deposit insurance reform, regulation overload, competition from credit unions, lender liability problems, and expanded powers.

Next week, members of the Delaware, Massachusetts, and North Carolina banking associations will arrive. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Kelley Holland, William Goodwin, Gordon Matthews
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Venezuela Debt Plan Given Good Marks for Flexibility

By JAMES R. KRAUS

NEW YORK — Venezuela will make its first pitch to banks for its new debt-reduction package Monday at the Inter-American Development Bank's annual meeting in Montreal.

At the same time, bankers said that informal talks would be held with Brazilian officials on starting negotiations for debt reduction for that country.

Bankers said formal negotiations with Brazil could start within a month.

Those helping to market the Venezuelan package stressed that the purely voluntary aspect of the deal should make it easier to market than previous agreements with Mexico and the Philippines.

Unlike the previous agreements, the Venezuelan package has not been formally endorsed by the country's bank advisory committee. Endorsement is normally a prerequisite for marketing any debt restructuring agreement.

Instead, the 16-bank Venezuelan advisory committee agreed to waive the requirement for an endorsement, mainly because banks could not agree among themselves on the options they should offer Venezuela.

Bankers who helped arrange the package say the lack of any need for endorsement is important. Waiving the need for endorsement leaves banks free to pick the option in their own best interest without fearing either peer pressure from other banks or indirect retaliation from bank regulators.

The Venezuelan debt-reduction package is the fourth to be drawn up since Treasury Secretary Nicholas F. Brady called on banks last year to forgive a portion of their loans to financially troubled Third World countries. Agreements have been signed with Mexico and the Philippines, and another has been drawn up with Costa Rica.

The Venezuelan package offers five options, including a debt buyback, a permanent reduction on the interest and principal Venezuela pays on $20.6 billion in medium-term and long-term loans, and temporary interest rate reductions that oblige Venezuela to pay market rates if the price of oil rises above a certain price.

The World Bank, International Monetary Fund, Japan, and Spain will provide about $2 billion to back the bonds Venezuela will issue in exchange for its bank loans.

Bankers expect half of Venezuela's 300 creditor banks to attend the presentation Monday. Term sheets, the final legal draft of the package, are expected to go out to banks at the end of April.

Informal talks will be held separately in Montreal with senior Brazilian officials, including the country's new minister of the economy, Zelia Cardoso de Mello, on a possible debt-reduction agreement. Brazil owes foreign commercial banks an $65 billion.

The three-day annual meeting of the Inter-American Development Bank is scheduled to run April 2 to 4.

... by country

AUSTRALIA

A spokesman for the **Australia and New Zealand Banking Group** Ltd. said he had no knowledge concerning a report that the company was about to purchase **National Mutual Royal Bank** Ltd.

Australian Associated Press quoted industry sources as saying ANZ was set to buy 80% of the bank for $450 million.

An ANZ spokesman said, "We do not comment on market rumors." Asked whether the report had any basis in reality, he told callers, "No, not as far as I know."

NMRB is owned 50/50 by **Royal Bank of Canada** and **National Mutual Life Association** of Australia.

The wire service reported that an official statement from ANZ about the takeover of National Mutual Royal Bank was likely on Friday.

Quoting industry sources, AAP said the Royal Bank would sell its 50% stake in NMRB to National Mutual, effective next Monday.

National Mutual will then sell at least 80% of NMRA to the ANZ for about $450 million, the wire service reported the industry sources as having said.

NMRB started business with a full banking license after Australia opened the door to foreign banks in the mid-1980s.

— Reuters

WEST GERMANY

A new electronic interbank clearing system is being introduced in Frankfurt with the intention of speeding up banking transactions and increasing the city's competitiveness as a financial center.

Karl Thomas, president of the Regional Central Bank of the State of Hesse, where Frankfurt is situated, told a news conference that the system was developed at a cost of about $2.9 million.

Fourteen banks are participating in a pilot project of the new system, which will eventually be extended to encompass all Frankfurt trade.

Mr. Thomas said the banks involved in the pilot account for over two-thirds of Frankfurt money transfers.

These transfers average 400 billion marks a day and can reach almost one trillion marks on peak days.

— Reuters

European Unions Fear Layoffs

Strikes Possible Both at Home Offices and Abroad

Continued from *page* **1**

prove their competitive position. Analysts said the elimination of duplicated services could result in at least 10,000 layoffs.

Cooperation among unions to combat such trends is being routed through the International Federation of Commercial, Clerical, and Professional Employees, based in Geneva. Affiliated membership totals two million from 80 countries.

Unions and staff associations in a number of countries are formulating a "global strategy" to deal with multinational banks in addressing issues such as union recognition, job losses caused by mergers, and the impact of new technology, said the federation's general secretary, Philip Jennings.

Days of Action Urged

"Some of our union members are already urging us to hold international days of action – work stoppages across national borders aimed at pressure against banks where the unions have disputes," he says.

Asked if the unions eventually could amass the power to close down a bank internationally through coordinated action, Mr. Jennings says: "That could be possible, but would be the ultimate sanction. Unions are realizing that just to operate nationally is not sufficient. They must cooperate internationally to deal with multinational banks."

In Britain, David Burton, of the Banking, Finance, and Insurance Union, Europe's biggest finance union, agrees that coordinated international strike action is a "distinct possibility" in a drive for union recognition and related demands.

Mr. Jennings says that, in the past four months alone, there have been more banking disputes worldwide than "in the last 40 years," with the strikes in Scandinavia, disputes elsewhere in Europe, and labor troubles in Africa and Latin America.

A labor group is compiling a global data base of banks and their policies toward unions.

Pay has been at the head of list of demands, "but unions are seeking strong guarantees on job security as banks seek to cut costs," he says.

In Sweden, Magnus Neuberg, deputy general secretary of the Swedish banking union, says that effective worldwide action against banks "will need very strong unions," a powerbase that will only be established by international cooperation.

Campaign for Rights

Mr. Burton, who heads his union's international division, says there is a campaign through the federation for a clause in the European Community's banking and social laws "to give rights to have trade union representation at the big multinational banks. These banks operate across the world and we, as unions, need similarly to coordinate in order to face up to common issues."

In pursuit of these aims, the federation is creating a data base to list every bank around the world and the countries where these institutions either grant or refuse union recognition, the British official says.

"The plan includes highlighting those banks who exploit their workers and who are generally bad employers."

Containing the Problems

Unions hope, through greater coordination, to prevent unfavorable management styles from being exported from country to country. He notes that U.S. banks have historically resisted unionization.

Meantime, growing union coordination in Europe proved successful during the strike and lockouts earlier this year in Sweden and Finland, which paralyzed much of those two nations' banking systems.

"The banks there tried to get banks in other countries, including Norway, Denmark, and Germany to undertake transactions on their behalf, but bank workers in those countries refused to handle the business," Mr. Burton says.

"These are the types of economic sanctions which the unions are trying to create on a global basis."

He adds: "We're very cooperative and accept that the banks have to remain competitive and profitable in order to maintain personnel levels. But we do want greater safeguards for our members' job security, through agreements like retraining programs." ☐

Foreigners Allotted 20% Stake in Polish Bank

By JOHN EVANS

LONDON — Foreign subscribers have been allotted 20% of the shares in a small Polish bank, Bank Inicjatyw Gospodarczych SA, in an offering intended to take the state-sector bank private.

The offering, under the country's new Western-style economic system, consisted of 15,000 shares of common stock, with 3,000 allocated to foreign shareholders. Foreigners had applied for 9,012 shares, or nearly 40% of the issue.

But the Narodowy Bank Polski, Poland's central bank, permitted only 20% to go overseas.

About 1,000 investors applied for 22,857 shares in the offering, which started in mid-February. The offering price was set at $6.30 a share, raising a total of $94,500.

Offering Oversubscribed

"This comfortably oversubscribed the offer, diluting the state shareholding in Bank I.G. to 41.3% from 99.3%, thus taking the bank into the private sector," said a spokesman for First Europe Equity and Bond Co., a London-based investment bank that acted as adviser for the issue.

The spokesman declined to identify the foreign investors who bought into the bank.

Last fall, another newly established Polish bank, Bank Komumalny , also went private by selling stock and plans another offering in April. Foreign investors will be allowed to purchase up to 20% of the issue. ☐

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	3/28	3/27	3/21	3/28	3/27	3/21	3/28	3/27	3/21	3/28	3/27	3/21	3/28	3/27	3/21
United States	8.75	8.31	8.31	8.50	8.50	8.50	8.68	8.68	8.68	7.00	7.00	7.00	10.00	10.00	10.00
Japan	8.56	7.00	7.81	7.56	7.56	7.75	7.75	7.75	7.81	5.25	5.25	5.25	6.25	6.25	6.25
Canada	13.18	13.18	12.91	13.37	13.32	13.18	13.50	13.37	13.25	13.38	13.38	13.31	14.25	14.25	14.25
U.K.	15.87	15.87	15.06	15.31	15.31	15.56	15.50	15.50	15.81	14.45	14.45	14.45	15.00	15.00	15.00
West Germany	7.62	7.43	7.75	8.25	8.25	8.43	8.68	8.68	8.81	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	10.00	9.00	8.75	9.25	9.18	9.06	9.25	9.18	9.12	6.00	6.00	6.00	10.88	10.88	10.88
France	10.31	10.25	10.25	10.43	10.43	10.68	10.62	10.68	10.87	9.50	9.50	9.50	11.00	11.00	11.00
Italy	12.08	12.08	12.50	12.50	12.62	12.57	12.87	12.81	12.87	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.70	15.18	8.85	9.05	7.85
6 to 12 months	8.97	14.83	9.13	8.99	7.93
12 to 24 months	9.40	14.00	8.18	8.35	7.70

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 12

C01751

800

AMERICAN B

VOL. CLV NO. 65 Wednesday, April 4, 1990 th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Bank's Victory Over Auditor May Set Trend

By SAM ZUCKERMAN

SAN FRANCISCO — A jury in Orange County, Calif., recently ordered Ernst & Young – one of the nation's Big Six accounting firms – to pay $5 million to Union Bank, San Francisco, for misrepresenting a borrower's financial condition.

This verdict added banks to the growing list of nonclients that have won suits against accountants. The plaintiffs in these suits typically had stakes in businesses that had been audited by the accountants; they sued on grounds that the audits had been misleading.

ANALYSIS: *Follow-up on the news*

Suits have occasionally been won by stockholders and nonbank creditors who lost money in corporations that had been audited. Suits of this type contend that the accountants were negligent in preparing financial statements of these corporations.

But legal experts say it is rare for banks to win jury trials in cases arising from accountants' opinions on loan customers. All the same, banks seem to be increasingly willing to take borrowers' accountants to court.

"You are seeing banks sue more often, alleging reliance on audited – and sometimes even unaudited – financial statements," said Ronald B. Klein, an attorney for the Cal Accountants Mutual Insurance Co. The company provides professional liability insurance to accountants.

A Question of Trust

At stake is the way banks use audited financial statements in making loan decisions. Bankers argue that they should be able to trust an auditor's competence and truthfulness. Accountants say that financial statements are opinions based on available information, and that bankers must enforce their own underwriting standards.

"Can we or can we not rely upon accountants? That was really the issue" in the Union Bank suit, said Stephen Weiss, the bank's deputy general counsel.

Until the Orange County trial, banks usually lost suits against accountants. "I can't remember a jury verdict for banks in an accountant third-party liability case," Mr. Klein said.

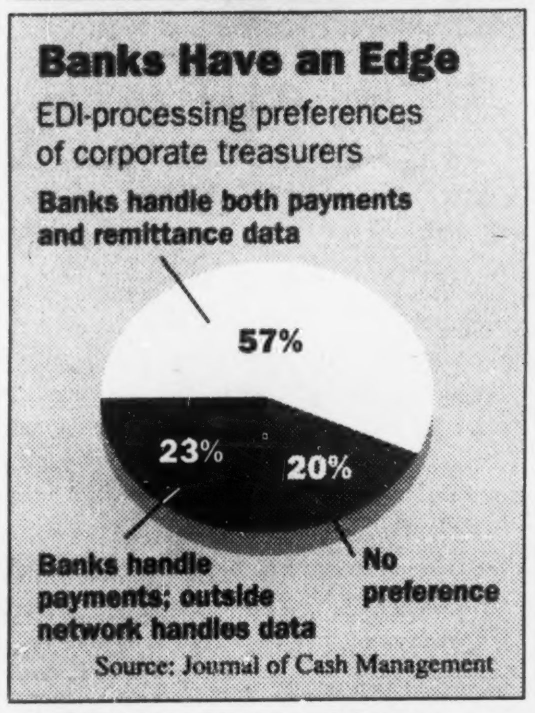
Legal Precedents

In recent months, the supreme courts of Alabama and West Virginia have upheld low-

See **VERDICT** *page* 17

INSIDE NEWS

TECHNOLOGY


Banks Have an Edge

EDI-processing preferences of corporate treasurers

Source: Journal of Cash Management

COMPANIES PREFER to use banks for electronic data interchange, according to a recent survey. But value-added networks – such as that offered by Sears, Roebuck – could cause banks to lose market share. *Page 3*

FINANCE

THE SIX-MONTH plunge in share prices of money-center banks has pushed up their stocks' average yield to near the level last seen after the 1987 market crash. *Page 24*

CONSUMER

CITIBANK unveiled a branch in New York City where customers are invited to take a number and have a seat while they wait for a teller. *Page 8*

INTERNATIONAL

FINANCE MINISTERS from the Group of Seven industrialized nations will meet this week to discuss a new European development bank and increased International Monetary Fund financing. *Page 14*

OTHER NEWS

THE SENATE is preparing to weigh concern about Timothy Ryan's credentials to be head of OTS against the pressure of a court decision that has thrown the thrift regulatory structure into disarray. *Page 2*

COMMENT

BANKS HOLD TOO MANY leveraged-buyout loans, now that market psychology has turned against leverage, writes Christopher T. Mahoney. *Page 4*

INDEX

People in the News 2
Company Index 2
Grapevine 4
Executive Changes 6
Classified Advertising 18
Strategic Dates 21
Bank and Thrift Stocks 23

Comerica Off To Early Start In California

By NANINE ALEXANDER

When California passed a bill three years ago opening its borders to national interstate banking on Jan. 1, 1991, there was widespread speculation that major New York banks would rush to buy up banks in the state.

But so far, only midsize Comerica Inc. is showing interest.

The Detroit-based bank company announced late Monday it would acquire InBancshares, a $242 million-asset bank company based in suburban Los Angeles. Comerica also agreed, late last year, to acquire the $485 million-asset Plaza Commerce Bancorp, based in San Jose.

Both transactions are expected to close early next year, after California's national interstate banking law is triggered.

Though large New York money-center banks apparently want to enter the California market, analysts said Tuesday that they are prohibited from doing so because of their mounting real estate lending problems and their battered stock prices.

"New York banks want to buy bigger banks than Comerica is looking at," said Henry C. Dickson, an analyst with McDonald & Company Securities Inc., Cleveland. "It would be tough to do a stock deal without [share-

See **COMERICA** *page* 9

White House to Bypass Kemp's Pick for Agency

By BARBARA A. REHM

WASHINGTON — In the latest sign of disarray in the government's bailout of the thrift industry, the White House confirmed Tuesday that it would not nominate Mary K. Bush as chairman of the Federal Housing Finance Board, despite the recommendation of Housing and Urban Development Secretary Jack Kemp.

Mr. Kemp recommended Ms. Bush last September, when she became acting managing director of the board. The agency was established by the thrift bailout law last summer to oversee the Federal Home Loan Bank System.

Ms. Bush's candidacy was dealt a blow last month when word leaked out that she had given three friends nearly $200,000 in no-bid contracts to help get the agency running.

Contracts Called Separate

A White House spokesman confirmed Tuesday a *Washington Post* report that Ms. Bush would not be nominated. The report said the White House had decided to make the board position part time rather than the full-time job Ms. Bush had expected. The questions over the no-bid contracts were "a separate issue," according to the spokesman.

Robert E. Nipp, a HUD spokesman, confirmed that Mr.

Mary K. Bush
Housing Finance Board

Kemp had offered Ms. Bush the option to stay on as the agency's managing director. Ms. Bush was set to meet with Mr. Kemp Tuesday "to discuss her role," according to her spokesman, Joesph Slye. Neither was available for comment.

Mr. Kemp is the only person appointed so far to the five-member finance board, which is overseen by HUD. The agency's slow start has invited comparisons with the Resolution Trust Corp., which has also been subject to political infighting and delays in the appointment of

See **WHITE HOUSE** *page* 9

Low Share Price Bedevils Security's Chief

By SAM ZUCKERMAN

LOS ANGELES — When Robert H. Smith took over the reins of Security Pacific Corp. in January, he inherited one of the strongest banking franchises in the country.

Based in the booming Pacific Rim market, the company had just posted an 18.8% return on equity, the fourth-highest among superregional banks in 1989. Common equity stood at a solid 4.83% of assets, and assets were up 8% to $84 billion for the year.

But Mr. Smith also inherited a frustrating problem: a lagging stock price. For all the bank's apparent strengths, investors value its stock barely over book value.

Worse than Average Performer

To be sure, Security Pacific is not alone. The stocks of many large banks are under siege because of investor concerns about real estate loans, leveraged buyouts, and other problem assets. Nevertheless, Security Pacific's shares have fallen deeper and recovered more slowly than those of most other big banks.

TAKING STOCK: Robert H. Smith, head of Security Pacific, has conducted brainstorming sessions to find ways of making the company attractive to Wall Street.

The problem is particularly restraining for Security Pacific. A low stock price would stymie Mr. Smith's ambitious plan to expand operations to as many as 35 states in the next decade. Expansion "depends on our ability to have currency, our stock," the 54-year-old chief executive officer acknowledged during an interview at the company's Los Angeles headquarters.

The day after Mr. Smith re-

See **SECURITY** *page* 16

Banks Wary of Sears Data System

Electronic Payments Could Cut Their Share of Fees

By RICHARD LAYNE

NEW YORK — The early experience of Sears, Roebuck and Co. in marketing a new electronic payment service to corporations indicates that banks may lose a portion of their anticipated cash-management fees to communications companies.

The results are viewed as disappointing to several banks that have joined a Sears subsidiary, Sears Communications Co., in promoting an electronic data interchange system for corporate trade payments and related documents. The response also runs contrary to published surveys and bankers' experience marketing EDI on their own.

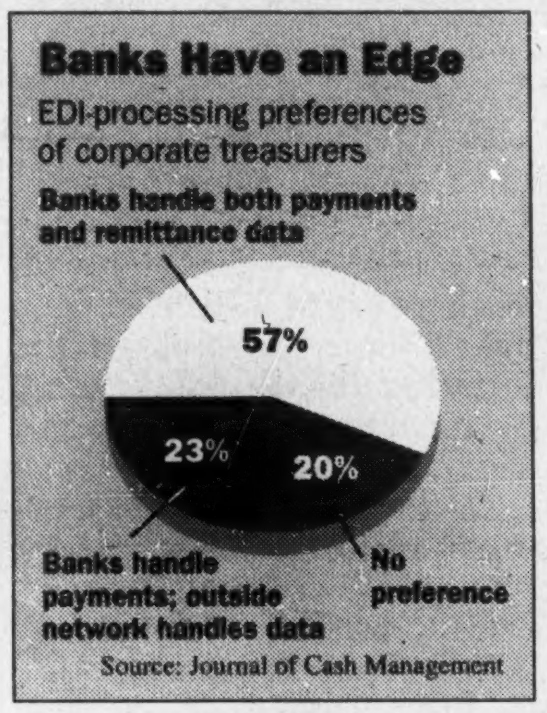
In discussions with 50 corporate treasurers, Sears Communications Co. found that virtually all wanted the banks to handle only the payment portion of EDI transactions, while related documentation would be transmitted via specialized communications suppliers known as value-added networks.

Data Can Precede Funds

In Sears' EDI offering, data on a corporate transaction can be delivered through its network up to seven days before the funds transfer is made, enabling treasurers to plan their cash flows in advance.

"They all want the detail early, as opposed to through the banking system," said Sara Coffou, manager at Sears Communications Co. Its eight-bank consortium, called Financial Data Interchange Service, has begun to originate payments for Sears Merchandising Group and plans to provide the service to other corporations.

Of the 15 or so corporations that have signed on for the financial EDI service, in which electronic payments accompany invoice information, all have asked that value-added networks, not banks, handle the transmission of invoices.


Banks Have an Edge
EDI-processing preferences of corporate treasurers

Source: Journal of Cash Management

Fees Are Diminished

Use of a value-added network for the nonfinancial part of the service limits the cash-management business for originating banks. The Sears experience could indicate that banks may have to find new sources of fees in this budding electronic business.

Levi Strauss & Co., the first of Sears' trading partners to sign on for the service, receives data and dollars together through the banking payment system. Once Strauss completes modifications in its accounts-receivable system, Ms. Coffou said, the retailer will use a value-added network.

With transaction details available before payments are made, bankers were not surprised that Sears' suppliers prefer a value-added network over a bank.

Value Is Noted

"If Sears is talking to larger companies that are EDI proficient and they can get the remittance information early, they are better off," said Henry L. Waszkowski, senior vice president at First Wachovia Corp., a member of the Sears alliance.

Ms. Coffou's experience runs counter to two surveys of corporate treasurers. In 1989, EDI Group Ltd., Oak Park, Ill., asked 97 treasurers whether they wanted a bank to handle both the payments and the payment detail. Three-quarters said yes.

Robert D. Edwards, senior vice president at Pittsburgh National Bank and two other bankers published a study on the dollars-and-data issue in the January-February *Journal of Cash Management*. Of 42 corporations surveyed, more than half preferred that banks handle both payments and payment detail.

Bankers said that their customers want the financial institutions' help in navigating this new payment technology.

"Our customers want the payment and payment information through the bank the way they've always had it," said Jane Lohmar, assistant vice president at First Chicago Corp., which is not part of the Sears consortium.

Given the small volume of electronic-data originations for banks, any loss of revenue to nonbank suppliers is not sizable.

Alternatives Noted

"Sure, the bank makes more money if the information goes through the bank," said Peter J. Stein, first vice president at National Bank of Detroit. "But banks can still provide services in formatting [of data], even if the information does move outside the banking system."

Also, bankers said that financial EDI is a new field, in which all areas for fee generation are not yet apparent. "We may lose overall fees in cash management," said Ralph Joy, vice president at Mellon Bank. "That's assuming you don't find some value-added services for EDI to supplement the lost fees." □

Graphnet, Germans Offer Low-Cost, Fast Bank Telex

By JEANNE IIDA

NEW YORK — Graphnet Inc. and the West German telecommunications carrier Deutsche Bundespost will begin offering a service to U.S. banks in May that can make their international telex traffic faster and less expensive.

This will be the first such service, called teletex, offered in the United States. Teletex is a faster version of telex that transmits messages at about one-third the cost of telex from one personal computer "mailbox" to another.

When European business partners send teletex messages to the United States, they must be converted to telex format. This raises the cost and increases the possibility of error, said Yaakov Elkon, president and chief executive of Graphnet in Teaneck, N.J.

Supplement to Swift Network

Many banks use telex to transmit and receive letters of credit and payment instructions where the so-called Swift network does not operate. Swift, the Society for Worldwide Interbank Financial Telecommunication, is a nonprofit communications consortium of banks in 67 nations.

Most banks, however, are moving as much of their international traffic as possible away from costly and delay-prone telex to electronic mail or to networks such as Swift.

Over time, the volume of messages over telex will continue to decline, bankers said. Caesar Gavilan, operations officer at Algemene Bank Nederland in New York, said about 40% of the bank's financial payment instructions are transmitted via telex. He projected that just 10% will go that route by 1995.

"As Swift grows, telex continues to decrease," he said.

Swift is both cheaper and more secure than telex traffic, Mr. Gavilan said. And while the new teletex service from Graphnet will cost about one-third less than telex, it will still cost 10 times more than telex, said James Martin, vice president, payment services, Seattle-First National Bank.

But where telex must be used, Graphnet is both competitive and relatively secure. "There's always going to be some telex traffic," said Mr. Martin, and Graphnet offers his bank, a BankAmerica Corp. subsidiary, "very competitive" prices. □

Nonbank Gets Big Card Processing Contract

NEW YORK — First Tennessee Bank said Tuesday it signed a five year, $10 million-plus contract to have Electronic Data Systems Corp. handle its bank card processing and merchant accounting.

First Tennessee serves 600,000 cardholders and 30,000 card-accepting merchants. Dallas-based EDS, a leading data-processing company expanding into the credit card field, will process transactions, keep accounting records, and generate statements for First Tennessee customers.

EDS, a subsidiary of General Motors Corp., will also provide billing and profitability analyses. The $6.4 billion-asset First Tennessee Bank is the principal subsidiary of First Tennessee National Corp., Memphis.

EDS signed another merchant-processing contract a month ago with First USA Bank, a Delaware credit card bank, for services that could generate $100 million in revenue.

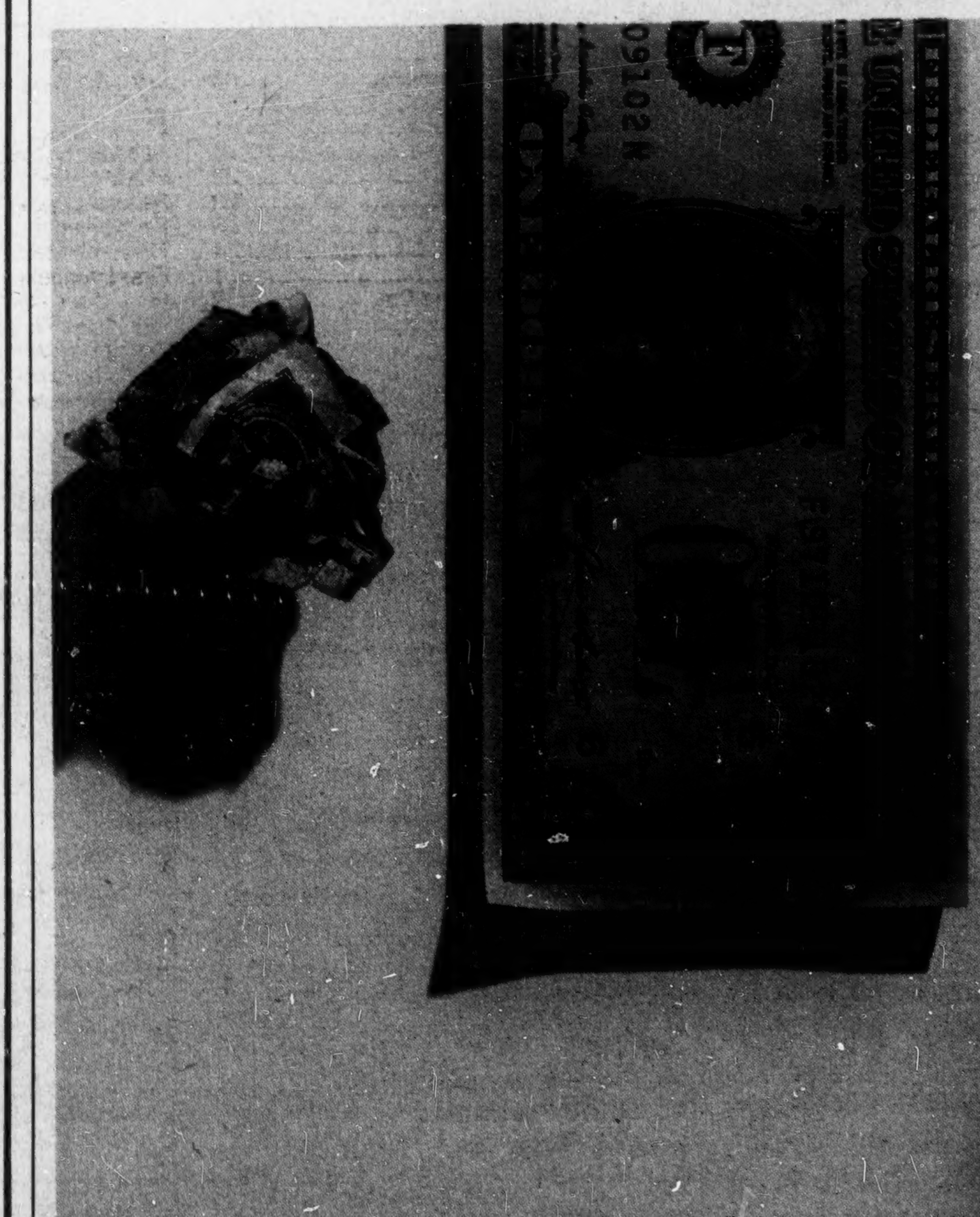
— Jeanne Iida

Another
Shared Success®

"Shared Financial's
EFT/POS software helps us
achieve what's most
important–superior
customer service."

–John A. Camino
Director, Information Services
Citicorp Savings of Florida
Miami, Florida

Shared Financial Systems
15301 Dallas Pkwy • Ste 600 • Dallas, TX 75248
214/233-8356 • *Outside Texas:* 800/527-4131
Ext. 116 © 1990 SFS, Inc.


Same Bank.
Different Software.

The right banking software yields improvements you can see. In profits as well as operations.

CA-INFOPOINT® is the software leading U.S. Financial Institutions rely on.

CA-INFOPOINT provides more task-specific financial software components than any other system. Including Deposits, Loans, Transaction, and Strategic Management products. They all work together to help you access information and make timely, profitable decisions.

Over 800 leading financial institutions use CA-INFOPOINT to help minimize operating costs, strengthen assets, increase market share, and streamline their organizations.

CA-INFOPOINT for MVS and VSE. The leading banking software from the world's leading independent software company. Call Chris Andrews at 800-841-3734 (in Calif., 800-468-0725).

COMPUTER ASSOCIATES

© 1990 Computer Associates International, Inc., 711 Stewart Avenue, Garden City, NY 11530-4787.

COMMENT/ *By Christopher T. Mahoney*

Markets, Cool to Leverage, Make LBO Survival Harder

Besides real estate, a worrisome area of asset quality is leveraged buyout loans. By LBOs, I mean all the deals in which companies used a combination of junk bonds and bank debt to lever up, for whatever reason. All the obvious names come to mind, with RJR Nabisco being the ultimate example.

The numbers for the banks are too big. Using the old, narrower definition, the money centers had $36 billion of LBO exposure at the end of 1988, which was a little less than their common equity in aggregate.

The events of the past nine months have not helped LBO credit quality. Many of the risks that used to be cited, such as overly optimistic projections and reliance on asset quality, have begun to manifest themselves.

But it is ironic that what may ultimately prove to be the undoing of many LBOs is something that few people have identified as a threat to LBO credit quality, namely, an almost overnight change in market psychology from proleverage in early 1989 to antileverage in early 1990.

The traditional bearish view was that a recession would cause some LBOs to default, which would start the downward cycle. But instead, the psychology changed without a recession, and that change alone has had and will have devastating consequences (which may include a recession).

A changed attitude toward leverage is dangerous for leveraged borrowers: A bearish environment is bad for both refinancing and asset values. It may turn out that a recession will not be needed to put a lot of LBOs into the tank.

An LBO loan can be repaid only through three sources: asset sales, refinancing, and internal cash flow. But few LBOs can repay debt from cash flow, which leaves asset sales and refinancing.

Values Have Declined

Private market values are now under pressure because of the junk collapse. Without ready sources of finance, the number of potential purchasers and what they can pay is reduced. Hilton Hotels and Cluett-Peabody are the most recent examples of properties that did not fetch what they were supposed to.

It seems that the junk-financed acquirers were willing to pay a lot more for a given company than other people are willing to pay, which is not good news for a lot of LBOs.

Similarly, the outlook on the refinancing front is also bleak. The junk market is basically closed to new issues, and bank credit committees are less and less inclined to entertain new commitments.

Refinancing Junk Not Easy

Banks can and will voluntarily refinance maturing LBO loans if the borrower is meeting projections, and banks will involuntarily refinance when the borrower is not meeting plan. But it is not as easy to refinance junk bonds: If principal payments cannot be met, there is either a renegotiated restructuring (like Seaman Furniture and SCI-TV) or a bankruptcy (like Revco, Campeau, and Hillsborough Holding).

The fact of the matter is, although junk bonds are junior to bank debt, they are not equity. Equity holders cannot tank the company; junk holders can and do.

The junk collapse, by closing off refinancing, is causing another set of problems as well. Many LBO structures contain one or more of the following: reset bonds, zero coupon bonds, payment-in-kind bonds, and increasing-rate (or step-up) notes. These instruments were attractive because they postponed or artificially reduced interest payments in the early years.

But they can be time bombs for companies that cannot refinance. Reset bonds are the worst.

Zeros and payment-in-kind bonds, by accruing interest, compound the refinancing problem. Exchange notes with a step-up feature, sometimes known as increasing-rate notes, provide for higher and higher interest rates in order to encourage the issuer to refinance, which is fine if it can refinance but a big problem if it cannot.

The bottom line is that we are expecting LBO problems to rise substantially. Since bank LBO loans are generally senior and secured, actual losses should be relatively modest, certainly less than with problem real estate loans or LDC loans. But there will be exceptions in which banks will lose quite a bit.

More important, a real worry is that a high level of problem LBO loans can cause a loss of confidence, especially if banks have other problems.

For this reason, Moody's is increasingly concerned about the appropriateness of large LBO concentrations, especially for weaker institutions. Although we generally view LBO risk concentrations more negatively than before, we do not expect LBO exposures to result in a significant number of rating downgrades. ☐

Mr. Mahoney is a vice president at Moody's Investors Service. This is the text of a speech he gave at the Bank and Financial Analysts Association Annual Bank Symposium in New York on March 22.

GRAPEVINE/ *By Jed Horowitz*

Reading the Pay Stubs. Thomas S. Johnson received a $500,000 signing bonus when he joined Manufacturers Hanover Corp. as its president on Dec. 19, according to the company's proxy statement. He also inked a three-year contract guaranteeing him an annual base salary of $650,000.

Not a bad package, at first glance. But a proxy statement from his former employer, Chemical Banking Corp., reveals that Hanover may simply have been picking up the slack.

Mr. Johnson was paid $484,917 in salary and bonus as president of Chemical last year – about $505,000 less than his previous year's compensation. His executive office colleagues at Chemical took much smaller pay cuts.

At Hanover, meanwhile, some people are interpreting the three-year Johnson contract as a sign that he will succeed chairman John F. McGillicuddy at the end of 1992. Mr. McGillicuddy, 59, has named Mr. Johnson heir apparent but never specified when the transition would occur. Mr. McGillicudddy, incidentally, received $1.7 million in 1989.

* * *

BONY Prowls for Prey. Regional banks, beware. Now that Bank of New York has digested Irving Bank Corp., it wants to swallow "another bank of substantial size, preferably in another geographic location," according to an internal employee publication.

Carter Bacot, the bank's chairman, recently told employees it is "economically wise" to diversify deposit bases, according to the newsletter. The bank is "in a position" to buy, he added. Merger-related savings from the hostile Irving takeover reached $108 million last year, $8 million more than budgeted.

Bank of New York's securities-processing unit also is on the prowl to acquire corporate-trust, custody, and stock-transfer businesses, the newsletter said. (However, the unit plans to eliminate its mutual-funds-transfer agency business this year.) The regional bank also will continue its aggressive pursuit of credit card portfolios.

Internationally, the $49 billion-asset bank intends to build volume by pricing its funds-transfer services "very aggressively," according to a report on BONY's three-year strategic plan. It also will focus on expanding letter-of-credit services as a correspondent banking product to large regional banks.

* * *

Credit Card Crunch? Although bank examiners are still scrutinizing real estate and highly leveraged loan portfolios, some regulators are already worrying about the next problem area: consumer credit.

Karen J. Wilson, head of the Comptroller of the Currency's posse of examiners in the Northeast, says she fears that banks are using the wrong criteria in evaluating consumer credit quality.

The historical method of monitoring past-due balances may be outmoded because credit is so easily available today through nationwide card solicitations, she said in an interview. Consumers can easily set up Ponzi schemes, Ms. Wilson said, borrowing on new credit cards to make ever smaller payments on old ones. "Until the bubble breaks, everybody thinks they've got a great deal," she said.

It's premature to talk about scrutinizing consumer portfolios, Ms. Wilson said, but added: "As we look at consumer credit or target it in individual banks, we'll be asking questions on how you control risk."

* * *

Of Love and Money. Former-Texas Commerce Bancshares chairman Ben F. Love, who engineered the sale of his bank company to Chemical in 1987 for $1.1 billion, is still a happy Chemical man. For the next five years, he will collect $10,000 a month as a consultant to Chemical, according to the bank's proxy statement. Mr. Love received $662,083 from Chemical last year before retiring Dec. 1.

* * *

Know Your Customer. You lend a good customer a lot of money, you lease an apartment from him, your family does business with him. What thanks do you get? If you are Jerome McDougal, chairman and chief executive of Apple Bancorp, the customer launches a $140 million hostile bid against your company.

Last week, Stanley Stahl launched a $38-a-share attack against Apple. Mr. McDougal, according to tender offer documents, has leased an apartment from Stanley Stahl since 1987 – paying him $27,660 in rent since then.

The two have other personal financial ties. Mr. Stahl, who has more than $48 million of mortgages outstanding with Apple, lent $245,000 to Mr. McDougal's daughter and son-in-law at 9% interest in 1987. The loan, guaranteed by Mr. McDougal, was repaid in full last December.

Mr. Stahl, for his part, has done some favors for Apple. As of March 27, the multimillionaire real estate investor kept $536,100 in two passbook savings accounts at Apple. They pay interest of 5.25%.

He also has $25 million in negotiable certificates of deposit from Apple that pay 8%. However, he can withdraw them on seven days' notice, and they mature if the parties cannot agree on a new interest rate after six months. The documents note that Mr. Stahl opened the accounts to insure liquidity to propel his bid. ☐

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for space for a Letters to the Editor column or published separately as commentary.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: Kelley Holland, William Goodwin, Gordon Matthews
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Judy Ferring (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $2 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

COMMENT/ *By Eileen M. Friars, Robert B. Hedges, and Craig D. Elderkin*

How to Identify Prospects For a Successful Takeover

There are unquestionable incentives for banks to expand customer franchises and achieve operating economies through mergers.

A recent study by the MAC Group for the Bank Marketing Association, titled "Winning Strategies for Consolidation," provides a framework banks can use to identify the most suitable merger partners.

Interestingly, that same framework explains the success and failure of hostile takeovers, and contradicts the assumption that hostile acquisitions in the commercial banking industry are doomed to failure. The potential benefits of a merger between the right institutions are so significant that banks failing to initiate them may ultimately find themselves a merger candidate, willingly or not.

Conventional industry wisdom says that hostile takeovers have no winners. The target's franchise will be damaged, perhaps irreparably, in the battle, and the acquirer's stock will be overly diluted.

> **'What is critical is a clear-eyed analysis of the relative franchise strengths of the attacker and its target.'**

Hostile takeovers can work, however. What is critical is a clear-eyed analysis of the relative franchise strengths of the attacker and its target and a rational approach to consummating the deal so that those strengths are retained and optimized.

Even though attackers always pay a significant premium over market value (see table), that premium can be recouped through improved earnings from a successful consolidation.

The steps below, distilled from our recent study, provide a structure for achieving mergers that work, including mergers with a reluctant partner.

Steps to Take

- Identify specific opportunities for creating value and specific objectives for the acquisition.

In the best-known hostile takeover, Bank of New York's 13-month battle for control of Irving Trust, the attacker sought to create value in its key franchise, its operating businesses.

The clear priority given to this objective drove the acquisition strategy. Revenue could be raised by purchasing a larger market share in the processing businesses common to both institutions.

Costs could be reduced by eliminating duplicate operations in "across the street" locations. Comparable improvement could be achieved in certain other wholesale banking businesses.

It is too soon to judge results, but Bank of New York is successfully proceeding along its stated course to achieve the objectives.

- Identify potential partners with the necessary characteristics and whose price would be feasible.

The first hostile takeover of a bank in the current era – of Union Commerce Bank, Cleveland, by Huntington Bancshares, Columbus, in 1981 – was financially untenable from the start. At a discount of 10% to book value, the original offer was too low for Union Commerce's management and shareholders, generating animosity that ultimately resulted in the loss of business and key people.

Huntington's goal was to make itself safe from acquisition by increasing its size, assets, equity, and number of shareholders. Union's management recognized this goal, however, and made itself less attractive for this purpose by selling its southern Ohio banking chain early in the struggle.

Perseverance Paid Off

Huntington persevered, however. Moreover, the final offer after the intercession of a white knight was too high, at twice market value. Union was struggling to come back from severe writeoffs taken two years earlier and was performing poorly compared with peers.

The combined entity lost customers, reduced distribution outlets, and lost managers and bankers. Integration proved more costly than expected. The takeover depressed earnings by 40%, and observers consider the deal a failure.

In contrast, when a hostile attempt put Centerre Bank into play in 1988, three St. Louis competitors bid to acquire its strong position in local markets and its leading trust operation.

Integration Was Quick

The eventual high bidder and "hostile" acquirer, Boatmen's Bancshares, moved quickly to integrate the two banks and maximize the franchise. It seems to have taken the steps necessary to add value to the merged company through cost cutting and elimination of overlapping functions. Although still in the integration phase, the merger appears to be paying off.

- Focus on integration and organizational issues: How acquirer and acquired, once together, will reinforce a merger's value or nullify it.

There is a wide range of possibilities – from a hands-off position, as Boatmen's took selectively with Centerre's stellar trust department, to full absorption, as Bank of New York elected in rationalizing Irving's operating businesses.

Holding Onto Customers

Always, the objective is to retain the target's franchise strengths that were the motive for the acquisition in the first place. This means, above all, not alienating the target's customers or doing anything that will undermine their faith in the merged institution.

Many times, the most appropriate structure is some moderate form of integration. This was the solution favored by Barnett Banks Inc., Jacksonville, when it took over Florida Coast Banks in 1983.

Barnett's plan was to strengthen Florida Coast's earnings by reducing its overhead expenses. Drastic cuts might have been made but were not, since the 2% dilution in earnings resulting from the deal could be extinguished by recourse to only modest reductions.

- Resolve organizational issues. Despite the hostility of the takeover fight, Barnett succeeded in retaining key people (and thus customers) by sensitive attention to Florida Coast's management and board members.

Barnett made clear that their skills were valued. Although their chief responsibility was now narrowed to maintaining and developing banking relationships, this was still a key role in Barnett's community banking strategy.

Hostile Deals Are Few

Only a fraction of bank holding company mergers and acquisitions have been hostile – only seven of the 1,500 deals consummated between 1980 and 1988. However, many more have been attempted that have resulted in a friendly acquisition by a white knight.

The incentives to merge are powerful, if the right partner can be found. As industry consolidation continues, aggressive institutions will have less trepidation about initiating hostile as well as friendly acquisitions, providing extra incentive to make the assessments that allow a bank to manage its destiny in the face of accelerating consolidation.

The key to success is maximizing the value-building attributes and resources of the target. ☐

The authors are consultants with the MAC Group, Cambridge, Mass.

Completed Hostile Takeovers
From 1980 to 1988

Date	Initiator	Target	Transaction size ($ mil.)	% Market value
1981	Huntington	Union Commerce	86	196
1983	Norstar	Security of New York	113	138
1983	Barnett	Florida Coast	72	NA
1984	National City	BancOhio	284	123
1987	Irving Trust	Bank of New York	1,450	140
1987	Barnett	First Fulton	10	NA
1988	Boatmen's	Centerre	467	152

$1,250,000,000

Standard Credit Card Trust

Credit Card Participation Certificates

$750,000,000 9.30% 1990-2 Class A Certificates
$500,000,000 9.50% 1990-3 Class A Certificates

Citibank (South Dakota), N.A.
Seller and Servicer

Citibank (Nevada), National Association
Seller

Interest with respect to the Class A Certificates is payable semiannually on the tenth day of May and November commencing November 13, 1990. The principal of and the final payment of interest on the 1990-2 Class A Certificates is scheduled to be paid on May 10, 1993. The principal of and the final payment of interest on the 1990-3 Class A Certificates is scheduled to be paid on May 10, 1997.

The Class A Certificates represent beneficial interests in the Trust only and do not represent interests in or obligations of Citibank (South Dakota), N.A., Citibank (Nevada), National Association or Citicorp or any affiliate thereof. Neither the Class A Certificates nor the underlying Accounts or Receivables are insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality.

Upon request, a copy of the Prospectuses describing these securities and the business of the Sellers may be obtained within any State from the Undersigned where they may legally distribute them within such State. These securities are offered only by means of the Prospectuses, and this announcement is neither an offer to sell nor a solicitation of any offer to buy.

Goldman, Sachs & Co.
Salomon Brothers Inc
Citibank, N.A.
The First Boston Corporation
Merrill Lynch Capital Markets
Shearson Lehman Hutton Inc.
UBS Securities Inc.

Chemical Securities, Inc.
Daiwa Securities America Inc.
Deutsche Bank Capital Corporation
Kidder, Peabody & Co. Incorporated
J.P. Morgan Securities Inc.
Nomura Securities International, Inc.
Smith Barney, Harris Upham & Co. Incorporated
Dean Witter Reynolds Inc.

Citibank, N.A. will act as Registrar and Paying Agent for the Certificates.

March 30, 1990

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 4, 15

850

C0175-1

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 68 Monday, April 9, 1990 155th year

Regulators Shift Analysts' Focus Back to Banks

By JED HOROWITZ

NEW YORK — By holding an unusual meeting with bank analysts and accountants last week, the Office of the Comptroller of the Currency managed to shift most of the focus on problem real estate portfolios from its examiners to commercial banks themselves.

Bankers and analysts had been criticizing the Comptroller for using heavy-handed methods to force loan writeoffs. But analysts came away from the meeting generally convinced that the extent of credit problems justified the regulators' tactics.

ANALYSIS: *Follow-up on the news*

The meetings also dashed hopes of bankers and investors that regulators would ease their examination standards, despite complaints that their methods are forcing banks to cut off credit to corporate America.

"The meeting dispelled any perceptions that the OCC is about to back off from its policies regarding stringent writedowns on real estate loans in problem markets," First Boston analyst Eric I. Hemel told salesmen on Thursday. "Having learned an important lesson in the Southwest on the need for preventive action, the OCC is trying to leverage that experience in other regions."

The analysts' reaction to the meeting helped spur a stock selloff. They left with the feeling that no national bank with significant real estate exposure would be immune from scrutiny and that those already visited will be reviewed.

The examiners are "going to keep coming back," said one attendee, adding that there were hints as well that leveraged buyout and consumer portfolios would be scrutinized in the future.

"It's basically not going to be just an East Coast review," said Merrill Lynch analyst Judah Kraushaar, referring to examinations in progress in New England and the Southeast. "It will be the unusual [national] bank that escapes without any kind of reclassification at all, and it will get worse for those in markets with poor fundamentals."

Blame Put on Weak Markets

The Comptroller apparently succeeded in convincing analysts that poor commercial real-estate markets – not more stringent regulatory standards – have led to the increased pace of

See **COMPTROLLER** page 8

INSIDE NEWS

FINANCE

WELLS FARGO is preparing to join the securitization bandwagon. Based on an SEC filing, the San Francisco-based bank is considering an issue backed by credit card receivables. *Page 16*

CONSUMER

THE BANK OF DARIEN, Conn., is using print ads with a musical theme to trumpet high-quality service. *Page 5*

TECHNOLOGY

VISA U.S.A. unveiled a processing service designed to ease credit card transactions at hotels and motels. *Page 3*

INTERNATIONAL

CITICORP chairman John Reed urged the Japanese to support Brasilia's plan for economic reform. *Page 10*

WASHINGTON

REP. JIM LEACH, R-Iowa, is calling for the United States and other industrial nations to forgive up to half the official debt of Eastern European countries. *Page 6*

OTHER NEWS

MONEY-CENTER banks should be subject to "extraordinary audit requirements," including the oversight of independent auditors appointed by federal regulators, the General Accounting Office said. *Page 2*

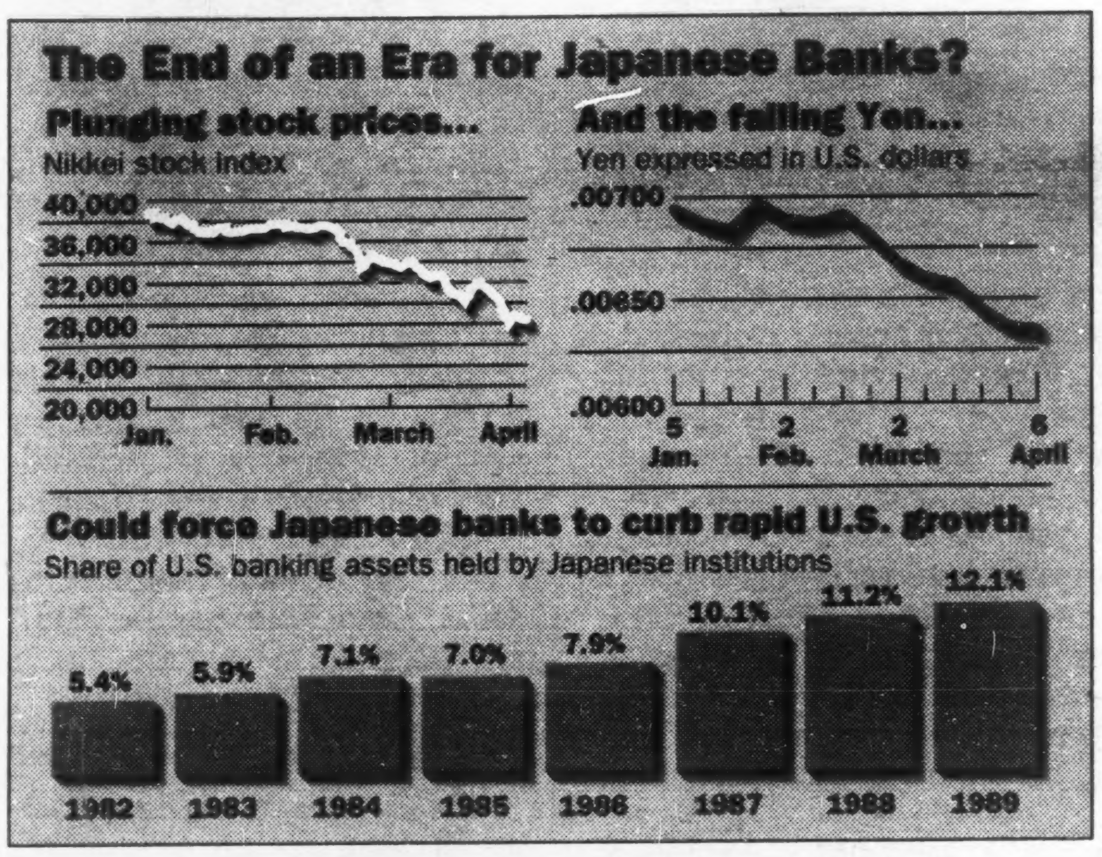
THE TOTAL COST of the thrift rescue could reach $500 billion, a congressional agency stated. *Page 2*

COMMENT

THE S&L BAILOUT is a sad waste of public resources, writes Paul S. Nadler. *Page 4*

INDEX

People in the News 2
Company Index 2
Sound Off 4
Executive Changes 7
Classified Advertising 12
Bank and Thrift Stocks 15



Japanese Banks May Be Forced To Cut Back on Foreign Lending

By JOHN EVANS
and JAMES R. KRAUS

The dramatic plunge in Tokyo stock prices could force major Japanese banks to curb their rapid growth in the United States and other foreign markets, leading Japanese bankers said Friday.

"Almost all of Japan's banks will have to cut asset growth for the next few years," said Tokio Inoue, director and general manager of Dai-Ichi Kangyo Bank Ltd., the world's largest bank with about $400 billion in assets.

At Industrial Bank of Japan Ltd., Japan's sixth-largest bank, deputy president Yoh Kurosawa was less pessimistic, but he acknowledged that "fast growth by the Japanese banks won't be possible" for the immediate future.

Credit Crunch Possible

Analysts predicted that any contraction in Japanese lending would tighten credit worldwide and could push rising interest rates still higher.

"An awful lot of places, in-

See page 10

Bank Stocks Skid Again On Anxiety Over Loans

By GORDON MATTHEWS

NEW YORK — Prices of most major bank stocks fell sharply again Friday over heightened concerns about the quality of commercial loan portfolios.

Shares began falling Thursday after the previous day's meeting with officials of the Office of the Comptroller of the Currency that left securities analysts expecting further writeoffs of commercial loans nationwide.

Hammering those fears home, PNC Financial Corp., the Pittsburgh superregional banking company, said Friday morning that its first-quarter earnings would be up to 40% lower because of a provision for possible losses on real estate loans. For the day, the shares were off $3.875, to $34, a loss of 10.2% in value.

Selloff Of Blue Chips

The selloff extended Friday to some of the most conservative and well-regarded banking com-

See **SHARES** back page

Hungry Lenders Line Up to Back New UAL Offer

By WILLIAM GOODWIN

Bankers are eager to finance the $4.4 billion union buyout of UAL Corp., which the company's board of directors tentatively accepted Friday.

The unions are expected to ask banks for more than $3 billion in loans, making this the largest deal to come on the market since a previous bid for the parent of United Airlines collapsed last autumn, shaking the leveraged loan business.

"We'd love to see an opportunity develop from all this," said an official in the acquisition-finance department of one money-center bank.

"We certainly have a keen interest" in the deal, another banker said.

But despite their eagerness to see some activity in a moribund market, some bankers also said that revised terms in the new UAL pact could make bank financing more complicated and potentially riskier.

"Is it still an acceptable credit? No one knows that yet," said the head of structured finance at an-

See **HUNGRY** page 14

BUCK
© WONG 1990

Jeffrey Wong

Gonzalez Targets S&L Fraud

By STEVE KLINKERMAN

DALLAS — Henry D. Gonzalez brings his House Banking Committee to Dallas this week to find out why executives who looted millions from Texas thrifts are not behind bars.

He is not going to like what he hears.

Federal prosecutors say it will take them years to bring all of the suspects to trial. They will tell the committee tales of long and tedious investigations, cunning criminals, underfunding, and heavy staff turnover.

Meanwhile, a parade of regulators and other experts are scheduled to testify that prosecutors for years have had plenty of evidence to convict the guilty.

The panel's oversight hearings, scheduled for Wednesday and Thursday, come amid growing sentiment in Congress to increase appropriations for enforcement actions against financial criminals.

After engineering a $159 billion bailout of the thrift industry, Mr. Gonzalez and his colleagues say they are intent on seeing defrauders of thrifts punished. The panel is holding the

See **HOUSE** page 9

COMMENT / *By Paul Nadler*

Spending to Bail Out S&Ls Is a Sad Waste of Resources

The savings and loan bailout is expected to cost taxpayers $200 billion to $300 billion. But people keep asking: "Where did the money go? It didn't just disappear, did it?"

Sure, a lot of money was spent by the small group of unscrupulous thrift operators who milked the institutions for their own lifestyles. It paid for luxury cars and boats, private planes, mansions, and the like. No wonder these sectors of the economy did so well in the 1980s.

Erected Buildings

Other money went into new thrift buildings. If any industry ever had an "edifice complex," it was the savings and loans. Some communities have so many giant thrift buildings that one wonders how they find enough employees to fill them, much less enough customers to justify their existence.

Just as important is the housing that the thrifts financed. That money went to builders, contractors, lumber dealers, sellers of land, and suppliers of pipe, wire, plaster, and other products. These workers subsequently spent their income, injecting money into other fields.

In other words, the money was spent and spread around.

Many people became prosperous because their livelihood was tied to home construction, and all through the 1980s home construction was America's "fair-haired boy."

Real Buying Power

One might conclude, then, that the $200 billion to $300 billion that thrifts absorbed was not all lost. It helped the nation prosper, provided jobs, and generated buying power as the home builders and workers spent their income.

But such a benign interpretation ignores the truth. This expenditure should have been directed elsewhere based on economic standards. The projects that were financed with the thrift deposits should not be paid for by a taxpayer bailout.

What Good is the Final Product?

It is like military spending. When we make a bomb, the money does not disappear. It goes to pay the people who built the bomb and those who supplied the material.

'Those who say we need military spending to keep our economy moving do not recognize what the money could otherwise do.'

But what about the final impact? The bomb is either stored or, far worse, used to destroy structures. The same expenditure on other goods would have given us the equivalent boost in employment, but the end product would have been useful rather than destructive.

Those who say we need military spending to keep our economy moving do not recognize opportunity cost – what the money could otherwise do.

Back to the thrift situation. We now have homes that cannot be sold and that depress the market for those trying to sell existing homes. And the taxpayers will pick up the tab.

While we are spending billions on unneeded housing, we have to cut back in other areas with strong needs because of the lack of funds.

One cannot help but think back to the early New Deal. People were starving, but we plowed under fields and killed little pigs in the hope that reducing food supplies would end the Depression and the hunger.

Look at the problems the Communist nations are having in switching from government allocation of resources to marketplace allocation. Just as thousands of bureaucrats there put expenditures in the wrong place, the United States supported house construction in good years and bad, misallocating a vast portion of America's economic resources.

The money did not disappear. And people who put up the houses, hotels, and shopping centers financed by the thrifts undoubtedly feel they were paid for honest work.

But when we see so much of our wealth directed to paying for unneeded construction and when we think of what the money could have done to improve quality of life in other areas, we cannot help but remember: "The saddest words of tongue and pen are only these 'It might have been.' " ☐

Mr. Nadler is professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

A number of banks and thrifts recently began offering checking accounts that provide insurance on customer purchases. Some observers say buyer protection is a marketing tactic that can help banks attract customers. But skeptics say if the product becomes commonplace, as it has in the credit card industry, it may fail to accomplish the original purpose of distinguishing a bank's services from those of competitors. Joseph L. McCarthy, of the *American Banker* features staff, asked:

Q ***Does offering insurance on purchases made by check give a bank a competitive edge?***

■ **David J. Totaro**
First senior vice president
Dime Savings Bank, New York

I think buyer protection gives banks that offer it a competitive advantage. Dime just started to offer the product [April 2], and we opened four times as many preferred accounts than on an average day in January or February.

Offering the product should translate into a bottom-line gain, but I don't think we can estimate the dollar value on that at this time. The profitability depends on a number of variables, including where a bank buys its protection insurance and the costs of administering the program.

Providing buyer-protection puts pressure on other banks to offer similar products. If everyone offers it, any advantage will be canceled out, but those banks that don't offer it will be at a disadvantage. It's like when auto manufacturers first began making cars with air conditioning. Some buyers wouldn't even consider getting a car from someone who didn't offer the feature.

■ **David T. Fronek**
Executive vice president
Indianapolis National Bank

I'm not sure if offering buyer protection on check purchases will give banks an advantage. If everyone begins offering it, there's not much of a way to differentiate your product from anyone else's. Banks spend enough money advertising checking accounts that are fundamentally the same. How much time and money are we going to spend doing that for this product?

We're also concerned that buyer protection is being represented to the public as more than it really is. Often, customers must use other kinds of insurance, such as homeowner's, before they're even eligible to fall back on buyer-protection benefits. And customers who are disenchanted with the service will be much more likely to blame their bank than insurance companies, the primary providers of the product.

I don't think this is a money-making proposition. Offering buyer protection would impose an additional burden on banks, which would be obliged to train personnel about the nuances of any new program. Insurance companies – not banks – are the ones that stand to get rich from this product.

■ **J. Douglas Adamson**
Executive vice president
Bank Marketing Association

The real key is going to be how well banks communicate the nuances of buyer protection to their customers. This is a new service, it's different, and consumers are going to have lots of questions about it. Front-line bank employees often have a difficult time explaining bank products and services. There's a danger here that banks will try to crank out this product before they're adequately prepared to explain it.

I don't expect a stampede of banks to offer buyer protection on check purchases. This is something I think most banks will be extremely cautious about. Of course, the markets where the product already has been introduced are hot, competitive markets. Everyone's looking for a quick and easy way to make their products look different. So I think we'll at least see some responses soon.

The banks that have been the first to offer this service will derive benefits only if they do it well. For every potential reward that comes from being first, there is a potential loss.

But banks can't differentiate their checking accounts solely by offering buyer-protection coverage. The only way they can do that is to offer other bells and whistles to checking customers, including travel benefits, personal accident insurance and accidental-death insurance.

■ **Robert Gorsuch**
President
Park Bank, Madison, Wis.

I think the jury is out on whether this is something the public really wants. Here in our area, no banks have as yet chosen to offer the service. So I guess we're in a wait-and-see mode.

If everyone begins offering the service, it seems that any benefit to banks would be negated. In that case, the product would mean added costs, which ultimately would be absorbed by individual banks or passed on to consumers.

If it were marketed properly, the product might be useful. Also, as awareness of the service grows, more people might request it or shop for banks that offer it. But I'm somewhat skeptical. Among our customers, no one has yet found this to be enough of a concern to even inquire whether or not the service is available. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Stephen Kleege, Gordon Matthews
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Citicorp's Reed Urges Japan To Help Brazil with Reform

By STEVEN BRULL
Reuters

TOKYO — Citicorp, which leads Brazil's group of creditor banks, is seeking Japanese support for Brasilia's plan for economic reform.

Citicorp chairman John Reed said Friday that Japanese banks, which hold 20% to 25% of Brazil's debt of about $115 billion, could help develop a package that would spur investment in the country.

"The principal objective is to engender confidence by trying to maintain relations," Mr. Reed said. "The new program is technically fine but needs marketplace acceptance."

Economists view the public-sector deficit as being largely responsible for the country's spiraling inflation rate, a record 84.32% last month. Brazilian President Fernando Collor de Mello aims to slash the public-sector deficit 10% this year through administrative reform, increased tax collections, and privatization of state companies.

Legislators in Brazil said last week the reform program had won early support and probably would be passed in congressional voting over the weekend.

Mr. Reed said the Brazilian Bank Advisory Committee could hold talks in May and an agreement could be reached by late summer.

Brazil began suspending interest payments on some loans in July, although the country has continued to pay interest on its short-term credit lines, which are vital for financing exports and imports.

Arrears on loans to Argentina and Brazil are costing Citicorp $300 million a year, but the bank is optimistic the debt servicing problem of lesser-developed countries will be "normalized" in the next two to three years, Mr. Reed told Japanese businessmen.

... by country

LUXEMBOURG

Bank of Credit and Commerce International said it has appealed to the Florida comptroller to renew its license in the state.

The license expired on March 14, and Florida Comptroller Gerald Lewis ruled last month that it would not be renewed because of the bank's involvement in money laundering.

The bank said its lawyers intended to prove that the decision to deny the renewal was "arbitrary, capricious, and an abuse of discretion."

On Feb. 5, the bank was ordered to forfeit $15 million after pleading guilty of laundering drug money. The fine was the largest ever imposed on a bank in the United States.

The Luxembourg bank plans to continue operating its Miami branch until a ruling is made on the appeal.

The bank is owned by a Middle Eastern consortium and has assets of about $20 billion.

— Reuters

ECUADOR

Ecuador's creditor banks have agreed to include $1.185 billion in overdue interest in their negotiations of the nation's bank debt, said Abelardo Pachano, chief debt negotiator.

"Ecuador doesn't have the $1.185 billion in arrears," he told reporters. The country is aiming to reschedule $5.646 billion in bank debt.

Late last month, banks in the negotiation process agreed not to demand payment on the interest but to include it in the accord, Mr. Pachano said. The interest fell due between January 1987 and December 1989.

While the banks' counter-offer "is very positive, it has limits and conditions that we have to study," Mr. Pachano said.

In a recent statement, Ecuador President Rodrigo Borja said negotiations to reduce foreign debt have been prolonged because banks have imposed "unacceptable conditions" on the Andean nation.

Mr. Pachano said U.S. support has strengthened Ecuador's negotiating position. He cited a recent statement by Treasury Under Secretary David Mulford that Ecuador was among a group of countries on the verge of signing debt agreements based on the Brady plan.

— Reuters

WEST GERMANY

The slow liberalization of West Germany's banking system, as encouraged by the European Community, will preserve the banks' credit quality over the medium term, **Moody's Investor Service** Inc. said in a special report.

The slow pace of change will help preserve German banks' high credit quality by giving management more time to adjust to the more challenging environment after 1992, the report said.

— Reuters

ITALY

The **Agnelli** holding company of Italy said it would get a $290.4 million capital increase and **Citicorp** would take a 2% stake in the company.

Angelli, a unit of Instituto Finaziario Industriale SpA, said it would raise the capital by issuing five new shares for every 25 shares in each category.

Citicorp will pay about $24 million for the stake and will gain the right to name a board member.

— Reuters

Japanese May Cut Foreign Loans

Drop in Tokyo Stocks Could Lead to a Credit Crunch

Continued from *page* **1**

cluding Eastern Europe and Latin America, are chasing after Japanese capital. If you tear a hole out of their capital structure, the obvious direction this will take is a contraction in bank lending, especially to small and medium-size companies where banks here have already become cautious," said Paul Sacks, president of Multinational Strategies Inc. a New York-based consulting company.

He added that any contraction in Japanese bank finance would also limit investments here by Japanese insurance, real estate, and manufacturing companies. It would also restrict the Bush administration's efforts to stimulate economic growth by keeping interest rates down.

Yoh Kurosawa
Industrial Bank of Japan

Portfolios Devalued

The Tokyo stock market downturn has already cut heavily into the value of shares that Japanese banks hold and count toward their capital. This, in turn, means that they will have a harder time meeting new international capital guidelines set by the Bank for International Settlements. It also means they have less capital available to expand lending in the future.

The Nikkei stock market index rose 3.6% Friday to 29,279. Despite the rise, traders said the wave of selling could resume if the index goes back down below 29,000. The Nikkei has fallen nearly 25% since its high of 38,713 on Jan. 4.

Bond prices have also fallen with rising interest rates. Accounting procedures generally require Japanese banks to write down unrealized losses in bonds, and announcements of such writedowns could be forthcoming soon as the banks' fiscal year has just ended.

Other Major Worries

But Japanese bankers and analysts say they are equally worried about other things. If Japan's sky-high real estate prices start to fall, this could trigger a chain of loan defaults and sharply raise the level of nonperforming assets. Rising interest rates are ending an era of cheap funding, forcing Japanese banks to seek higher returns on their assets.

And the fall in the yen against the dollar is raising the value of their dollar-denominated assets and increasing the need for still more capital.

"We thought there would be a lot of money to expand our business. It suddenly seems this isn't the case so it means that any expansion will be more difficult and we will have to be more selective in deciding which lines of business we want to expand in," said a senior Japanese banker in New York who asked that he not be identified.

Big Stake in U.S. Market

Japanese banks have expanded rapidly in the United States during the past few years. According to an *American Banker* survey, they held $372.5 billion worth of assets as of mid-1989, or 12.1% of total U.S. banking assets. The figures do not include lending to U.S. companies via offshore offices and interbank lending out of Tokyo.

No Japanese banker is yet prepared to predict the degree to which the banks may restrain their growth.

But analysts suggest one clue comes from the latest request by the Bank of Japan, the nation's central bank. It has asked the banks to reduce to 7% from 9% their domestic lending expansion, particularly in areas like real estate, in order not to spark inflationary forces in the Japanese economy.

That is a measure of restraint that could ultimately become the target for overseas lending, analysts suggest.

Faced with this lower growth, the Japanese banks "will have to increase the overall yield on their loans and other businesses. They will have to try a lot harder and make their assets sweat," said Stuart Matthews, analyst at Barclays de Zoete Wedd Securities (Japan) Ltd.

"The [Tokyo] banks will become much more choosy over their lending, and will become more risk averse. This will no doubt annoy even more of the big U.S. banks, which are similarly trying to improve the quality of their earning assets and meet [capital requirements]," he said.

In the United States, major Japanese banks have achieved rapid growth in recent years and now account for 12.1% of the country's banking assets. Part of this growth has been driven by the Japanese involvement in major leveraged buyouts, an activity from which they are expected to retreat.

Analysts said Japanese banks will likely remain a major competitive force in the United States but will grow at a much slower clip than the past.

"The Japanese won't want to restrain too much their lending to corporate America. They've made a huge investment in the middle market and retail market over the years in order to build up their presence. But they will probably fight shy of low margin business," said Simon Smithson, banking analyst at Kleinwort Benson International in Tokyo. ☐

> **'If you tear a hole out of their capital structure, the obvious direction this will take is a contraction in bank lending, especially to small and medium-size companies where banks here have already become cautious.'**
>
> **Paul Sacks**
> *Multinational Strategies*

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	4/06	4/05	3/30	4/06	4/05	3/30	4/06	4/05	3/30	4/06	4/05	3/30	4/06	4/05	3/30
United States	8.31	8.37	8.31	8.50	8.50	8.50	8.56	8.68	8.75	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.06	7.06	7.31	7.40	7.40	7.43	7.50	7.56	7.62	5.25	5.25	5.25	6.25	6.25	6.25
Canada	13.12	13.12	13.06	13.50	13.50	13.37	13.75	13.62	13.67	13.51	13.51	13.51	14.25	14.25	14.25
U.K.	14.87	14.90	14.93	15.25	15.43	15.31	15.43	15.56	15.00	14.55	N/A	14.45	15.00	15.00	15.00
West Germany	8.00	7.93	7.81	8.18	8.25	8.12	8.62	8.56	8.50	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.25	9.50	9.00	9.25	9.18	9.00	9.18	9.18	9.00	6.00	6.00	6.00	11.25	11.25	10.50
France	10.00	10.00	10.12	10.12	10.06	10.31	10.18	10.12	10.37	9.50	9.50	9.50	10.80	10.80	11.00
Italy	11.75	11.50	12.06	12.00	12.00	12.25	12.37	12.37	12.75	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.56	15.18	8.78	8.96	7.59
6 to 12 months	8.83	14.77	9.15	8.87	7.63
12 to 24 months	9.37	13.95	8.20	8.32	7.44

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10

800
C0175-1

TOP BANK HOLDING COMPANIES
Tables begin on page 10

AMERICAN BANKER

VOL. CLV NO. 70 *Wednesday, April 11, 1990* *5th year*

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

S&L Junk Binge Figures to Give U.S. Indigestion

By BILL ATKINSON

The thrift junk bond crisis is just about over. Now it's the government's junk bond crisis.

If Columbia Savings and Loan Association, teetering on the edge of conservatorship, is seized, as is widely expected, most of the junk bonds bought by thrifts will be in the hands of the government.

Of the $10.7 billion in junk bonds held by S&Ls, the insolvent Columbia has the largest stake, with $3.7 billion at the end of December 1989. If the thrift is taken over by the Office of Thrift Supervision, the caretaker for sick and dying institutions, its portfolio is likely to be added to the Resolution Trust Corp.'s growing war chest of junk bonds, which was assessed at $3.7 billion at yearend 1989, according to Kenneth H. Thomas, president of K.H. Thomas Associates, a Miami, Fla.-based bank and thrift consulting firm.

ANALYSIS: *Follow-up on the news*

"It is the government's problem now," said Henry Peltz, a savings and loan analyst with Keefe, Bruyette & Woods Inc.

While some thrifts debate whether to wait for a market rebound, most most are continuing to shrink their junk bond portfolios. At yearend, S&L junk bond holdings dropped to $10.7 billion from $13.5 billion in September, according to K.H. Thomas. Thrifts now hold a 5% stake in the $220 billion high-yield, high-risk market.

But many of the largest junk bond holders, such as CenTrust Bank of Miami, San Diego-based Imperial Savings Association, and City Federal Savings Bank of Elizabeth, N.J., are already in conservatorship. Of the 25 largest junk bond holders, 10 are in conservatorship or receivership.

Junk Market Battered

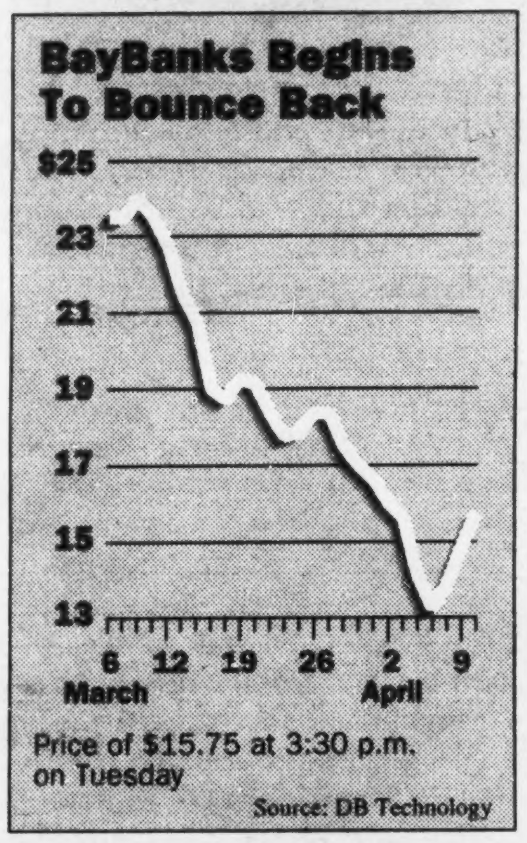
Once the heralded vehicle for funding hostile takeovers and capitalizing start-up companies, junk bonds have taken a beating in the marketplace. Defaults from large issuers like Campeau Corp., and the recent failure of Drexel Burnham Lambert Inc., the New York brokerage firm that pioneered with junk bonds, have given investors the jitters.

S&Ls have been forced under the Financial Institutions Reform, Recovery, and Enforcement Act, passed last summer by Congress, to divest themselves of junk bonds by 1994, and regulators are urging them

See **COLUMBIA** *page* 7

INSIDE NEWS

FINANCE


BayBanks Begins To Bounce Back

Price of $15.75 at 3:30 p.m. on Tuesday

Source: DB Technology

SHARE PRICES of major banks posted gains for the second day in a row as investors gingerly moved back into stocks after last week's sell-off. Among the leaders of the rally was BayBanks Inc., Boston. *Page 32*

INTERNATIONAL

JOHN RINDLAUB, a merger and acquisition specialist, will lead Bank of America's Asia division starting in June. *Page 29*

CONSUMER

FIRST INTERSTATE Bank of California has obtained licenses for employees at 12 branches to sell fixed-rate annuities. *Page 6*

TECHNOLOGY

MELLON BANK has purchased the automated teller machine processing business of Ameritrust Co. for an undisclosed amount. *Page 3*

OTHER NEWS

COMMERCIAL BANKS are reducing their leveraged buyout and other merger-related lending after hitting a peak last summer, according to analysts and a new Fed survey. *Page 2*

COMMENT

THE TOUGH STANCE taken by examiners is clouding the earnings picture for banks, writes Thomas Romano. *Page 4*

INDEX

People in the News 2
Company Index 2
Grapevine 4
Executive Changes 8
Classified Advertising 24
Bank and Thrift Stocks 31

Thousands of PCs to Do Job Of Banc One's Mainframes

By RICHARD LAYNE

NEW YORK — In a radical departure from the traditional approach to data processing, Banc One Corp. has decided to diminish its reliance on mainframe computers while elevating personal computers to a primary processing role.

The plan, formally adopted this week by Banc One's data-processing subsidiary, is designed to save millions of dollars a year in operating costs, increase total computing power, and let users easily pull information from any data base in the holding company's multistate network, according to David Van Lear, president of BankOne Services Co.

Mainframe Work Transferred

Banc One will continue to use the more expensive mainframe systems for data storage and large-scale transaction processing, but 50% to 90% of the work now handled by mainframes will be transferred to as many as 20,000 personal computers throughout Banc One and its subsidiaries.

"This is the wave of future," said Mr. Van Lear, the top-ranking technology executive at the $26.5 billion-asset holding company.

Linking personal computers in a high-powered network was studied by numerous corporations in the 1980s when personal computers became widespread, but only a handful of banks have set such interconnection as a goal. Units of Citicorp, BankAmerica Corp., and Mellon Bank Corp. are also in the vanguard.

Peggy Turbett

David Van Lear
BankOne Services Co.

Each has a slightly different approach, but all agree that this direction is essential to keep up with soaring demands for computing power. The approach is sometimes referred to as cooperative processing because of the way in which information is shared among networked computers.

The development is increasing the importance of networks in corporations' computer strat-

See **BANC ONE** *page* 3

Court Backs Banks' Entry Into Stock Underwriting

By BARBARA A. REHM

WASHINGTON — The banking industry's power to underwrite corporate debt and equity securities withstood its first legal challenge Tuesday when a federal appeals court dismissed a suit filed by the securities industry.

The U.S. Court of Appeals for the District of Columbia let stand the Federal Reserve Board's January 1989 decision to let five banking companies underwrite corporate debt and equities through subsidiaries.

The case was the most recent in a series of suits the Securities Industry Association has filed – and lost – against the Fed, which gradually has been letting banking companies into the securities business since April 1987.

"We're delighted that the courts have once again sided with the banks on this critical issue," said Donald G. Oglivie, executive vice president of the American Bankers Association. "After at least eight related decisions in recent years, the courts show that the judicial tides are undoubtedly in favor of a more

See **APPEALS** *page* 21

Head Count Kept Flat at Top Banks in '89

By KENNETH CLINE
and L. MICHAEL CACACE

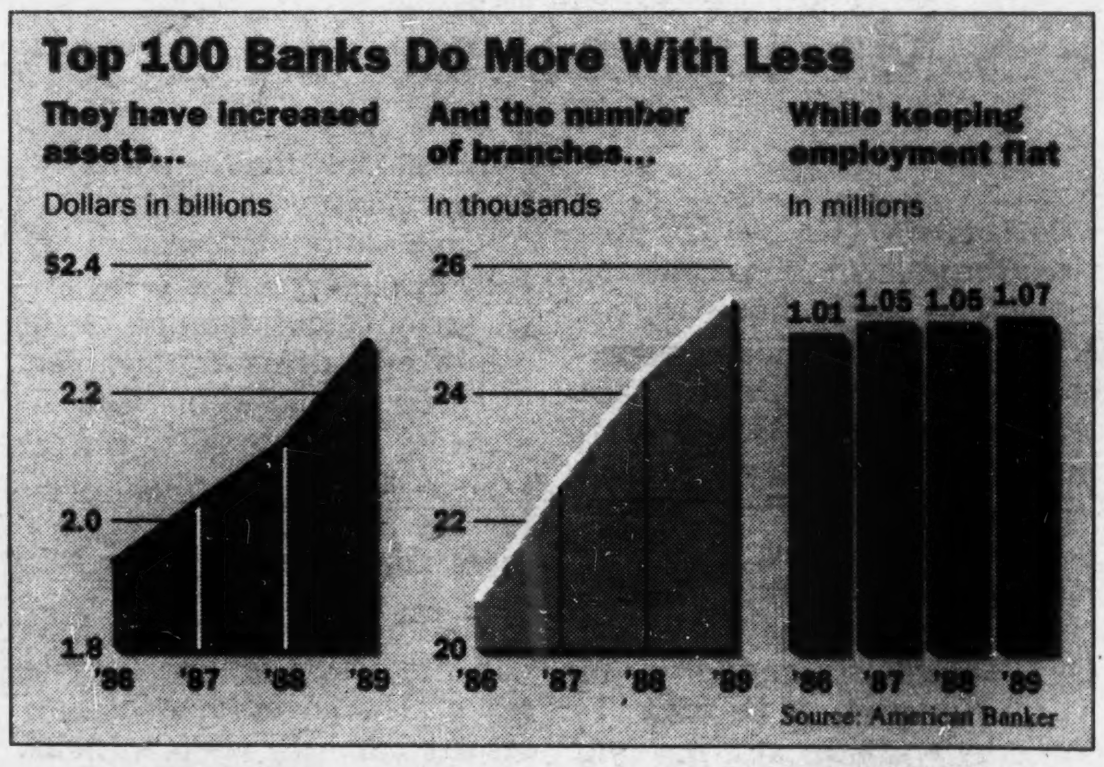
Spurred by a decline in profits, the top U.S. bank holding companies focused last year on curtailing operating expenses by limiting the growth of their workforces.

An *American Banker* survey shows that the nation's 100 biggest bank companies did not significantly expand their workforce last year despite a sizable increase in assets and an expansion of branch networks. (Statistical tables about the top 100 companies begin on page 10.)

The survey finds that employment growth rose a modest 1.7%, while assets and domestic branch networks last year grew by 7.5% and 4.7%, respectively. Meanwhile, earnings of the top 100 banks declined 28.6%, to $13.3 billion.

Acquisition Skews Figures

However, much of last year's workforce increase was attributable to NCNB Corp.'s Texas acquisitions, which added more than 13,000 employees to the bank company's workforce. Excluding NCNB, employment at the top bank companies was virtually unchanged last year.


Top 100 Banks Do More With Less

Source: American Banker

"The banks are seeing their profit gains will come much more from expense control than from revenue growth," said James M. Rosenberg, a securities analyst with Shearson Lehman Hutton in New York.

Analysts predicted that major banks would continue to limit their employment growth again this year.

"I don't think there is any question in our minds this is an area that will be a focus for banks throughout 1990," said Thomas J. Romano, a senior vice president with New York-based Thomson Bankwatch Inc., an *American Banker* affiliate.

Jobs Fell Slightly in 1988

Employment at the top 100 banks declined slightly in 1988, after rising 4% the preceding year.

At the end of 1989, the top companies carried 1,065,556 employees on their payrolls,

See **LIMITING** *page* 11

COMMENT / *By Thomas Romano*

Examiners' Tough Stance Clouds Earnings Picture

For at least the last six months, we have had growing concerns about the prospects for domestic bank results for 1990. In large part, these concerns have focused on several areas perceived to be high-risk lending: namely, commercial real estate, highly leveraged transactions, and, for some, the ongoing LDC debt problem.

While the LDC problem has been resolved for all but a handful of banks, domestic loan quality issues (which have progressed much as predicted) have been complicated by a well-publicized change in the regulatory attitude toward bank examinations.

Fresh from their experience in the Southwest, examiners (particularly those from the Office of the Comptroller of the Currency) have clearly adopted more conservative and proactive policies with respect to the adequacy of reserves and the identification of problem credits. These stepped-up efforts have been most apparent in the examination of commercial real estate portfolios and particularly among banks operating in some of the more problematic areas of the country.

While the current problems in evidence in New England focus much of the attention on that region (with announcements by BayBanks and Shawmut), this phenomenon has by no means been limited to the Northeast. Recently completed examinations of Hibernia in New Orleans and Barnett Banks in Jacksonville, Fla., also resulted in meaningful but manageable actions to build reserves.

We fully anticipate more announcements of this nature as the "enhanced" examination process is more widely enforced.

Individual Rating Changes

From a rating standpoint, we believe that each of these announcements will be announced on a case-by-case basis, using our own assessment of the operating environment (i.e. real estate market) and how well an individual bank's portfolio will withstand the challenge presented by it. This will depend on the quality of a bank's underwriting qualities, loan mix, diversification, etc.

> **'Upward revisions in the stated level of problem assets or required reserve levels will not necessarily prompt rating action.'**

Undoubtedly, this process will yield some negative surprises and rating adjustments. However, upward revisions in the stated level of problem assets or required reserve levels will not necessarily prompt rating action, particularly if such revisions are viewed solely as a function of a "change in the rules."

One major concern we have is that a widespread and very conservative application of these policies could have a very real economic effect on the local markets, in which case the impact could prove self-fulfilling.

Impact in New England

Evidence of this is perhaps already evident in New England where Bank of New England, Bank of Boston, BayBanks, and, most recently, Shawmut, have gone through this exercise. As a result, these banks' lending efforts will likely become much more selective (for obvious reasons) and financing more difficult to secure.

We will continue to monitor these highly sensitive developments. From a rating standpoint, however, our actions will continue to be based on our perception of each company's fundamentals and ultimate risk. ☐

Mr. Romano is a senior vice president of Thomson Bankwatch Inc.

GRAPEVINE / *By Jed Horowitz*

Golden Handcuffs. Chemical Banking Corp. last fall initiated a "golden handcuff" program for 31 key employees, according to the bank's proxy statement.

The provisions would kick in upon a change of control, defined in Securities and Exchange Commission filings as one party's accruing a 25% stake. Insiders say the plan is generous for two reasons: the large number of participants and the potential payouts.

For three years the beneficiaries would receive their annual base salaries, calculated as 12 times their highest monthly pay in the year before a change of control, and a bonus equivalent to the highest bonus of the last three years.

The employment contracts cover chairman Walter Shipley, vice chairmen Robert Callander and Richard Simmons, and 28 other employees who were not identified.

A Chemical spokeswoman said the plan mirrors that of other big banks and is meant "to retain and attract key people," not fend off raiders.

Some skeptical insiders said the handcuffs might backfire. They could be attractive enough to persuade top management to consider a takeover bid.

* * *

Guess Who's Hiring? The Bank of New England may have crushed the plans of more than 5,000 employees when it announced layoffs last week, but the company is planning to hire in one area. "Part of this program envisions increases in staff in the credit area," bank chairman Lawrence Fish said in detailing plans to shrink total staff by one-third.

The troubled bank has apparently learned a lesson from regulators about the importance of credit quality. Mr. Fish said in an earlier interview that the company must upgrade its loan approval, loan administration, loan review, and – inevitably – loan workout. "We are definitely going to need to spend resources in these areas," he said.

* * *

Sullivan's Stake. It's called putting your money where your mouth is. Despite First Chicago Corp.'s earnings travails, chairman Barry Sullivan has substantially increased his stake in the company.

According to the bank's proxy statement, Mr. Sullivan's beneficial ownership of First Chicago stock soared to 367,188 shares at yearend, for a value of approximately $11.4 million. At the end of 1988, Mr. Sullivan owned 285,038 shares.

Two weeks ago, the company said it expected first-quarter earnings to plunge about 50% from the year-earlier period, largely because of higher loan-loss provisions for real estate, increased nonperformers, and lower venture capital gains. First Chicago sources, however, say the final number is expected to be a bit better than projected.

* * *

An Obsolete Buy List. When Montgomery Securities analyst Richard Fredericks likes a stock, he'll move mountains – or at least top management – to make his point.

The bank analyst, who is a partner in the San Francisco securities firm, took public umbrage two weeks ago when Mongtomery's "emphasis list committee" removed Wells Fargo & Co. from its list of 35 recommended stocks.

Mr. Fredericks, who was out of town when Wells was pulled, quickly penned a report reiterating a strong buy recommendation – to distance himself from his firm's "internal action."

"I got the whole firm to drop its emphasis list," Mr. Fredericks said in an interview last week. That's a major move. The emphasis lists are important marketing vehicles for many securities firms.

* * *

Capital Confusion. Banks attempting to meet new risk-based capital requirements have proposed some complicated instruments that puzzle regulators.

Andrew Spindler, a senior vice president of the Federal Reserve Bank, says some banks are trying to get complex new financial instruments to qualify as Tier 1 capital. Such moves, he said, are delaying regulators' attempts to refine the new standards and may prove fruitless.

Tier 1 is supposed to be "permanent" capital, Mr. Spindler told bank analysts at a recent conference. "If there are a lot of bells and whistles, we begin to suspect impermanence."

Banks have been asked to reveal their risk-based capital positions in call reports this quarter. The data will remain confidential until the capital standards take effect at yearend.

* * *

A Break for Money-Centers. The Comptroller of the Currency sent a clear message to the banking community last week: Targeted exams of real estate portfolios will continue and expand nationwide. That means more writeoffs, more reserves, and more hits to earnings, analysts said.

Big New York banks, however, are likely to fare better than large regionals. With the exception of Chase Manhattan Bank and Citibank, the Gotham giants are not national banks and can evade the Comptroller's oversight. (Other bank regulators have not shown the teeth exhibited by the Comptroller's examiners, and analysts said they are unlikely to do so for some time.)

The big banks also benefit from in-house regulatory staffs that keep them abreast of regulatory concerns. The regionals have few, if any, in-house overseers. "What could prove to be the differentiating factor," said one analyst, "is that large bank companies tend to be under continuous scrutiny."

* * *

Rocky Mountain Property. Donald K. Hogoboom wants to retire, so he's put his Citizens Bank of Westminster, Colo., on the block.

The institution is 10 minutes from downtown Denver, an admittedly competitive bank market. But it earned $448 million of pretax income last year, won a fairly high regulatory rating (Camel 2), and showed some decent ratios, a 1.3% pretax return on assets and 15.5% return on equity.

Niederhoffer and Niederhoffer is shopping the company. Mr. Hogoboom said he hired the New York investment banker after seeing some of its tombstone advertisements in newspapers.

Niederhoffer said it has received 50 calls about the bank since early March. A Niederhoffer official said he has heard from small and midsize banks and individuals in California, Colorado, Florida, and New York.

Colorado does not yet permit branch banking, but Mr. Hogoboom says bankers are lobbying hard for it. The state's interstate banking law takes effect next year.

Mr. Hogoboom said Colorado banks are unlikely to pay the price he wants, but he refused to reveal the asking price. ☐

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for space for a Letters to the Editor column or published separately as commentary.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Stephen Kleege, Gordon Matthews
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne
Mortgages: Phil Roosevelt

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 100 U.S. Bank Holding Companies

Ranked by Assets Dec. 31, 1989, Compared with December 31, 1988

Rank 12/31/89	Bank Holding Company Largest Controlled Bank in Deposits	Total Assets		Rank 12/31/88	Gain	Total Deposits		Controlled	
		12/31/89	12/31/88			12/31/89	12/31/88	Banks	Branches
1	Citicorp, New York Citibank NA, New York	230,643,000,000	207,666,000,000	1		137,922,000,000	124,072,000,000	10	332
2	Chase Manhattan Corp., New York Chase Manhattan Bank NA, New York	107,369,000,000	97,455,090,000	2		69,073,000,000	64,056,693,000	7	470
3	BankAmerica Corp., San Francisco Bank of America NT&SA, San Francisco	98,764,000,000	94,647,000,000	3		81,186,000,000	77,150,000,000	3	1,046
4	J.P. Morgan & Co., Inc., New York Morgan Guaranty Trust Co., New York	88,963,715,000	83,923,000,000	4		39,157,622,000	42,300,000,000	2	4
5	Security Pacific Corp., Los Angeles Security Pacific National Bank, Los Angeles	83,943,000,000	77,870,000,000	5		52,630,000,000	47,653,000,000	6	965
6	Chemical Banking Corp., New York Chemical Bank, New York	71,513,000,000	67,349,000,000	6		50,151,000,000	47,966,000,000	3	357
7	NCNB Corp., Charlotte, N.C. NCNB Texas National Bank, Dallas	66,190,763,000	29,848,389,000	18	+11	48,576,345,000	20,670,145,000	7	888
8	Manufacturers Hanover Corp., New York Manufacturers Hanover Trust Co., New York	60,479,000,000	66,710,000,000	7		41,994,000,000	41,714,000,000	2	221
9	First Interstate Bancorp., Los Angeles First Interstate Bank of California, Los Angeles	59,051,407,000	58,193,875,000	8		46,467,700,000	44,148,744,000	27	1,041
10	Bankers Trust New York Corp. Bankers Trust Co., New York	55,658,446,000	57,942,341,000	9		26,220,122,000	32,490,652,000	2	3
11	Bank of New York Co., Inc. Bank of New York	48,856,471,000	47,388,101,000	10		34,927,125,000	32,706,363,000	2	250
12	Wells Fargo & Co., San Francisco Wells Fargo Bank NA, San Francisco	48,736,600,000	46,616,500,000	11		36,430,300,000	35,068,800,000	1	455
13	First Chicago Corp. First National Bank, Chicago	47,907,000,000	44,431,622,000	12		32,935,000,000	32,017,688,000	21	0
14	PNC Financial Corp, Pittsburgh Pittsburgh National Bank	45,660,744,000	40,811,114,000	13		30,120,168,000	27,453,400,000	10	529
15	Bank of Boston Corp. First National Bank, Boston	39,177,911,000	36,060,606,000	14		28,697,359,000	23,590,628,000	5	254
16	Fleet/Norstar Financial Group, Inc., Providence, R.I. Fleet National Bank, Providence, R.I.	33,440,789,000	29,052,205,000	21	+5	21,676,631,000	20,701,183,000	8	606
17	First Union Corp., Charlotte, N.C. (a) First Union National Bank, Charlotte	32,130,558,000	28,977,609,000	22	+5	21,498,325,000	20,033,329,000	5	663
18	Mellon Bank Corp., Pittsburgh Mellon Bank NA, Pittsburgh	31,467,000,000	31,153,000,000	16		21,344,000,000	21,325,000,000	7	334
19	SunTrust Banks, Inc., Atlanta Trust Company Bank, Atlanta	31,043,627,000	29,177,124,000	20	+1	24,961,500,000	23,944,490,000	53	617
20	First Fidelity Bancorporation, Lawrenceville, N.J. First Fidelity Bank NA, Newark	30,727,815,000	29,776,982,000	19		22,872,460,000	21,562,439,000	11	489
21	Bank of New England Corp., Boston Bank of New England NA, Boston	29,772,719,000	32,200,427,000	15		25,529,579,000	24,622,869,000	8	444
22	Continental Bank Corp., Chicago Continental Bank NA, Chicago	29,549,000,000	30,578,000,000	17		17,176,000,000	16,967,000,000	1	0
23	Barnett Banks, Inc., Jacksonville, Fla. Barnett Bank of South Florida NA, Miami	29,006,690,000	25,748,422,000	25	+2	25,055,898,000	22,482,201,000	35	563
24	Shawmut National Corp., Hartford, Conn. Connecticut National Bank, Hartford	27,855,000,000	28,413,805,000	23		18,765,470,000	18,987,564,000	12	389
25	Marine Midland Banks, Inc., Buffalo, N.Y. Marine Midland Bank NA, Buffalo	27,066,546,000	25,964,103,000	24		18,325,592,000	17,430,832,000	2	317
26	Banc One Corp., Columbus, Ohio Bank One Columbus NA	26,552,237,000	25,277,654,000	26		20,952,205,000	19,501,756,000	51	563
27	NBD Bancorp., Inc., Detroit National Bank of Detroit	25,771,284,000	24,176,190,000	29	+2	19,806,098,000	19,494,786,000	30	358
28	Republic New York Corp. Republic National Bank, New York	25,466,993,000	24,519,017,000	27		16,524,802,000	16,346,275,000	2	42
29	Sovran Financial Corp., Norfolk, Va. Sovran Bank NA, Richmond	25,442,264,000	22,483,786,000	30	+1	18,693,546,000	17,493,055,000	13	494
30	Norwest Corp., Minneapolis Norwest Bank Minneapolis NA	24,334,700,000	21,750,400,000	32	+2	15,206,100,000	13,901,800,000	37	170
31	First Wachovia Corp., Winston-Salem, N.C. Wachovia Bank & Trust Co. NA, Winston-Salem	24,049,523,000	21,815,224,000	31		17,386,636,000	16,492,027,000	3	351
32	Midlantic Corp., Edison, N.J. Midlantic National Bank, Newark	23,665,536,000	19,697,403,000	35	+3	18,685,627,000	15,793,139,000	13	482
33	Citizens & Southern Corp., Atlanta Citizens & Southern National Bank, Atlanta	23,312,787,000	21,097,528,000	34	+1	18,109,650,000	16,081,990,000	3	504
34	National City Corp., Cleveland National City Bank, Cleveland	22,971,688,000	21,623,379,000	33		17,264,265,000	16,906,320,000	17	427
35	National Westminster Bancorp, Inc., New York National Westminster Bank USA, New York	21,772,979,000	19,013,398,000	36	+1	18,014,680,000	15,653,480,000	3	265
36	First Bank System, Inc., Minneapolis First Bank NA, Minneapolis	20,820,243,000	24,247,706,000	28		15,753,107,000	17,204,241,000	40	72
37	MNC Financial, Inc., Baltimore (b) Maryland National Bank, Baltimore	20,316,349,000	18,015,220,000	38	+1	12,575,117,000	12,309,241,000	3	178
38	U.S. Bancorp., Portland, Ore. United States National Bank of Oregon, Portland	16,975,400,000	14,383,402,000	43	+5	11,432,200,000	10,167,730,000	2	329
39	CoreStates Financial Corp., Philadelphia (c) Philadelphia National Bank	16,848,649,000	16,430,853,000	39		11,440,636,000	11,115,235,000	4	201
40	Southeast Banking Corp., Miami Southeast Bank NA, Miami	16,525,300,000	15,623,000,000	40		12,759,800,000	11,505,000,000	2	230
41	KeyCorp, Albany, N.Y. Key Bank NA, Albany	15,461,365,000	14,645,692,000	42	+1	12,453,050,000	11,580,576,000	16	568
42	Boatmen's Bancshares, Inc., St. Louis, Mo. Boatmen's National Bank, St. Louis	14,542,400,000	14,675,758,000	41		10,851,284,000	11,223,788,000	34	212
43	First City Bancorporation of Texas, Inc., Houston First City National Bank, Houston	14,080,966,000	12,195,486,000	44	+1	10,818,730,000	9,842,923,000	21	68
44	First of America Bank Corp., Kalamazoo, Mich. First of America Bank-Southeast Michigan, Kalamazoo	12,792,682,000	9,769,359,000	56	+12	11,366,352,000	8,675,379,000	42	415
45	Signet Banking Corp., Richmond Signet Bank/Virginia, Richmond	12,476,092,000	11,001,598,000	49	+4	7,595,060,000	7,545,933,000	3	239
46	Harris Bankcorp, Inc., Chicago Harris Trust & Savings Bank, Chicago	12,374,355,000	11,276,000,000	47	+1	8,960,304,000	8,349,000,000	12	0
47	UJB Financial Corp., Princeton, N.J. UJB/Hackensack	12,172,290,000	10,887,871,000	50	+3	9,336,000,000	8,893,771,000	10	254
48	Comerica, Inc., Detroit Comerica Bank-Detroit	12,149,495,000	11,145,452,000	48		9,882,692,000	9,249,809,000	10	216
49	Meridian Bancorp., Inc., Reading, Pa. Meridian Bank, Reading	11,925,145,000	9,522,981,000	57	+8	9,601,788,000	7,125,409,000	3	219
50	Huntington Bancshares, Inc., Columbus, Ohio Huntington National Bank, Columbus	11,679,762,000	9,506,004,000	58	+8	8,589,591,000	7,106,663,000	12	247

Sources of Data: American Banker questionnaire, and banks' yearend earnings releases. **Assets** and **Deposits** include all consolidated subsidiaries, both domestic and foreign. Data for 1988 are as reported in 1989 and have not been restated for acquisitions, mergers, or changes in accounting principals. **Banks Controlled:** includes only domestic commercial banks controlled, according to definitions of Bank Holding Co. Act. **Branches Controlled** are domestic commercial bank branches only. **(a)**— On Jan. 29 First Union Corp. acquired Florida National Banks of Florida. Had merger taken place on Dec. 31, First Union would rank 15th with $40 billion in assets. **(b)**— On Jan. 18, MNC acquired Equitable Bancorp. Had the merger taken place on Dec. 31, MNC would have ranked 28th with assets of $25.5 billion. **(c)**— On March 5, CoreStates acquired First Pennsylvania Corp. Had the merger taken place on Dec. 31, CoreStates would have ranked 34th with $23.5 billion in assets.

Compiled by American Banker, Copyright 1990.

Limiting Workforce Was '89 Goal

Top 100 Bank Holding Companies

Dollar amounts in billions

	Dec. 31, 1989	Dec. 31, 1988	% Chg.
Total assets[1]	$2,283	$2,124	+ 7.5%
Total deposits[1]	$1,602	$1,496	+ 7.1
Number of employees[1]	1,065,556	1,048,096	+ 1.7
Domestic banks controlled[1]	1,086	1,182	- 8.1
Domestic bank branches[1]	25,533	24,380	+4.7
Primary capital[2]	$187.9	$175.2	+ 7.2
Ratio of primary capital to total assets[2]	8.25%	8.25%	
Total capital[2]	$225.2	$212.7	+ 5.9
Ratio of total capital to total assets[2]	9.89%	10.01%	
Net income – Top 100 earners[3]	$13.293	$18.611	−28.6

The 1988 data are for the top 100 firms for that year. (1)— Data are for the top 100 bank holding companies in assets. (2)— Data are for the top 100 bank holding companies in primary capital. (3)— Data are for the top 100 earners among banks and holding companies.

Largest 1989 Losses in Banking

	1989 Loss	1988 Income (Loss)
1. **J.P. Morgan & Co., Inc.**, New York	(1,275,018,000)	1,001,800,000
2. **Bank of New England Corp.**, Boston	(1,113,277,000)	281,654,000
3. **Bankers Trust New York Corp.**	(979,893,000)	647,733,000
4. **Chase Manhattan Corp.**, New York	(665,000,000)	1,058,874,000
5. **Manufacturers Hanover Corp.**, New York	(588,000,000)	752,000,000
6. **Chemical Banking Corp.**, New York	(482,200,000)	753,600,000
7. **First Pennsylvania Corp.**, Philadelphia	(164,225,000)	58,166,000
8. **First Interstate Bancorp.**, Los Angeles	(151,914,000)	102,396,000
9. **Valley National Corp.**, Phoenix	(149,227,000)	62,331,000
10. **National Bancshares Corp. of Texas**, San Antonio	(143,905,000)	(189,076,000)
11. **National Westminster Bancorp, Inc.**, New York	(139,542,000)	97,899,000
12. **Florida National Banks of Florida, Inc.**, Jacksonville	(131,852,000)	34,908,000
13. **Shawmut National Corp., Hartford, Conn.**	(128,900,000)	242,540,000
14. **One Bancorp., Portland, Maine**	(123,649,000)	533,,000
15. **Premier Bancorp Inc.**, Baton Rouge, La.	(105,641,000)	(49,702,000)
16. **Trustcorp, Inc.**, Toledo, Ohio	(104,096,000)	24,944,000
17. **Citytrust Bancorp., Inc.**, Bridgeport, Conn.	(84,771,000)	23,638,000
18. **Whitney Holding Corp.**, New Orleans	(59,967,000)	25,784,000
19. **Amoskeag Bank Shares, Inc.**, Manchester, N.H.	(50,651,000)	14,047,000
20. **BancOklahoma Corp.**, Tulsa	(45,703,000)	(74,207,000)

( )— Indicates a loss.

Compiled by American Banker, Copyright 1990.

Continued from *page* **1**

compared with 1,048,096 at the end of 1988.

"In this environment, where you've got asset quality pressures and lack of revenue momentum, the only place where you can really have direct (bottom line) impact is on operating expenses," said a Keefe, Bruyette & Woods Inc. analyst, James McDermott in New York.

The 7.5% growth in assets last year by the top bank companies was an improvement over the 4.8% growth rate achieved last year and the 1987 growth of 5%. Four of the top five gainers in 1989 were in the Southeast, reflecting the continuing strength of that region's economy as well as some major acquisitions announced last year.

Surge from Acquisition

NCNB, for example, raised its assets to $66.2 billion from $29.8 billion in 1988 by incorporating into its holding company all of FirstRepublic Bancorp, the insolvent Texas bank it acquired from federal regulators in 1988.

First Union Corp., based in Charlotte, N.C., now has $32.1 billion in assets and jumped from 22nd to 17th place in the *American Banker* rankings; had the 1989 numbers reflected its acquisition of Florida National Banks of Florida Inc., consummated in January, First Union would be the nation's 15th-largest bank.

Also increasing in asset size were Barnett Banks Inc., Jacksonville, from 25th to 23rd place, and SunTrust Banks Inc., Atlanta, from 20th to 19th place.

Outside the Southeast, Providence R.I.-based Fleet/Norstar Financial Group Inc. increased its assets by 15%, to $33.4 million, rising in the rankings to 16th place from 21st place.

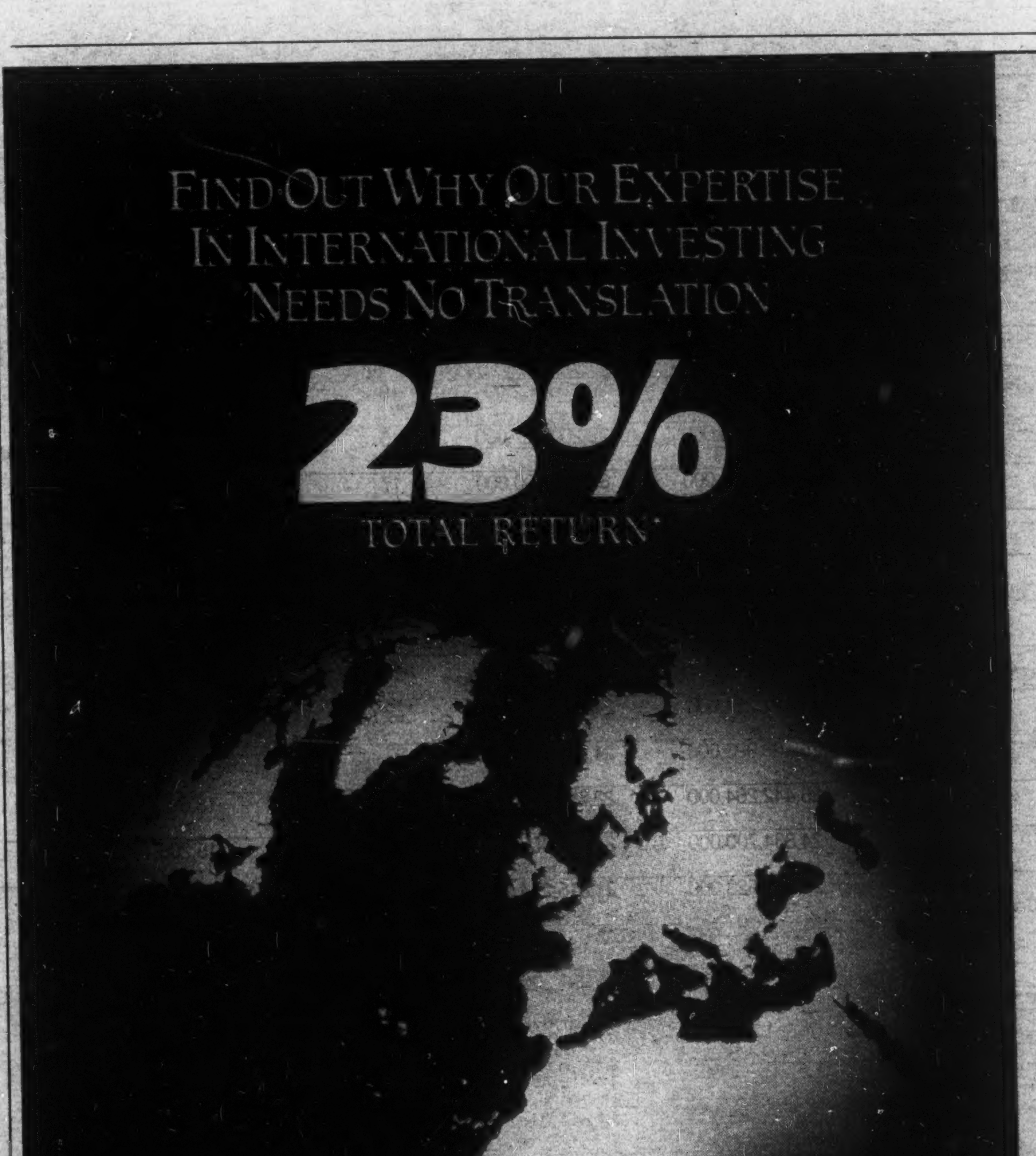
Branch expansion at the top holding companies, meanwhile, slowed in 1989 to 5%, from 7.5% in 1988 and 9.4% in 1987. At the end of 1989, the largest banks operated 25,607 branches, compared with 24,380 at the end of 1988.

Securities analysts said the slower rate of branch expansion reflected the consolidation in the industry following the wave of acquistions in the past few years.

Some other survey findings:

- Total assets of the top 100 bank holding companies was $2.28 trillion on Dec. 31, 1989, up from $2.12 trillion a year earlier.

See **TOP 100** *page* **19**



If it's true that "money talks," then The International Fund for Institutions offered by Shearson/Provident is multilingual. Through the expert management of Kleinwort Benson, our international equity fund just returned from Europe, Japan and the Pacific Basin with a total return of 23% for 1989. And that spells "success" in any language.

Outperforming International Indices

Not only did The International Fund reward investors with a 23% total return, it also outperformed Morgan Stanley Capital International's Europe, Australia, and Far East (E.A.F.E.) and World Indices.** So an investment in The International Fund can provide enhanced performance through diversification for you and your clients.

Created Specifically For The Institutional Investor

The International Fund was the very first mutual fund of its kind. It was designed to help trust officers achieve long-term capital appreciation through foreign investments without all of the administrative burdens. As a result, your clients can enjoy greater diversification—across industries, companies and countries—and more opportunities for capital appreciation.

Expert Guidance To A World Of Opportunity

The International Fund is managed by the experts at Kleinwort Benson International Investment Ltd., one of the most respected investment advisors in the world. Assisted by Provident Institutional Management Corp., these two industry leaders contribute to "The Shearson/Provident Advantage." A winning combination that has led to The International Fund's many successes.

Find out how you can translate international opportunities into investment success

Call 1-800-221-8120 Today

We'll send you a current fund prospectus containing more complete information, including charges and expenses.
The prospectus should be read carefully before investing.

The Institutional Funds Group

SHEARSON LEHMAN HUTTON

An American Express company

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10, 11,

12, 14, 16, 18-20

Top 100 U.S. Bank Holding Companies

Ranked by Assets Dec. 31, 1989, Compared with December 31, 1988

Rank 12/31/89	Bank Holding Company Largest Controlled Bank in Deposits	Total Assets		Rank 12/31/88	Gain	Total Deposits		Controlled	
		12/31/89	12/31/88			12/31/89	12/31/88	Banks	Branches
51	First American Bankshares, Inc., Washington, D.C. First American Bank of Virginia, McLean	11,489,707,000	10,639,745,000	52	+1	8,988,385,000	8,379,998,000	7	286
52	Michigan National Corp., Farmington Hills Michigan National Bank, Farmington Hills, Mich.	11,479,973,000	11,305,713,000	46		9,295,128,000	9,213,628,000	2	199
53	Crestar Financial Corp., Richmond Crestar Bank, Richmond	11,360,817,000	10,408,288,000	53		8,467,254,000	7,981,696,000	4	252
54	Ameritrust Corp., Cleveland Ameritrust Co. NA, Cleveland	11,233,140,000	10,738,297,000	51		8,790,810,000	8,358,773,000	9	226
55	Northern Trust Corp., Chicago Northern Trust Co., Chicago	10,937,679,000	9,903,900,000	55		7,038,283,000	6,752,600,000	8	10
56	Society Corp., Cleveland (d) Society National Bank, Cleveland	10,903,327,000	10,009,572,000	54		8,424,476,000	7,675,603,000	3	212
57	Valley National Corp., Phoenix, Ariz. Valley National Bank, Phoenix	10,519,481,000	11,765,677,000	45		9,369,124,000	9,511,915,000	4	270
58	Manufacturers National Corp., Detroit Manufacturers National Bank of Detroit	10,304,507,000	9,310,864,000	60	+2	8,365,176,000	7,868,443,000	13	140
59	Dominion Bankshares Corp., Roanoke, Va. Dominion Bank NA, Roanoke	10,119,695,000	9,204,026,000	61	+2	7,624,276,000	7,082,112,000	10	288
60	State Street Boston Corp. State Street Bank & Trust Co., Boston	9,983,021,000	8,371,952,000	62	+2	6,178,033,000	5,388,407,000	1	6
61	BayBanks, Inc., Boston BayBank Boston NA	9,913,271,000	9,496,465,000	59		8,784,310,000	7,899,679,000	9	227
62	Firstar Corp., Milwaukee First Wisconsin National Bank, Milwaukee	8,607,873,000	7,841,938,000	65	+3	6,835,281,000	6,293,461,000	39	126
63	AmSouth Bancorporation, Birmingham, Ala. AmSouth Bank NA, Birmingham	8,565,389,000	8,312,589,000	63		6,672,376,000	6,510,927,000	4	175
64	Bancorp Hawaii, Inc., Honolulu Bank of Hawaii, Honolulu	8,317,114,000	6,634,705,000	72	+8	7,024,285,000	5,661,511,000	2	67
65	Old Kent Financial Corp., Grands Rapids, Mich. Old Kent Bank & Trust Co., Grand Rapids	8,127,210,000	7,854,091,000	64		6,780,206,000	6,504,820,000	21	195
66	BanCal Tri-State Corp., San Francisco Bank of California NA, San Francisco	7,888,103,000	6,887,827,000	69	+3	4,529,338,000	4,322,583,000	1	50
67	Florida National Banks of Florida, Inc., Jacksonville (a) Florida National Bank, Jacksonville	7,882,734,000	7,827,711,000	66		6,071,696,000	6,089,721,000	2	185
68	SouthTrust Corp., Birmingham, Ala. SouthTrust Bank of Alabama NA, Birmingham	7,763,166,000	6,645,325,000	71	+3	6,054,500,000	5,119,043,000	41	223
69	Riggs National Corp., Washington, D.C. Riggs National Bank, Washington, D.C.	7,337,187,000	7,001,910,000	68		5,976,934,000	5,537,275,000	3	56
70	First Maryland Bancorp., Baltimore First National Bank of Maryland, Baltimore	7,186,938,000	6,274,422,000	75	+5	4,944,177,000	4,352,335,000	2	143
71	Marshall & Ilsley Corp., Milwaukee, Wis. M&I Marshall & Ilsley Bank, Milwaukee	7,150,841,000	6,774,907,000	70		5,585,331,000	5,211,051,000	46	135
72	Fifth Third Bancorp, Cincinnati Fifth Third Bank, Cincinnati	7,142,972,000	5,245,803,000	87	+15	5,783,527,000	4,093,644,000	14	198
73	First American Corp., Nashville, Tenn. First American National Bank, Nashville	7,058,327,000	7,203,961,000	67		5,824,564,000	5,817,819,000	10	147
74	Mercantile Bancorporation Inc., St. Louis, Mo. Mercantile Bank NA, St. Louis	6,942,171,000	6,459,234,000	73		5,447,809,000	5,309,380,000	27	112
75	Integra Financial Corp., Pittsburgh Union National Bank, Pittsburgh	6,767,642,000	6,926,583,000[1]	69[1]		5,803,812,000	5,777,435,000[1]	7	212
76	Hibernia Corp., New Orleans, La. Hibernia National Bank, New Orleans	6,698,851,000	5,834,258,000	81	+5	5,869,836,000	4,729,386,000	2	105
77	First Pennsylvania Corp., Philadelphia (c) First Pennsylvania Bank NA, Philadelphia	6,606,669,000	6,406,666,000	74		4,971,669,000	4,757,316,000	3	85
78	First Tennessee National Corp., Memphis First Tennessee Bank NA, Memphis	6,397,532,000	5,972,034,000	76		4,949,447,000	4,656,801,000	3	130
79	First Empire State Corp., Buffalo, N.Y. Manufacturers & Traders Trust Co., Buffalo	6,233,799,000	5,908,060,000	80	+1	4,870,567,000	5,057,410,000	3	84
80	South Carolina National Corp., Columbia South Carolina National Bank, Columbia	6,215,569,000	5,655,183,000	84	+4	4,667,470,000	4,028,390,000	1	155
81	United Banks of Colorado, Inc., Denver United Bank of Denver NA	6,080,435,000	5,811,572,000	82	+1	4,754,291,000	4,623,563,000	40	0
82	INB Financial Corp., Indianapolis INB National Bank, Indianapolis	6,014,672,000	5,927,182,000	78		4,570,965,000	4,303,434,000	3	102
83	Star Banc Corp., Cincinnati Star Bank NA, Cincinnati	5,949,401,000	5,656,631,000	83		4,973,054,000	4,723,117,000	15	152
84	Commerce Bancshares, Inc., Kansas City, Mo. Commerce Bank of Kansas City, Mo.	5,829,150,000	5,443,959,000	85	+1	4,987,915,000	4,683,419,000	14	111
85	First Security Corp., Salt Lake City, Utah First Security Bank of Utah NA, Salt Lake City	5,794,767,000	5,158,976,000	90	+5	4,149,097,000	3,902,665,000	3	161
86	European American Bancorp, New York European American Bank, New York	5,763,813,000	5,909,084,000	79		4,604,362,000	4,377,960,000	1	88
87	Merchants National Corp., Indianapolis Merchants National Bank, Indianapolis	5,576,601,000	5,255,673,000	86		4,122,371,000	3,756,755,000	17	138
88	First Florida Banks, Inc., Tampa First Florida Bank NA, Tampa	5,564,600,000	5,131,537,000	91	+3	4,637,000,000	4,327,879,000	2	150
89	First Alabama Bancshares, Inc., Montgomery First Alabama Bank, Montgomery	5,549,612,000	5,173,609,000	89		4,744,364,000	4,331,715,000	2	142
90	Central Fidelity Banks Inc., Richmond Central Fidelity Bank, Richmond	5,335,200,000	4,731,374,000	94	+4	4,142,304,000	3,744,478,000	2	185
91	Trustcorp., Inc., Toledo, Ohio (d) Toledo Trust Co., Ohio	5,327,295,000	5,969,103,000	77		4,547,985,000	4,472,364,000	13	181
92	Equitable Bancorporation, Baltimore (b) Equitable Bank NA, Baltimore	5,251,317,000	5,245,037,000	88		3,487,670,000	3,517,188,000	2	110
93	Bank South Corp., Atlanta Bank South NA, Atlanta	5,136,197,000	4,881,210,000	92		3,723,368,000	3,552,482,000	9	135
94	First Virginia Banks, Inc., Falls Church First Virginia Bank, Falls Church	5,123,964,000	4,795,799,000	93		4,426,663,000	4,223,091,000	22	298
95	First Hawaiian, Inc., Honolulu First Hawaiian Bank, Honolulu	5,080,061,000	4,238,584,000	98	+3	4,512,310,000	3,773,630,000	1	46
96	BB&T Financial Corp., Wilson, N.C. Branch Banking & Trust Co., Wilson	4,807,836,000	4,376,600,000	96		3,899,428,000	3,551,788,000	2	191
97	City National Corp., Beverly Hills, Calif. City National Bank, Beverly Hills	4,698,952,000	4,295,921,000	97		3,853,446,000	3,465,407,000	1	22
98	First Commerce Corp., New Orleans, La. First National Bank of Commerce, New Orleans	4,657,952,000	4,166,031,000	99	+1	3,798,102,000	3,382,864,000	5	87
99	Central Bancshares of the South, Inc., Birmingham, Ala. Central Bank of the South, Birmingham	4,518,743,000	4,108,909,000	100	+1	3,238,625,000	2,809,916,000	5	83
100	West One Bancorp, Boise, Idaho West One Bank, Idaho, NA, Boise	4,349,656,000	3,306,286,000	103	+3	3,241,845,000	3,035,322,000	7	121

Sources of Data: American Banker questionnaire, and banks' yearend earnings releases. **Assets** and **Deposits** include all consolidated subsidiaries, both domestic and foreign. Data for 1988 are as reported in 1989 and have not been restated for acquisitions, mergers, or changes in accounting principals. **Banks Controlled:** includes only domestic commercial banks controlled, according to definitions of Bank Holding Co. Act. **Branches Controlled** are domestic commercial bank branches only. **(a)**— On Jan. 29 First Union Corp. acquired Florida National Banks of Florida. Had merger taken place on Dec. 31, First Union would rank 15th with $40 billion in assets. **(b)**— On Jan. 18, MNC acquired Equitable Bancorp. Had the merger taken place on Dec. 31, MNC would have ranked 28th with assets of $25.5 billion. **(c)**— On March 5, CoreStates acquired First Pennsylvania Corp. Had the merger taken place on Dec. 31, CoreStates would have ranked 34th with $23.5 billion in assets. **(d)**— On Jan. 2, Society Corp. acquired Trustcorp. Had the merger taken place on Dec. 31, Society would have ranked 41st with assets of $16.2 billion. **(1)**—The 1988 data are pro forma. The company was formed on 1/30/89, when Union National Corp., Pittsburgh, and Pennbank Corp., Titusville, merged.

Compiled by American Banker, Copyright 1990.

Top 100 US Bank Holding Companies

Listed geographically by order of total assets within states (dollar amounts in millions)

Rank 12/89		Assets 12/31/89	Assets 12/31/88	Employees 12/31/89	Employees 12/31/88
	ALABAMA				
63	**AmSouth Bancorp.**	8,565	8,313	4,822	4,843
68	**SouthTrust Corp.**	7,763	6,645	4,403	4,066
89	**First Alabama Bancshares, Inc.**	5,550	5,174	3,979	3,895
99	**Central Bancshares of the South**	4,519	4,109	2,417	2,455
	ARIZONA				
57	**Valley National Corp.**	10,519	11,766	7,354	7,275
	CALIFORNIA				
3	**BankAmerica Corp.★**	98,764	94,647	54,779	53,713
5	**Security Pacific Corp.★**	83,943	77,870	41,117	41,363
9	**First Interstate Bancorp.★**	59,051	58,194	35,850	38,270
12	**Wells Fargo & Co.★**	48,737	46,617	19,500	19,700
66	**BanCal Tri-State Corp.**	7,888	6,888	3,676	3,551
97	**City National Corp.**	4,699	4,296	2,207	2,141
	COLORADO				
81	**United Banks of Colorado, Inc.**	6,080	5,812	3,684	3,779
	CONNECTICUT				
24	**Shawmut National Corp.★**	27,855	28,414	12,019	13,732
	DISTRICT OF COLUMBIA				
51	**First American Bankshares**	11,490	10,640	6,101	5,730
69	**Riggs National Corp.**	7,337	7,002	2,397	2,220
	FLORIDA				
23	**Barnett Banks, Inc.★**	29,007	25,748	18,109	17,741
40	**Southeast Banking Corp.**	16,525	15,623	8,147	8,341
67	**Florida National Banks, Inc.**	7,883	7,828	4,294	4,867
88	**First Florida Banks, Inc.**	5,565	5,132	4,065	3,808
	GEORGIA				
19	**SunTrust Banks, Inc.★**	31,044	29,177	20,023	19,936
33	**Citizens & Southern Corp.★**	23,313	21,098	15,381	13,871
93	**Bank South Corp.**	5,136	4,881	3,010	3,080
	HAWAII				
64	**Bancorp Hawaii, Inc.**	8,317	6,635	3,683	3,473
95	**First Hawaiian, Inc.**	5,080	4,239	2,281	2,200
	IDAHO				
100	**West One Bancorp**	4,350	3,906	3,034	2,781
	ILLINOIS				
13	**First Chicago Corp.**	47,907	44,432	16,500	14,635
22	**Continental Bank Corp.**	29,549	30,578	7,560	8,105
46	**Harris Bankcorp, Inc.**	12,374	11,276	5,356	5,290
55	**Northern Trust Corp.**	10,938	9,904	5,498	5,387
	INDIANA				
82	**INB Financial Corp.[1]**	6,015	5,927	3,007	2,948
87	**Merchants National Corp.**	5,577	5,256	3,315	3,038
	LOUISIANA				
76	**Hibernia Corp.**	6,699	5,834	2,901	2,530
98	**First Commerce Corp.**	4,658	4,166	2,553	2,341
	MARYLAND				
37	**MNC Financial, Inc.★**	20,316	18,015	9,300	8,598
70	**First Maryland Bancorp.**	7,187	6,274	4,069	3,980
92	**Equitable Bancorporation**	5,251	5,245	2,965	3,293
	MASSACHUSETTS				
15	**Bank of Boston Corp.★†**	39,178	36,061	18,800	19,500
21	**Bank of New England Corp.★**	29,773	29,475	16,821	18,752
60	**State Street Boston Corp.**	9,983	8,372	7,451	6,953
61	**BayBanks, Inc.**	9,913	9,469	5,748	5,665
	MICHIGAN				
27	**NBD Bancorp., Inc.★**	25,771	24,176	12,367	12,233
44	**First of America Bank Corp.**	12,793	9,769	9,777	7,590
48	**Comerica, Inc.**	12,149	11,145	6,604	6,098
52	**Michigan National Corp.**	11,480	11,306	6,043	6,200
58	**Manufacturers National Corp.**	10,305	9,311	5,784	5,463
65	**Old Kent Financial Corp.**	8,127	7,854	4,525	4,800[2]
	MINNESOTA				
30	**Norwest Corp.★**	24,334	21,750	16,148	15,400
36	**First Bank System, Inc.★**	20,820	24,248	10,667	9,004
	MISSOURI				
42	**Boatmen's Bancshares, Inc.**	14,542	14,676	8,402	8,633
74	**Mercantile Bancorporation Inc.**	6,942	6,459	4,463	4,347
84	**Commerce Bancshares, Inc.**	5,829	5,444	3,632	3,637
	NEW JERSEY				
20	**First Fidelity Bancorp.★**	30,728	29,777	14,400	14,945
32	**Midlantic Corp.★**	23,666	19,697	11,384	9,875
47	**UJB Financial Corp.[3]**	12,172	10,888	6,364	6,446
	NEW YORK				
1	**Citicorp**	230,643	207,666	92,000	89,000
2	**Chase Manhattan Corp.**	107,369	97,455	40,594	40,615
4	**J.P. Morgan & Co., Inc.**	88,964	83,923	14,207	15,363
6	**Chemical Banking Corp.**	71,513	67,349	29,139	27,225
8	**Manufacturers Hanover Corp.**	60,479	66,710	20,034	23,094
10	**Bankers Trust New York Corp.**	55,658	57,942	13,230	12,751
11	**Bank of New York Co., Inc.★**	48,856	47,388	14,883	17,766
25	**Marine Midland Banks, Inc.★**	27,067	25,964	13,345	13,403
28	**Republic New York Corp.**	25,467	24,519	3,700	3,625
35	**National Westminster Bancorp★**	21,773	19,013	8,060	8,140
41	**KeyCorp**	15,461	14,646	10,372	10,780
79	**First Empire State Corp.**	6,234	5,908	2,347	2,423
86	**European American Bancorp**	5,764	5,909	2,485	2,534[4]
	NORTH CAROLINA				
7	**NCNB Corp.★**	66,191	29,848	27,399	14,309
17	**First Union Corp.★**	32,131	28,978	17,733	19,761
31	**First Wachovia Corp.★**	24,050	21,815	13,113	13,118
96	**BB&T Financial Corp.**	4,808	4,377	2,846	2,748
	OHIO				
26	**Banc One Corp.★**	26,552	25,278	17,800	16,870
34	**National City Corp.★**	22,972	21,623	15,160	14,092
50	**Huntington Bancshares, Inc.**	11,680	9,506	5,885	5,150
54	**Ameritrust Corp.**	11,233	10,738	6,105	5,899
56	**Society Corp.**	10,903	10,010	5,935	6,076
72	**Fifth Third Bancorp**	7,143	5,246	3,900	2,935
83	**Star Banc Corporation**	5,949	5,657	3,559	3,579
91	**Trustcorp. Inc.**	5,327	5,969	3,268	3,473
	OREGON				
38	**U.S. Bancorp.**	16,975	14,383	9,721	9,668
	PENNSYLVANIA				
14	**PNC Financial Corp★**	45,661	40,811	17,681	15,823
18	**Mellon Bank Corp.★†**	31,467	31,153	15,300	16,600
39	**CoreStates Financial Corp.**	16,849	16,431	9,756	9,420
49	**Meridian Bancorp., Inc.**	11,925	9,523	6,694	6,049
75	**Integra Financial Corp.**	6,768	6,927[5]	3,855	3,711[5]
77	**First Pennsylvania Corp.**	6,607	6,407	3,589	3,680
	RHODE ISLAND				
16	**Fleet/Norstar Financial Group, Inc.★**	33,441	29,052	18,789	18,848
	SOUTH CAROLINA				
80	**South Carolina National Corp.**	6,216	5,655	3,887	3,916
	TENNESSEE				
73	**First American Corp.**	7,058	7,204	3,934	4,106
78	**First Tennessee National Corp.**	6,398	5,972	3,977	4,142
	TEXAS				
43	**First City Bancorp. of Texas, Inc.**	14,081	12,195	6,904	6,681
	UTAH				
85	**First Security Corp.**	5,795	5,159	4,097	4,097
	VIRGINIA				
29	**Sovran Financial Corp.★**	25,442	22,484	14,686	14,519
45	**Signet Banking Corp.**	12,476	11,002	5,677	5,797
53	**Crestar Financial Corp.**	11,361	10,408	6,029	5,838
59	**Dominion Bankshares Corp.**	10,120	9,204	5,599	5,448
90	**Central Fidelity Banks, Inc.**	5,335	4,731	3,477	3,277
94	**First Virginia Banks, Inc.**	5,124	4,796	4,482	4,343
	WISCONSIN				
62	**Firstar Corporation**	8,608	7,842	6,166	6,203
71	**Marshall & Ilsley Corp.**	7,151	6,775	5,400	5,377
	Total for Top 100 Firms of 1989	$2,283 Bil.	$2,124 Bil.	1,065,556	1,048,096

(★)— **A superregional banking firm,** which the American Banker defines as a nonmoney-center banking company with assets greater than $20 billion that has merged across state lines to establish a full commercial banking presence in another state. (†)— Classified as a money center bank in American Banker earnings performance studies, such as the listing that appears on page 18 of this edition. **Employees:** Full-time equivalent employees unless otherwise noted. ([1])— Formerly known as Indiana National Corp. ([2])— Estimated. ([3])— Formerly known as United Jersey Banks. ([4])— Employee data are for European American Bank. ([5])— The 1988 data are pro forma. Bank was formed on Jan. 30, 1989, when Union National Corp., Pittsburgh, and Pennbank Corp., Titusville, merged.

Compiled by American Banker, Copyright 1990.

The 10 Largest Banks Not Controlled by a U.S. Bank Holding Company

Listed in order of total assets on Dec. 31, 1989 (dollar amounts in millions)

Name of Bank	Assets 12/31/89	Deposits 12/31/89	Net Income 1989	Primary Capital 12/31/89	Name of Parent Company
Union Bank, San Francisco (a)	15,376	11,637	138.9	1,218.3	Bank of Tokyo Ltd., Japan
Boston Safe Deposit & Trust Co. (b)	10,772	7,782	24.4	1,002.1	Shearson Lehman Hutton Inc., New York **(c)**
American Express Centurion Bank, Newark, Del.	8,754	2,919	65.0	679.0	American Express Travel Related Services, New York **(c)**
Bank of Tokyo Trust Co., New York	8,239	5,805	24.8	549.8	Bank of Tokyo Ltd., Japan
Greenwood Trust Co., New Castle, Del.	7,051	5,493	97.1	673.2	Dean Witter Financial Services Group, New York **(d)**
Sanwa Bank California, San Francisco	6,918	5,564	14.3	555.6	Sanwa Bank Ltd., Osaka, Japan
Banco Popular de Puerto Rico, San Juan	5,923	4,926	56.2	416.7	None
Industrial Bank of Japan Trust Co., New York	5,575	3,199	16.0	367.3	Industrial Bank of Japan, Ltd., Tokyo
Israel Discount Bank of New York	4,777	4,404	20.2	285.7	Israel Discount Bank Ltd., Tel Aviv
Sumitomo Bank of California, San Francisco	4,401	3,378	34.0	302.5	Sumitomo Bank Ltd., Osaka, Japan

Table explained: A list of banks that do not appear on the Top 100 Bank Holding Companies listing, because their parent companies are not U.S. bank holding companies. **(a)**— Formerly known as California First Bank. Changed title in Oct. 1988, after acquiring Union Bank, Los Angeles. **(b)**— The bank is a wholly owned subsidiary of Boston Co. Inc. That company, in turn, is owned by Shearson Lehman Hutton Inc. **(c)**— An American Express Co. subsidiary. **(d)**— A subsidiary of Sears, Roebuck & Co., Chicago.

Compiled by American Banker, Copyright 1990.

BANK HOLDING COMPANIES

Top 100 Earners in Banking

Banks and bank holding companies ranked by 1989 net income

Rank 1989		Net Income For Full Year		Rank 1988	Gain in Rank	Adjusted Net Income		Profitability Ratios			
								Return on Assets		Return on Equity	
		1989	1988			1989	1988	1989	1988	1989	1988
1	BankAmerica Corp., San Francisco (c)	820,000,000	547,000,000	8	+7	830,000,000	547,000,000	0.85	0.57	17.17	17.36
2	Security Pacific Corp., Los Angeles (c)	740,600,000	638,900,000	7	+5	740,600,000	638,900,000	0.90	0.84	18.78	18.86
3	Wells Fargo & Co., San Francisco (d)	601,100,000	512,500,000	10	+7	601,100,000	512,500,000	1.26	1.14	24.49	23.99
4	Citicorp, New York (c)	498,000,000	1,698,000,000	1		498,000,000	1,698,000,000	0.23	0.82	4.25	21.40
5	NCNB Corp., Charlotte, N.C. (c)	447,069,000	252,471,000	19	+ 14	447,069,000	248,329,000	0.74[1]	0.88	20.45	15.55
6	PNC Financial Corp, Pittsburgh (c)	377,440,000	442,722,000	11	+5	249,589,000	442,722,000	0.90	1.20	13.60	19.30
7	Fleet/Norstar Financial Group, Inc., Providence, R.I. (c)	371,346,000	335,829,000	13	+6	371,346,000	335,829,000	1.25	1.24	17.70	18.15
8	Banc One Corp., Columbus, Ohio (c)	362,868,000	340,188,000	12	+4	348,242,000	328,065,000	1.42	1.45	16.79	17.69
9	First Chicago Corp. (c)	358,700,000	513,054,000	9		451,100,000	497,988,000	0.74	1.12	15.52	29.33
10	SunTrust Banks, Inc., Atlanta (c)	337,318,000	308,729,000	16	+6	323,590,000	308,729,000	1.16	1.13	16.88	17.36
11	Sovran Financial Corp., Norfolk, Va. (c)	269,175,000	243,062,000	21	+ 10	269,175,000	243,062,000	1.14	1.14	17.71	17.90
12	First Wachovia Corp., Winston-Salem, N.C. (c)	268,973,000	244,251,000	20	+8	268,973,000	244,251,000	1.19	1.22	16.48	17.18
13	National City Corp., Cleveland (c)	263,320,000	233,202,000	23	+ 10	263,320,000	233,202,000	1.24	1.18	18.62	18.42
14	NBD Bancorp., Inc., Detroit (c)	258,808,000	227,156,000	24	+ 10	258,808,000	227,156,000	1.07	0.98	16.19	16.11
15	Barnett Banks, Inc., Jacksonville, Fla. (c)	256,655,000	226,439,000	25	+ 10	241,089,000	226,439,000	0.94	0.94	15.99	16.24
16	First Union Corp., Charlotte, N.C. (c)	256,191,000	296,900,000	17	+1	256,191,000	296,900,000	0.84	1.06	12.77	16.16
17	Citizens & Southern Corp., Atlanta (c)	238,049,000	206,285,000	29	+ 12	238,049,000	206,285,000	1.07	1.00	17.60	17.40
18	Norwest Corp., Minneapolis (c)	237,000,000	211,200,000	28	+ 10	237,000,000	211,200,000	1.06	1.03	19.62	19.21
19	MNC Financial, Inc., Baltimore (c)	212,566,000	182,249,000	30	+ 11	212,566,000	170,249,000	1.14	1.07	17.72	17.55
20	Midlantic Corp., Edison, N.J. (c)	206,261,000	222,865,000	26	+6	211,008,000	222,865,000	0.97	1.20	14.36	17.87
21	CoreStates Financial Corp., Philadelphia (c)	198,686,000	179,479,000	31	+ 10	198,686,000	179,479,000	1.22	1.14	16.78	16.69
22	Michigan National Corp., Farmington Hills (c)	187,264,000	93,154,000	46	+ 24	178,939,000	93,154,000	1.69	1.05	29.08	17.32
23	Mellon Bank Corp., Pittsburgh (c)	181,000,000	(65,000,000)	...		181,000,000	(65,000,000)	0.69	-0.21	14.09	-11.66
24	First Fidelity Bancorp., Lawrenceville, N.J. (c)	159,548,000	33,919,000	105	+ 81	159,548,000	33,919,000	0.55	0.12	10.31	1.08
25	U.S. Bancorp., Portland, Ore. (c)	150,800,000	123,913,000	34	+9	150,800,000	100,810,000	1.00	0.92	15.13	13.78
26	Continental Bank Corp., Chicago (d)	147,300,000	315,800,000	15		286,100,000	267,500,000	0.52	1.03	8.62	26.38
27	Union Bank, San Francisco (e)	138,926,000	58,017,000	71	+ 44	138,926,000	58,017,000	0.95	0.77	15.78	13.67
28	KeyCorp, Albany, N.Y. (c)	136,925,000	119,860,000	35	+7	125,298,000	119,860,000	0.93	0.90	14.55	14.39
29	Boatmen's Bancshares, Inc., St. Louis, Mo. (c)	129,243,000	69,769,000	63	+ 34	129,243,000	22,569,000	0.91	0.49	12.18	6.66
30	Signet Banking Corp., Richmond (c)	123,320,000	152,468,000	33	+3	119,820,000	111,312,000	1.08	1.38	17.12	25.13
31	First of America Bank Corp., Kalamazoo, Mich. (c)	122,877,000	88,823,000	50	+ 19	115,412,000	88,823,000	1.00	0.96	14.41	14.38
32	UJB Financial Corp., Princeton, N.J. (c)	118,540,000	116,075,000	36	+4	120,346,000	116,075,000	1.05	1.13	14.52	15.80
33	Ameritrust Corp., Cleveland (c)	115,903,000	103,486,000	41	+8	115,903,000	89,000,000	1.10	1.02	16.10	13.65
34	First City Bancorporation of Texas, Inc., Houston (c)	112,198,000	66,059,000	65	+ 31	112,198,000	66,059,000	0.88	0.84	15.90	15.54
35	Society Corp., Cleveland (c)	110,039,000	100,051,000	43	+8	109,312,000	100,051,000	1.11	1.07	15.49	15.56
36	Fifth Third Bancorp, Cincinnati (c)	108,318,000	84,172,000	55	+ 19	108,318,000	82,217,000	1.62	1.80	16.50	18.00
37	Huntington Bancshares, Inc., Columbus, Ohio (c)	107,978,000	87,552,000	52	+ 15	107,978,000	87,552,000	1.02	1.01	15.81	16.25
38	Manufacturers National Corp., Detroit (c)	107,280,000	96,255,000	45	+7	107,280,000	96,255,000	1.08	1.06	17.45	18.03
39	State Street Boston Corp. (d)	104,032,000	92,348,000	47	+8	104,032,000	92,348,000	1.29	1.27	18.70	18.70
40	Crestar Financial Corp., Richmond (c)	103,848,000	86,675,000	53	+ 13	103,848,000	86,675,000	0.97	0.87	15.06	14.48
41	Northern Trust Corp., Chicago (c)	103,800,000	109,300,000	40		94,400,000	81,500,000	1.08	1.36	23.79	28.86
42	Greenwood Trust Co., New Castle, Del. (f)	97,132,000	1,336,000	...		97,132,000	1,336,000	1.44*	0.03	23.83*	0.37
43	Dominion Bankshares Corp., Roanoke, Va. (c)	94,078,000	83,048,000	56	+ 13	94,078,000	83,048,000	1.02	0.98	15.90	15.20
44	Meridian Bancorp., Inc., Reading, Pa. (c)	91,462,000	86,053,000	54	+ 10	88,112,000	86,053,000	0.89	0.99	13.45	13.58
45	Firstar Corp., Milwaukee (c)	87,197,000	109,913,000	39		87,197,000	52,616,000	1.11	1.53	16.62	22.33
46	Marshall & Ilsley Corp., Milwaukee, Wis. (c)	85,448,000	76,201,000	60	+ 14	85,448,000	76,201,000	1.26	1.20	16.02	16.20
47	Old Kent Financial Corp., Grands Rapids, Mich. (c)	85,397,000	77,114,000	59	+ 12	85,397,000	77,114,000	1.07	1.04	15.29	15.39
48	Southeast Banking Corp., Miami (c)	80,460,000	75,303,000	61	+ 13	80,460,000	75,303,000	0.51	0.53	10.11	10.56
49	Bancorp Hawaii, Inc., Honolulu (c)	79,861,000	74,902,000	62	+ 13	79,861,000	62,197,000	1.14	1.04	17.95	16.49
50	Comerica, Inc., Detroit (c)	77,613,000	112,031,000	38		77,613,000	112,031,000	0.69	1.10	11.74	19.04
51	First Maryland Bancorp., Baltimore (c)	73,373,000	57,718,000	72	+ 21	73,373,000	52,370,000	1.12	0.89	16.38	13.53
52	SouthTrust Corp., Birmingham, Ala. (c)	72,775,000	67,588,000	64	+ 12	72,775,000	67,588,000	1.03	1.08	15.44	16.12
53	Bank of Boston Corp. (c)	70,417,000	322,262,000	14		(44,583,000)	322,262,000	0.19	0.96	3.91	18.33
54	First Virginia Banks, Inc., Falls Church (c)	67,374,000	60,940,000	67	+ 13	66,400,000	60,940,000	1.39	1.32	15.55	15.52
55	First American Bankshares, Inc., Washington, D.C. (c)	66,733,000	80,267,000	57	+2	66,733,000	80,267,000	0.61	0.81	8.40	11.78
56	American Express Centurion Bank, Newark, Del. (g)	65,016,000	36,426,000	99	+ 43	65,016,000	36,426,000	0.78*	1.34	16.10*	14.90
57	Canadian Imperial Holdings, Inc., New York (c)	63,187,000	51,151,000	79	+ 22	63,187,000	51,151,000	1.62	1.47	12.65	11.57
58	AmSouth Bancorporation, Birmingham, Ala. (c)	63,168,000	79,804,000	58		63,168,000	79,804,000	0.76	1.00	11.49	15.70
59	BayBanks, Inc., Boston (c)	63,144,000	88,534,000	51		61,979,000	79,358,000	0.65	1.02	10.80	16.60
60	First Alabama Bancshares, Inc., Montgomery (c)	62,634,000	58,235,000	69	+9	62,634,000	58,235,000	1.20	1.24	13.25	13.29
61	Mercantile Bankshares Corp., Baltimore (c)	62,035,000	53,419,000	75	+ 14	62,035,000	53,419,000	1.70	1.60	16.30	15.80
62	Hibernia Corp., New Orleans, La. (c)	61,644,000	53,010,000	76	+ 14	61,644,000	53,010,000	0.99	1.00	16.95	17.13
63	Wilmington Trust Co., Del. (h)	59,423,000	51,847,000	78	+ 15	59,423,000	51,847,000	1.91	1.87	24.36	25.20
64	South Carolina National Corp., Columbia (d)	59,176,000	54,515,000	74	+ 10	59,176,000	51,941,000	1.02	1.05	14.43	14.75
65	City National Corp., Beverly Hills, Calif. (d)	59,111,000	49,312,000	81	+ 16	55,687,000	47,382,000	1.42	1.41	22.70	22.80
66	INB Financial Corp., Indianapolis (c)	59,109,000	55,826,000	73	+7	59,109,000	55,826,000	1.05	1.06	14.23	15.02
67	Commerce Bancshares, Inc., Kansas City, Mo. (c)	59,000,000	49,033,000	82	+ 15	59,000,000	46,130,000	1.09	0.97	15.14	13.24
68	Star Banc Corp., Cincinnati (c)	58,003,000	58,496,000	68		58,003,000	55,430,000	1.02	1.12	12.95	14.08
69	First Hawaiian, Inc., Honolulu (d)	57,435,000	43,339,000	89	+ 20	57,435,000	43,339,000	1.29	1.08	22.15	19.43
70	Banco Popular de Puerto Rico, San Juan	56,170,000	47,142,342	85	+ 15	56,170,000	47,142,342	0.99	0.85	15.87	14.87
71	Central Fidelity Banks Inc., Richmond (c)	54,384,000	49,497,000	80	+9	54,384,000	49,497,000	1.14	1.15	15.04	15.01
72	Harris Bankcorp, Inc., Chicago (c)	52,294,000	90,098,000	49		52,294,000	90,098,000	0.45	0.79	7.31	12.63
73	Bank of New York Co., Inc. (c)	50,742,000	213,033,000	27		50,742,000	213,033,000	0.10	0.83	0.74	15.56
74	First Empire State Corp., Buffalo, N.Y. (c)	50,706,000	44,458,000	86	+ 12	60,161,000	44,458,000	0.69	0.83	10.47	11.80
75	Bank South Corp., Atlanta (c)	48,103,000	43,431,000	88	+ 13	45,903,000	43,431,000	0.98	0.95	15.90	15.80
76	National Community Banks, Inc., Maywood, N.J. (d)	45,005,000	42,015,000	90	+ 14	45,005,000	42,015,000	1.20	1.25	21.48	23.64
77	Dauphin Deposit Corp., Harrisburg, Pa. (c)	44,385,000	40,673,000	92	+ 15	44,385,000	40,673,000	1.39	1.31	15.88	16.04
78	BB&T Financial Corp., Wilson, N.C. (c)	44,245,000	38,693,000	95	+ 17	44,245,000	38,693,000	0.96	0.95	15.09	14.73
79	First Deposit National Bank, Tilton, N.H. (i)	43,684,000	17,524,000	...		43,684,000	17,524,000	2.89*	1.65	49.80[2]	32.57
80	First Security Corp., Salt Lake City, Utah (c)	43,135,000	33,039,000	106	+ 26	43,135,000	33,039,000	0.80	0.66	10.72	8.73
81	Summit Bancorporation, Summit, N.J. (c)	42,974,000	38,677,000	96	+ 15	42,974,000	38,677,000	1.19	1.18	15.80	15.61
82	Central Bancshares of the South, Inc., Birmingham, Ala. (c)	41,918,000	41,048,000	91	+9	41,918,000	41,048,000	0.98	1.05	14.13	15.12
83	Merchants National Corp., Indianapolis (c)	41,401,000	44,051,000	87	+4	41,401,000	44,051,000	0.80	0.96	11.49	13.69
84	First Florida Banks, Inc., Tampa (c)	39,456,000	48,889,000	83		39,456,000	48,889,000	0.76	0.99	9.80	13.33
85	Riggs National Corp., Washington, D.C. (c)	39,423,000	37,016,000	98	+ 13	39,423,000	37,016,000	0.60	0.59	11.90	11.10
86	First Bancorporation of Ohio, Akron (c)	38,583,000	35,225,000	101	+ 15	38,583,000	36,507,000	1.19	1.31	13.56	14.23
87	United Missouri Bancshares, Inc., Kansas City (c)	37,622,000	34,470,000	104	+ 17	37,622,000	34,470,000	1.09	1.00	12.74	11.64
88	Citizens First Bancorp., Inc., Ridgewood, N.J. (c)	37,190,000	31,451,000	110	+ 22	37,190,000	31,451,000	1.33	1.28	20.52	20.30
89	Integra Financial Corp., Pittsburgh (c)	35,636,000	66,402,000[3]	65[3]		30,378,000	66,402,000[3]	0.54	1.00[3]	6.52	13.00[3]
90	LaSalle National Corp., Chicago (c)	35,143,000	28,429,000	117	+ 27	35,143,000	28,429,000	1.12	1.12	16.65	17.70
91	Valley Capital Corp., Las Vegas, Nev. (c)	34,598,000	27,132,000	121	+ 30	32,630,000	27,132,000	1.36	1.23	21.00	18.52
92	Fourth Financial Corp., Wichita, Kan. (c)	34,418,000	30,585,000	113	+ 21	34,418,000	30,585,000	1.22	1.20	13.74	13.66
93	Sumitomo Bank of California, San Francisco (j)	33,980,000	24,452,000	132	+ 39	33,980,000	24,452,000	0.84*	0.72	16.31*	13.87
94	Valley National Bancorp, Clifton, N.J. (d)	33,896,000	32,271,000	108	+ 14	33,896,000	32,271,000	1.95	2.04	20.47	21.70
95	West One Bancorp, Boise, Idaho (c)	33,605,000	25,464,000	128	+ 33	30,690,000	25,464,000	0.84	0.72	13.06	11.15
96	BanCal Tri-State Corp., San Francisco (d)	33,570,000	19,996,000	146	+ 50	33,570,000	19,996,000	0.53	0.45	11.12	10.70
97	Liberty National Bancorp., Inc., Louisville, Ky. (c)	33,171,000	28,901,000	115	+ 18	33,171,000	28,901,000	1.03	1.00	14.51	14.34
98	Citizens Bancorp, Laurel, Md. (c)	32,908,000	32,459,000	107	+9	32,908,000	32,459,000	1.55	1.73	13.84	15.37
99	Deposit Guaranty Corp., Jackson, Miss. (d)	31,651,000	31,538,000	109	+ 10	30,928,000	28,643,000	0.89	0.92	12.82	13.70
100	Synovus Financial Corp., Columbus, Ga. (c)	31,412,000	26,838,000	123	+ 23	31,026,000	26,838,000	1.50	1.48	18.02	17.55

Sources of data: American Banker questionnaire and banks' yearend earnings releases. Top 100 earners based on net income for banks and bank holding companies. **Net income** is income after taxes and minority interest, but before preferred dividends, extraordinary items, and significant and unusual transactions. The 1988 net income is as reported in 1989 and has not been restated. **Adjusted net income** is net income excluding nonrecurring items such as gains (losses) from sales of buildings, branches, subsidiaries, securities sold to settle loans or debt; proceeds from equity/debt swaps; and venture capital profits (losses). All nonrecurring items are on an after-tax basis, wherever possible. **Please note:** Net income for 1989 and 1988 excludes the extraordinary credit resulting from the utilization of tax loss carryforward, whenever possible. **Profitability ratios** (on a GAAP basis, whenever possible): **(1) Return on assets** is net income, as defined above, divided by average assets. **(2) Return on equity** is the return on average common equity. **(*)**— Calculated by American Banker. **(1)**— This is ROA on a GAAP basis. The ratio reported by the bank was 1.01%. **(2)**— For the nine months ended 9/30/89. **(3)**— Pro forma. **(c)**— A multibank holding company. **(d)**— A one-bank holding company. **(e)**— A subsidiary of Bank of Tokyo Ltd. **(f)**— A credit card bank. It is a subsidiary of Dean Witter Financial Services Group, New York. **(g)**— A credit card bank. It is a subsidiary of American Express Travel Related Services Co., New York. **(h)**— An independently owned bank not controlled by a bank holding company. **(i)**— A credit card bank. It is a subsidiary of the $15 billion-asset Capital Holding Corp., Louisville, Ky., a company providing insurance and other financial services to individuals. **(j)**— A subsidiary of Sumitomo Bank Ltd., Osaka, Japan.

Compiled by American Banker, Copyright 1990.

Top 100 Earners in Banking in 1989

Listed in order of their returns on assets and equity within peer groups

Return on Average Assets (%)

1989 ROA Rank	MONEY CENTERS	1989 ROA%
84	First Chicago Corp.	0.74
86	Mellon Bank Corp., Pittsburgh (a)	0.69
95	Continental Bank Corp., Chicago	0.52
98	Citicorp, New York	0.23
99	Bank of Boston Corp. (a)	0.19
	SUPERREGIONALS	
11	Banc One Corp., Columbus, Ohio	1.42
19	Wells Fargo & Co., San Francisco	1.26
21	Fleet/Norstar Financial Group, Inc., Providence, R.I.	1.25
22	National City Corp., Cleveland	1.24
27	First Wachovia Corp., Winston-Salem, N.C.	1.19
30	SunTrust Banks, Inc., Atlanta	1.16
31	MNC Financial, Inc., Baltimore	1.14
31	Sovran Financial Corp., Norfolk, Va.	1.14
45	Citizens & Southern Corp., Atlanta	1.07
45	NBD Bancorp., Inc., Detroit	1.07
48	Norwest Corp., Minneapolis	1.06
63	Midlantic Corp., Edison, N.J.	0.97
67	Barnett Banks, Inc., Jacksonville, Fla.	0.94
70	PNC Financial Corp, Pittsburgh	0.90
70	Security Pacific Corp., Los Angeles	0.90
75	BankAmerica Corp., San Francisco	0.85
76	First Union Corp., Charlotte, N.C.	0.84
84	NCNB Corp., Charlotte, N.C.	0.74
92	First Fidelity Bancorp., Lawrenceville, N.J.	0.55
100	Bank of New York Co., Inc.	0.10
	ASSETS BETWEEN $10 BILLION & $20 BILLION	
5	Michigan National Corp., Farmington Hills	1.69
23	CoreStates Financial Corp., Philadelphia	1.22
37	Society Corp., Cleveland	1.11
39	Ameritrust Corp., Cleveland	1.10
42	Manufacturers National Corp., Detroit	1.08
42	Northern Trust Corp., Chicago	1.08
42	Signet Banking Corp., Richmond	1.08
49	UJB Financial Corp., Princeton, N.J.	1.05
53	Dominion Bankshares Corp., Roanoke, Va.	1.02
53	Huntington Bancshares, Inc., Columbus, Ohio	1.02
57	First of America Bank Corp., Kalamazoo, Mich.	1.00
57	U.S. Bancorp., Portland, Ore.	1.00
63	Crestar Financial Corp., Richmond	0.97
66	Union Bank, San Francisco	0.95
68	KeyCorp, Albany, N.Y.	0.93
69	Boatmen's Bancshares, Inc., St. Louis, Mo.	0.91
72	Meridian Bancorp., Inc., Reading, Pa.	0.89
74	First City Bancorporation of Texas, Inc., Houston	0.88
86	Comerica, Inc., Detroit	0.69
90	First American Bankshares, Inc., Washington, D.C.	0.61
96	Southeast Banking Corp., Miami	0.51
97	Harris Bankcorp, Inc., Chicago	0.45
	ASSETS BETWEEN $5 BILLION & $10 BILLION	
6	Fifth Third Bancorp, Cincinnati	1.62
10	Greenwood Trust Co., New Castle, Del.	1.44
13	First Virginia Banks, Inc., Falls Church	1.39
17	First Hawaiian, Inc., Honolulu	1.29
17	State Street Boston Corp.	1.29
19	Marshall & Ilsley Corp., Milwaukee, Wis.	1.26
25	First Alabama Bancshares, Inc., Montgomery	1.20
31	Bancorp Hawaii, Inc., Honolulu	1.14
31	Central Fidelity Banks Inc., Richmond	1.14
35	First Maryland Bancorp., Baltimore	1.12
37	Firstar Corp., Milwaukee	1.11
40	Commerce Bancshares, Inc., Kansas City, Mo.	1.09
45	Old Kent Financial Corp., Grands Rapids, Mich.	1.07
49	INB Financial Corp., Indianapolis	1.05
51	SouthTrust Corp., Birmingham, Ala.	1.03
53	South Carolina National Corp., Columbia	1.02
53	Star Banc Corp., Cincinnati	1.02
59	Hibernia Corp., New Orleans, La.	0.99
59	Banco Popular de Puerto Rico, San Juan	0.99
61	Bank South Corp., Atlanta	0.98
79	First Security Corp., Salt Lake City, Utah	0.80
79	Merchants National Corp., Indianapolis	0.80
81	American Express Centurion Bank, Newark, Del	0.78
82	AmSouth Bancorporation, Birmingham, Ala.	0.76
82	First Florida Banks, Inc., Tampa	0.76
86	First Empire State Corp., Buffalo, N.Y.	0.69
89	BayBanks, Inc., Boston	0.65
91	Riggs National Corp., Washington, D.C.	0.60
93	Integra Financial Corp., Pittsburgh	0.54
94	BanCal Tri-State Corp., San Francisco	0.53
	ASSETS LESS THAN $5 BILLION	
1	First Deposit National Bank, Tilton, N.H.	2.89
2	Valley National Bancorp, Clifton, N.J.	1.95
3	Wilmington Trust Co., Del.	1.91
4	Mercantile Bankshares Corp., Baltimore	1.70
6	Canadian Imperial Holdings, Inc.,New York	1.62
8	Citizens Bancorp, Laurel, Md.	1.55
9	Synovus Financial Corp., Columbus, Ga.	1.50
11	City National Corp., Beverly Hills	1.42
13	Dauphin Deposit Corp., Harrisburg, Pa.	1.39
15	Valley Capital Corp., Las Vegas, Nev.	1.36
16	Citizens First Bancorp., Inc., Ridgewood, N.J.	1.33
23	Fourth Financial Corp., Wichita, Kan.	1.22
25	National Community Banks, Inc., Maywood, N.J.	1.20
27	First Bancorporation of Ohio, Akron	1.19
27	Summit Bancorporation, Summit, N.J.	1.19
35	LaSalle National Corp., Chicago	1.12
40	United Missouri Bancshares, Inc., Kansas City	1.09
51	Liberty National Bancorp., Inc., Louisville, Ky.	1.03
61	Central Bancshares of the South, Inc., Birmingham	0.98
65	BB&T Financial Corp., Wilson, N.C.	0.96
72	Deposit Guaranty Corp., Jackson, Miss.	0.89
76	Sumitomo Bank of California, San Francisco	0.84
76	West One Bancorp, Boise, Idaho	0.84

Return on Average Equity (%)

1989 ROE Rank	MONEY CENTERS	1989 ROE%
52	First Chicago Corp.	15.52
69	Mellon Bank Corp., Pittsburgh (a)	14.09
94	Continental Bank Corp., Chicago	8.62
98	Citicorp, New York	4.25
99	Bank of Boston Corp. (a)	3.91
	SUPERREGIONALS	
3	Wells Fargo & Co., San Francisco	24.49
13	NCNB Corp., Charlotte, N.C.	20.45
14	Norwest Corp., Minneapolis	19.62
15	Security Pacific Corp., Los Angeles	18.78
17	National City Corp., Cleveland	18.62
20	MNC Financial, Inc., Baltimore	17.72
21	Sovran Financial Corp., Norfolk, Va.	17.71
22	Fleet/Norstar Financial Group, Inc., Providence, R.I.	17.70
23	Citizens & Southern Corp., Atlanta	17.60
26	BankAmerica Corp., San Francisco	17.17
29	SunTrust Banks, Inc., Atlanta	16.88
30	Banc One Corp., Columbus, Ohio	16.79
35	First Wachovia Corp., Winston-Salem, N.C.	16.48
39	NBD Bancorp., Inc., Detroit	16.19
43	Barnett Banks, Inc., Jacksonville, Fla.	15.99
66	Midlantic Corp., Edison, N.J.	14.36
72	PNC Financial Corp, Pittsburgh	13.60
79	First Union Corp., Charlotte, N.C.	12.77
91	First Fidelity Bancorp., Lawrenceville, N.J.	10.31
100	Bank of New York Co., Inc.	0.74
	ASSETS BETWEEN $10 BILLION & $20 BILLION	
2	Michigan National Corp., Farmington Hills	29.08
6	Northern Trust Corp., Chicago	23.79
24	Manufacturers National Corp., Detroit	17.45
25	First City Bancorporation of Texas, Inc., Houston	17.19
27	Signet Banking Corp., Richmond	17.12
31	CoreStates Financial Corp., Philadelphia	16.78
40	Ameritrust Corp., Cleveland	16.10
44	Dominion Bankshares Corp., Roanoke, Va.	15.90
48	Huntington Bancshares, Inc., Columbus, Ohio	15.81
50	Union Bank, San Francisco	15.78
53	Society Corp., Cleveland	15.49
57	U.S. Bancorp., Portland, Ore.	15.13
59	Crestar Financial Corp., Richmond	15.06
61	KeyCorp, Albany, N.Y.	14.55
62	UJB Financial Corp., Princeton, N.J.	14.52
65	First of America Bank Corp., Kalamazoo, Mich.	14.41
74	Meridian Bancorp., Inc., Reading, Pa.	13.45
75	Boatmen's Bancshares, Inc., St. Louis	12.18
84	Comerica, Inc., Detroit	11.74
92	Southeast Banking Corp., Miami	10.11
95	First American Bankshares, Inc., Washington, D.C.	8.40
96	Harris Bankcorp, Inc., Chicago	7.31
	ASSETS BETWEEN $5 BILLION & $10 BILLION	
5	Greenwood Trust Co., New Castle, Del.	23.83
8	First Hawaiian, Inc., Honolulu	22.15
16	State Street Boston Corp.	18.70
19	Bancorp Hawaii, Inc., Honolulu	17.95
28	Hibernia Corp., New Orleans, La.	16.95
33	Firstar Corp., Milwaukee	16.62
34	Fifth Third Bancorp, Cincinnati	16.50
36	First Maryland Bancorp., Baltimore	16.38
40	American Express Centurion Bank, Newark, Del.	16.10
42	Marshall & Ilsley Corp., Milwaukee, Wis.	16.02
44	Bank South Corp., Atlanta	15.90
47	Banco Popular de Puerto Rico, San Juan	15.87
51	First Virginia Banks, Inc., Falls Church	15.55
54	SouthTrust Corp., Birmingham, Ala.	15.44
55	Old Kent Financial Corp., Grands Rapids, Mich.	15.29
56	Commerce Bancshares, Inc., Kansas City, Mo.	15.14
60	Central Fidelity Banks Inc., Richmond	15.04
64	South Carolina National Corp., Columbia	14.43
67	INB Financial Corp., Indianapolis	14.23
75	First Alabama Bancshares, Inc., Montgomery	13.25
77	Star Banc Corp., Cincinnati	12.95
83	Riggs National Corp., Washington, D.C.	11.90
85	AmSouth Bancorp., Birmingham, Ala.	11.49
85	Merchants National Corp., Indianapolis	11.49
87	BanCal Tri-State Corp., San Francisco	11.12
88	BayBanks, Inc., Boston	10.80
89	First Security Corp., Salt Lake City, Utah	10.72
90	First Empire State Corp., Buffalo, N.Y.	10.47
93	First Florida Banks, Inc., Tampa	9.80
97	Integra Financial Corp., Pittsburgh	6.52
	ASSETS LESS THAN $5 BILLION	
1	First Deposit National Bank, Tilton, N.H.	49.80
4	Wilmington Trust Co., Del.	24.36
7	City National Corp., Beverly Hills,	22.70
9	National Community Banks, Inc., Maywood, N.J.	21.48
10	Valley Capital Corp., Las Vegas, Nev.	21.00
11	Citizens First Bancorp., Inc., Ridgewood, N.J.	20.52
12	Valley National Bancorp, Clifton, N.J.	20.47
18	Synovus Financial Corp., Columbus, Ga.	18.02
32	LaSalle National Corp., Chicago	16.65
37	Sumitomo Bank of California, San Francisco	16.31
38	Mercantile Bankshares Corp., Baltimore	16.30
46	Dauphin Deposit Corp., Harrisburg, Pa.	15.88
49	Summit Bancorporation, Summit, N.J.	15.80
58	BB&T Financial Corp., Wilson, N.C.	15.09
63	Liberty National Bancorp., Inc., Louisville, Ky.	14.51
68	Central Bancshares of the South, Inc., Birmingham	14.13
70	Citizens Bancorp, Laurel, Md.	13.84
71	Fourth Financial Corp., Wichita, Kan.	13.74
73	First Bancorporation of Ohio, Akron	13.56
76	West One Bancorp, Boise, Idaho	13.06
78	Deposit Guaranty Corp., Jackson, Miss.	12.82
80	United Missouri Bancshares, Inc., Kansas City	12.74
81	Canadian Imperial Holdings, Inc., New York	12.65

1989 ROA and ROE Ranks: banks' ranks among the top 100 earners in 1989. Banks with the same ROA or ROE receive the same rank and are listed in alphabetical order within peer groups. (a)— Classified as a money center firm for performance studies only. Otherwise it is classified as superregional.

Compiled by American Banker, copyright 1990.

Top 100 Banking Companies Focused on Limiting Job Growth in 1989

Continued from *page* **11**

- These banks also had $1.6 trillion in deposits, up 7.1% from $1.5 trillion on Dec. 31, 1988.

- The top 100 holding companies controlled 1,086 domestic banks at yearend, down 8.6% from the level a year before. However, the domestic branches controlled by the top 100 rose 4.7% last year to 25,532.

- The top 100 earners in banking – among banks and bank holding companies – had combined net income of $13.3 billion in 1989, down 28.6% from $18.6 billion a year earlier.

- A breakdown of the top 100 earners by asset size indicated that small institutions – banks with assets less than $5 billion – had a better year than their larger counterparts. Twenty-three banks with assets under $5 billion ranked among the top 100 earners last year, compared with 16 in 1988.

- Only five money-center banks were in the top 100 in last year, down from 10 in 1988. Also, the top 100 earners of 1989 included 20 superregional banks, down one since the year before; 22 large regional banks (assets between $10 and $20 billion), also down since 1988; and 30 smaller regionals (banks with assets between $5 billion and $10 billion), down two.

- Among the top 100 earners, Mellon Bank Corp., Pittsburgh, had the largest percentage gain in net income, 378%. Mellon ranked 23d in net income in 1989 with $181 million, compared with a net loss of $65 million in 1988, the sixth-largest loss in banking that year.

- The three largest losses in the banking industry last year were sustained by J.P. Morgan & Co., New York,which lost $1.28 billion; Bank of New England Corp., Boston, which lost $1.13 billion, and Bankers Trust New York Corp., which lost lost $980 million.

- Of the 20 largest losses in banking last year, five were incurred by New York-based money center banks; five by New England-based institutions; four by banks in the southwest; two each by banks in the west and in the mid-Atlantic states; and one each for banks in the South and Midwest. □

A breakdown of the top 100 earners by asset size indicated that small institutions – banks with assets less than $5 billion – had a better year than their larger counterparts.

Debit Card Suit May Be Settled

By YVETTE D. KANTROW

NEW YORK – MasterCard International and Visa U.S.A. have been given until June 1 to respond to an settlement offer in the antitrust suit filed against them last July by 13 state attorneys general.

The bank card associations were scheduled to appear Monday in U.S. District Court for the Southern District of New York to discuss abandoning their national debit card project – known as Entree – as part of a proposed settlement. But late Friday, they were given more time to discuss the terms.

The suit accuses MasterCard and Visa of hindering the development of debit cards to preserve the profitability of credit cards. It seeks to kill Entree and to force MasterCard and Visa to divest their interests in two prominent automated teller machine networks.

The attorneys general presented their original settlement offer in late September. It would allow the associations to keep their ATM interests if they agree to scrap Entree. The card associations initially had until November to respond and have since been granted several extensions. □

Lomas to Buy Servicing Rights

NEW YORK — Lomas Financial Corp. said its mortgage banking unit had agreed to buy a $3.5 billion mortgage-servicing portfolio and some other assets from Bright Mortgage Co., a Dallas concern under control of the government's Resolution Trust Corp.

The deal will increase the servicing portfolio of Lomas Mortgage USA by 17%, to $24.5 billion. Terms were not immediately available.

Jess Hay, chairman and chief executive officer of Dallas-based Lomas Financial, said, "Strategically the Bright portfolio acquisition is an important step toward the continued enhancement and growth of our core business, mortgage servicing."□

Washington Bancorp Posts Loss in Quarter

WASHINGTON — Washington Bancorp reported a first-quarter loss of $5.7 million, compared with a profit of $3.6 million a year earlier.

The $2 billion-asset bank holding company operates in Washington, Northern Virginia, and Maryland.

It also announced that WBC Acquisition Corp., which agreed to acquire the company early in March at $19.20 a share, no longer believes that the agreed upon price is appropriate in light of the company's first-quarter results. It said talks with WBC are continuing. □

Boston Bank Is Set To Sell Subsidiary

BOSTON — Bank of New England Corp. said it signed a definitive agreement to sell its New England Commercial Finance Corp. subsidiary to National Bank of Canada.

Included in deal was about $665 million in assets that were sold a premium. The transaction is subject to regulatory approval, and is expected to close by the end of April. □

To Place a Classified Advertisement
Call 212/943-5824 or 800/221-1910

Have an Important Legal Notice?
Call Gail Edwards at 212/943-5716

March 1990

Irwin Union Corporation
Columbus, Indiana

has acquired

Affiliated Capital Corporation
Northbrook, Illinois

The undersigned initiated this transaction, acted as financial advisor to Affiliated Capital Corporation and assisted in the negotiations leading to the completion of this transaction.

THE CHICAGO CORPORATION

"MEET THE COMPETITIVE CHALLENGE"

Increase your ESCROW deposits and fee income from:

ATTORNEY ACCOUNTS
REAL ESTATE BROKERS
RENT SECURITIES...

With our ESCROW DEPOSIT ACCOUNTING system, you provide:

- **A new product offering tied to existing money market accounts**
- **One Checkbook Convenience**
- **1099 Control**
- **Easy Product to use**

For More information contact: (201) 802-1111 Fax: (201) 802-1255
LBK Computer Associates, Inc. 50 Park Place Newark, NJ 07102

The Shareholders and Associates of
Baskin Flaherty Elliott & Mannino, P.C.
Congratulate

Edward F. Mannino

on being named by *The National Law Journal*
as one of the "Nation's Top Litigators."

Specifically cited for his "enviable record
in corporate defense and lender liability
litigation," he was also identified as
"one of the preeminent attorneys in litigation
developing from bank and thrift failures
during the past several years."

Since only 10 lawyers in the country were
identified by *The National Law Journal* as "continual winners,"
we take special pride in saluting our
friend and colleague
Edward F. Mannino.

BASKIN
FLAHERTY
ELLIOTT &
MANNINO P.C.

1800 One Meridian Plaza • Philadelphia, PA 19102 • 215-977-7400
One Mellon Bank Center • Pittsburgh, PA 15219 • 412-562-8600
700 The Payne-Shoemaker Building • 240 North 3rd Street • Harrisburg, PA 17101 • 717-232-9200
Suite 120, Woodland Falls Corporate Park • 220 Lake Drive East • Cherry Hill, NJ 08002 • 609-667-0400

BANK HOLDING COMPANIES

Top 100 Bank Holding Companies in Primary Capital

As of Dec. 31, 1989, compared with Dec. 31, 1988

Primary Capital Rank 12/89		Primary Capital		1988 Rank	Gain in Rank	Ratio: Primary Capital to Total Assets (%)		Total Capital Funds		Total Assets	
		12/31/89	12/31/88			1989	1988	12/31/89	12/31/88	12/31/89	12/31/88
1	Citicorp, New York	18,109,000,000	17,386,000,000	1		7.85	8.37	25,146,000,000	24,498,000,000	230,643,000,000	207,666,000,000
2	J.P. Morgan & Co., Inc., New York	9,781,230,000	7,832,000,000	4	+2	10.99	9.33	8,693,967,000	10,029,000,000	88,963,715,000	83,923,000,000
3	BankAmerica Corp., San Francisco	9,614,000,000	8,916,000,000	2		9.73	9.42	11,307,000,000	10,216,000,000	98,764,000,000	94,647,000,000
4	Chase Manhattan Corp., New York	8,928,000,000	8,674,993,000	3		8.32	8.90	11,958,000,000	11,427,881,000	107,369,000,000	97,455,090,000
5	Manufacturers Hanover Corp., New York	6,695,000,000	6,351,000,000	6	+1	11.07	9.52	8,169,000,000	9,500,000,000	60,479,000,000	66,710,000,000
6	Chemical Banking Corp., New York	6,663,000,000	6,713,500,000	5		9.32	9.97	8,574,000,000	8,160,900,000	71,513,000,000	67,349,000,000
7	Security Pacific Corp., Los Angeles	6,302,000,000	5,575,000,000	7		7.51	7.16	8,080,000,000	7,265,000,000	83,943,000,000	77,870,000,000
8	Bankers Trust New York Corp.	5,320,575,000	5,494,913,000	8		9.56	9.48	6,345,762,000	6,372,002,000	55,658,446,000	57,942,341,000
9	Bank of New York Co., Inc.	4,296,296,000	4,240,790,000	9		8.79	8.95	4,767,820,000	4,807,340,000	48,856,471,000	47,388,101,000
10	First Chicago Corp.	4,198,000,000	4,084,896,000	10		8.76	9.19	5,173,000,000	4,793,921,000	47,907,000,000	44,431,622,000
11	First Interstate Bancorp., Los Angeles	4,106,727,000	3,775.839,000	12	+1	6.95	6.49	5,172,034,000	4,892,573,000	59,051,407,000	58,193,875,000
12	Wells Fargo & Co., San Francisco	4,053,400,000	3,814,700,000	11		8.32	8.18	5,844,100,000	5,726,500,000	48,736,600,000	46,616,500,000
13	NCNB Corp., Charlotte, N.C.	3,517,979,000	2,277,093,000	21	+8	5.31	7.63	4,790,663,000	2,616,463,000	66,190,763,000	29,848,389,000
14	PNC Financial Corp, Pittsburgh	3,500,482,000	3,096,832,000	13		7.67	7.59	3,810,590,000	3,417,163,000	45,660,744,000	40,811,114,000
15	Bank of Boston Corp.	3,217,517,000	3,016,911,000	14		8.21	8.37	4,069,029,000	3,929,062,000	39,177,911,000	36,060,606,000
16	Fleet/Norstar Financial Group, Inc., Providence, R.I.	2,784,001,000	2,537,150,000	17	+1	8.33	8.73	3,334,768,000	3,095,760,000	33,440,789,000	29,052,205,000
17	Marine Midland Banks, Inc., Buffalo, N.Y.	2,555,695,000	2,536,165,000	18	+1	9.44	9.77	2,979,824,000	3,008,762,000	27,066,546,000	25,964,103,000
18	Banc One Corp., Columbus, Ohio	2,530,237,000	2,278,223,000	20	+2	9.53	9.01	2,826,066,000	2,426,211,000	26,552,237,000	25,277,654,000
19	First Union Corp., Charlotte, N.C.	2,525,304,000	2,364,665,000	19		7.86	8.16	3,173,339,000	2,767,361,000	32,130,558,000	28,977,609,000
20	Mellon Bank Corp., Pittsburgh	2,494,000,000	2,570,000,000	16		7.93	8.25	2,858,000,000	3,092,000,000	31,467,000,000	31,153,000,000
21	SunTrust Banks, Inc., Atlanta	2,431,254,000	2,181,875,000	23	+2	7.83	7.48	2,877,742,000	2,632,700,000	31,043,627,000	29,177,124,000
22	Shawmut National Corp., Hartford, Conn.	2,310,000,000	2,158,000,000	24	+2	8.29	7.59	2,822,680,000	2,679,973,000	27,855,000,000	28,413,805,000
23	Barnett Banks, Inc., Jacksonville, Fla.	2,292,406,000	2,030,220,000	26	+3	7.90	7.88	2,304,368,000	2,045,293,000	29,006,690,000	25,748,422,000
24	National Westminster Bancorp, Inc., New York	2,270,351,000	1,921,548,000	27	+3	10.43	10.11	2,310,096,000	1,952,146,000	21,772,979,000	19,013,398,000
25	Bank of New England Corp., Boston	2,228,979,000	2,215,852,000	22		7.49	6.88	2,698,502,000	2,436,637,000	29,772,719,000	32,200,427,000
26	First Fidelity Bancorp. Lawrenceville, N.J.	2,161,806,000	2,085,118,000	25		7.04	7.00	2,637,997,000	2,418,061,000	30,727,815,000	29,776,982,000
27	Midlantic Corp., Edison, N.J.	2,105,675,000	1,692,930,000	34	+7	8.90	8.59	2,353,738,000	1,843,648,000	23,665,536,000	19,697,403,000
28	Sovran Financial Corp., Norfolk, Va.	1,957,650,000	1,756,455,000	32	+4	7.69	7.81	2,145,516,000	1,944,530,000	25,442,264,000	22,483,786,000
29	Continental Bank Corp., Chicago	1,937,000,000	2,605,000,000	15		6.56	8.52	2,787,000,000	3,237,000,000	29,549,000,000	30,578,000,000
30	First Wachovia Corp., Winston-Salem, N.C.	1,933,403,000	1,743,658,000	33	+3	8.04	7.99	2,064,216,000	1,877,059,000	24,049,523,000	21,815,224,000
31	NBD Bancorp., Inc., Detroit	1,909,525,000	1,842,207,000	28		7.41	7.62	2,127,614,000	2,107,591,000	25,771,284,000	24,176,190,000
32	Norwest Corp., Minneapolis	1,836,000,000	1,816,700,000	29		7.54	8.35	2,968,500,000	2,979,000,000	24,334,700,000	21,750,400,000
33	Republic New York Corp.	1,812,793,000	1,756,768,000	31		7.12	7.16	2,741,576,000	2,413,301,000	25,466,993,000	24,519,017,000
34	National City Corp., Cleveland	1,772,804,000	1,587,902,000	37	+3	7.72	7.34	2,002,012,000	1,837,429,000	22,971,688,000	21,623,379,000
35	Citizens & Southern Corp., Atlanta	1,715,696,000	1,664,836,000	36	+1	7.36	7.89	2,029,606,000	1,963,950,000	23,312,787,000	21,097,528,000
36	MNC Financial, Inc., Baltimore	1,680,061,000	1,761,629,000	30		8.27	9.78	1,712,884,000	1,813,172,000	20,316,349,000	18,015,220,000
37	First Bank System, Inc., Minneapolis	1,638,792,000	1,666,882,000	35		7.87	6.87	1,932,887,000	2,192,535,000	20,820,243,000	24,247,706,000
38	CoreStates Financial Corp., Philadelphia	1,593,082,000	1,437,859,000	38		9.46	8.75	2,008,774,000	1,864,023,000	16,848,649,000	16,430,853,000
39	U.S. Bancorp., Portland, Ore.	1,282,300,000	1,145,054,000	41	+2	7.55	7.96	1,498,000,000	1,370,524,000	16,975,400,000	14,383,402,000
40	Boatmen's Bancshares, Inc., St. Louis, Mo.	1,224,905,000	1,192,810,000	39		8.42	8.13	1,438,035,000	1,403,075,000	14,542,400,000	14,675,758,000
41	KeyCorp, Albany, N.Y.	1,216,667,000	1,161,935,000	40		7.87	7.93	1,291,923,000	1,234,987,000	15,461,365,000	14,645,692,000
42	Southeast Banking Corp., Miami	1,203,200,000	1,107,800,000	43	+1	7.28	7.09	1,435,800,000	1,204,200,000	16,525,300,000	15,623,000,000
43	First of America Bank Corp., Kalamazoo, Mich.	1,053,419,000	815,631,000	51	+8	8.23	8.35	1,131,616,000	901,129,000	12,792,682,000	9,769,359,000
44	Comerica, Inc., Detroit	1,011,667,000	904,126,000	45	+1	8.33	8.11	1,122,914,000	1,057,194,000	12,149,495,000	11,145,452,000
45	UJB Financial Corp., Princeton, N.J.	974,666,000	907,812,000	44		8.01	8.34	1,038,566,000	973,955,000	12,172,290,000	10,887,871,000
46	Michigan National Corp., Farmington Hills	940,151,000	754,059,000	56	+ 10	8.19	6.67	942,151,000	757,009,000	11,479,973,000	11,305,713,000
47	Harris Bankcorp, Inc., Chicago	938,605,000	866,400,000	46		7.59	7.68	1,039,376,000	N.A.	12,374,355,000	11,276,000,000
48	First American Bankshares, Inc., Washington, D.C.	924,937,000	813,597,000	52	+4	8.05	7.65	927,617,000	913,488,000	11,489,707,000	10,639,745,000
49	First City Bancorporation of Texas, Inc., Houston	920,862,000	808,693,000	53	+4	6.54	6.63	954,773,000	857,125,000	14,080,966,000	12,195,486,000
50	Meridian Bancorp., Inc., Reading, Pa.	877,045,000	825,354,000	50		7.35	8.67	890,082,000	839,439,000	11,925,145,000	9,522,981,000
51	Signet Banking Corp., Richmond	873,983,000	842,300,000	47		7.01	7.66	1,107,064,000	971,489,000	12,476,092,000	11,001,598,000
52	Crestar Financial Corp., Richmond	843,500,000	837,801,000	49		7.42	8.05	928,055,000	887,703,000	11,360,817,000	10,408,288,000
53	Society Corp., Cleveland	835,004,000	767,925,000	55	+2	7.66	7.67	955,513,000	943,091,000	10,903,327,000	10,009,572,000
54	Ameritrust Corp., Cleveland	827,853,000	839,000,000	48		7.37	7.81	1,099,109,000	1,040,000,000	11,233,140,000	10,738,297,000
55	Huntington Bancshares, Inc., Columbus, Ohio	805,888,000	637,503,000	62	+7	6.90	6.71	551,347,000	786,652,000	11,679,762,000	9,506,004,000
56	Dominion Bankshares Corp., Roanoke, Va.	799,124,000	748,497,000	57	+1	7.90	8.13	835,304,000	777,769,000	10,119,695,000	9,204,026,000
57	Manufacturers National Corp., Detroit	789,483,000	714,552,000	58	+1	7.66	7.67	845,753,000	765,707,000	10,304,507,000	9,310,864,000
58	Fifth Third Bancorp, Cincinnati	779,217,000	567,185,000	69	+ 11	10.91	10.81	779,217,000	567,185,000	7,142,972,000	5,245,803,000
59	AmSouth Bancorporation, Birmingham, Ala.	748,113,000	703,781,384	59		8.73	8.47	753,147,000	706,274,163	8,565,389,000	8,312,589,000
60	Valley National Corp., Phoenix, Ariz.	743,799,000	796,356,000	54		7.07	6.77	885,455,000	994,856,000	10,519,481,000	11,765,677,000
61	Northern Trust Corp., Chicago	741,000,000	673,300,000	60		6.77	6.80	976,000,000	848,300,000	10,937,679,000	9,903,900,000
62	Firstar Corp., Milwaukee	678,721,000	593,085,000	66	+4	7.88	7.56	840,966,000	756,498,000	8,607,873,000	7,841,938,000
63	Old Kent Financial Corp., Grands Rapids, Mich.	664,871,000	598,141,000	65	+2	8.18	7.62	750,457,000	644,576,000	8,127,210,000	7,854,091,000
64	First Maryland Bancorp., Baltimore	662,634,000	569,700,000	67	+3	9.22	9.08	805,938,000	703,997,000	7,186,938,000	6,274,422,000
65	BayBanks, Inc., Boston	658,928,000	618,843,000	63		6.65	6.52	710,348,000	670,263,000	9,913,271,000	9,496,465,000
66	Marshall & Ilsley Corp., Milwaukee, Wis.	654,809,000	601,400,000	64		9.16	8.88	720,848,000	667,985,000	7,150,841,000	6,774,907,000
67	State Street Boston Corp.	647,481,000	555,588,000	70	+3	6.49	6.64	734,274,000	650,543,000	9,983,021,000	8,371,952,000
68	SouthTrust Corp., Birmingham, Ala.	622,991,000	567,872,000	68		8.02	8.55	711,554,000	644,786,000	7,763,166,000	6,645,325,000
69	Florida National Banks of Florida, Inc., Jacksonville	615,149,000	661,882,000	61		7.80	8.46	631,816,000	661,882,000	7,882,734,000	7,827,711,000
70	BanCal Tri-State Corp., San Francisco	610,573,000	491,941,000	77	+7	7.74	7.14	1,020,573,000	507,941,000	7,888,103,000	6,887,827,000
71	Integra Financial Corp., Pittsburgh	604,990,000	585,959,000[1]	67[1]		8.94	0.00	646,865,000	652,042,000	6,767,642,000	6,926,583,000[1]
72	Canadian Imperial Holdings, Inc., New York	584,584,000	511,107,000	74	+2	14.67	13.37	609,584,000	536,107,000	3,984,809,000	3,821,947,000
73	Bancorp Hawaii, Inc., Honolulu	567,149,000	473,662,000	81	+8	6.82	7.14	567,149,000	485,009,000	8,317,114,000	6,634,705,000
74	First American Corp., Nashville, Tenn.	551,297,000	533,247,000	71		7.81	7.40	566,390,000	548,340,000	7,058,327,000	7,203,961,000
75	Mercantile Bancorporation Inc., St. Louis, Mo.	528,359,000	514,843,000	73		7.61	7.97	620,009,000	606,014,000	6,942,171,000	6,459,234,000
76	First Alabama Bancshares, Inc., Montgomery	526,577,000	490,685,000	78	+2	9.49	9.48	537,307,000	502,692,000	5,549,612,000	5,173,609,000
77	Star Banc Corp., Cincinnati	519,922,000	481,536,000	79	+2	8.74	8.51	519,922,000	501,536,000	5,949,401,000	5,656,631,000
78	First Tennessee National Corp., Memphis	515,549,000	493,265,000	76		8.06	8.26	568,365,000	549,220,000	6,397,532,000	5,972,034,000
79	United Banks of Colorado, Inc., Denver	499,923,000	499,533,000	75		8.22	8.60	539,923,000	539,533,000	6,080,435,000	5,811,572,000
80	First Virginia Banks, Inc., Falls Church	495,504,000	452,338,000	83	+3	9.67	9.43	495,504,000	452,338,000	5,123,964,000	4,795,799,000
81	INB Financial Corp., Indianapolis	493,184,000	447,069,000	84	+3	8.20	7.54	543,287,000	497,184,000	6,014,672,000	5,927,182,000
82	First Pennsylvania Corp., Philadelphia	491,500,000	532,790,000	72		7.44	8.32	556,518,000	597,808,000	6,606,669,000	6,406,666,000
83	South Carolina National Corp., Columbia	490,358,000	438,522,000	88	+5	7.89	7.75	537,558,000	487,022,000	6,215,569,000	5,655,183,000
84	First Security Corp., Salt Lake City, Utah	480,044,000	443,555,000	85	+1	8.28	8.60	617,664,000	586,797,000	5,794,767,000	5,158,976,000
85	Riggs National Corp., Washington, D.C.	478,029,000	464,393,000	82		6.52	6.63	675,579,000	576,639,000	7,337,187,000	7,001,910,000
86	First Empire State Corp., Buffalo, N.Y.	464,387,000	441,073,000	86		7.45	7.47	473,375,000	450,161,000	6,233,799,000	5,908,060,000
87	Hibernia Corp., New Orleans, La.	460,290,000	404,540,000	91	+4	6.87	6.93	469,430,000	415,969,000	6,698,851,000	5,834,258,000
88	European American Bancorp, New York	459,784,000	481,508,000	80		7.98	8.15	734,784,000	N.A.	5,763,813,000	5,909,084,000
89	First Florida Banks, Inc., Tampa	456,983,000	428,252,000	90	+1	8.21	8.35	457,647,000	431,609,000	5,564,600,000	5,131,537,000
90	Commerce Bancshares, Inc., Kansas City, Mo.	456,764,000	429,470,000	89		7.84	7.89	457,514,000	430,220,000	5,829,150,000	5,443,959,000
91	Mercantile Bankshares Corp., Baltimore	448,609,000	394,426,000	93	+2	11.16	10.83	458,609,000	404,426,000	4,018,019,000	3,642,460,000
92	Bank South Corp., Atlanta	422,173,000	384,876,000	94	+2	8.22	7.88	432,853,000	395,941,000	5,136,197,000	4,881,210,000
93	Merchants National Corp., Indianapolis	415,126,000	402,383,000	92		7.44	7.66	486,971,000	407,873,000	5,576,601,000	5,255,673,000
94	Central Fidelity Banks Inc., Richmond	413,649,000	375,060,000	95	+1	7.75	7.93	427,649,000	397,060,000	5,335,200,000	4,731,374,000
95	LaSalle National Corp., Chicago	407,031,000	260,106,000	117	+ 22	11.87	8.18	417,631,000	271,106,000	3,430,510,000	3,181,541,000
96	BB&T Financial Corp., Wilson, N.C.	365,715,000	335,513,000	99	+3	7.61	7.67	432,909,000	396,718,000	4,807,836,000	4,376,600,000
97	United Missouri Bancshares, Inc., Kansas City	343,181,000	335,692,000	98	+1	8.50	9.04	368,283,000	360,799,000	4,038,057,000	3,713,688,000
98	Citizens Financial Group, Inc., Providence, R.I.	342,460,000	334,363,000	100	+2	10.90	10.82	342,460,000	334,363,000	3,140,711,000	3,091,579,000
99	Central Bcshs of the South, Inc., Birmingham, Ala.	338,553,000	312,094,000	101	+2	7.49	7.60	341,353,000	315,794,000	4,518,743,000	4,108,909,000
100	Trustcorp., Inc., Toledo, Ohio	337,158,000	438,612,000	87		6.33	7.35	339,858,000	488,612,000	5,327,295,000	5,969,103,000

Sources of data: American Banker questionnaire and banks' midyear earnings releases. **Primary capital** is the sum of total shareholders' equity, mandatory convertible debt, allowance for possible loan and lease losses, and minority interest in equity accounts of consolidated subsidiaries. **Total capital** is primary capital plus secondary capital. **Secondary capital** is limited-life preferred stock plus qualifying debt. **The primary capital ratio** is calculated by dividing primary capital on Dec. 31 by total assets on Dec. 31, expressed as a percentage. **Note:** The American Banker ratio is not calculated in the same manner as the Federal Reserve Board ratio. The American Banker does not add back the allowance for possible loan and lease losses to total assets, as the Fed does. For most of the firms listed, the American Banker ratio will be from 5-to-20 basis points higher than the Fed ratio, depending on the size of the bank's allowance for possible loan and lease losses. The ratios, calculated on a regulatory basis, will appear in a study on Tier 1 and Tier 2 capital, which is scheduled for publication on April 19. (1)—Pro forma. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

800

C01751

AMERICAN

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 72 *Friday, April 13, 1990* *155th year*

SEC Probing Reported Leaks At First Chicago

By JED HOROWITZ

NEW YORK — The Securities and Exchange Commission has begun an inquiry into allegations that First Chicago Corp. leaked certain securities analysts sensitive information in advance of a press release projecting lower first-quarter earnings.

Some analysts said that the probe, which began this week, has the potential to change the nature of their profession. The SEC declined to comment on the inquiry.

The analysts worry that allegations that First Chicago improperly disclosed an impending increase in nonperforming loans could freeze the information flow that is their lifeblood. They said what they learned from First Chicago was the routine information their profession relies on.

ANALYSIS: *Follow-up on the news*

"I'm concerned that these youngsters at the SEC don't know what's normal and how I deal with banking companies," said Stephen Berman, an analyst at County NatWest Securities. "It would be an absolute disaster for the entire banking stock industry if they shut off the flow. These companies tell you little enough as it is."

Already some banks may be reconsidering how much they should disclose to analysts.

"I have had some indications that the legal departments of several major banks have raised the question about the level of discourse between their I.R. people and analysts," said Louis M. Thompson Jr., president of the National Investor Relations Institute.

Two analysts, who asked for anonymity, said Chase Manhattan Bank officials in recent weeks indicated a reluctance to speak to them in detail about earnings in light of the First Chicago incident.

"I'm not sure if they were joking," one of the analysts said. Chase spokesmen did not return calls for comment.

Shareholders File Suit

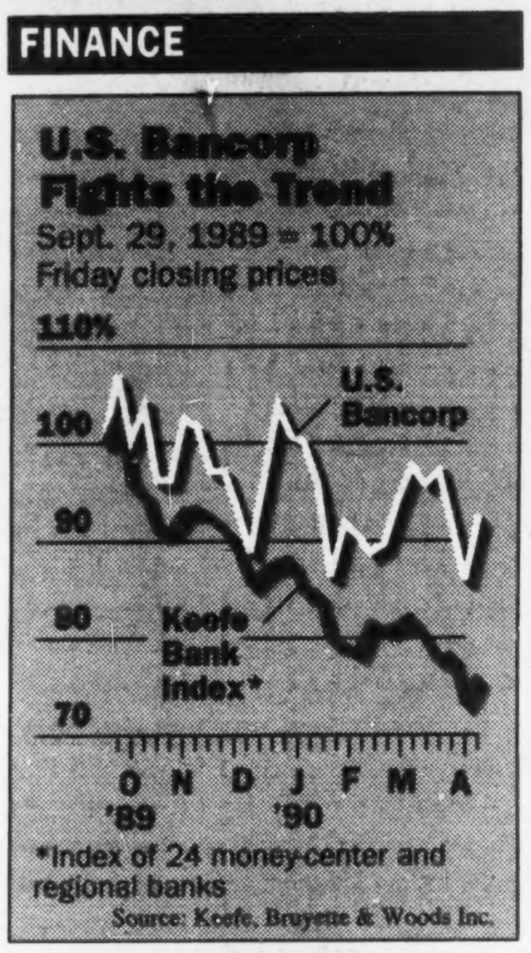
Certainly, the stakes are high. Earlier this week a lawsuit, which seeks class action status, was filed against First Chicago. The suit charges the bank with failure to disclose "adverse material information" and issuing "overly optimistic statements" before announcing that problem real estate loans would rise.

On March 29, First Chicago issued a press release projecting that its first-quarter earnings

See **ANALYSTS** *page* **11**

INSIDE NEWS

FINANCE



*Index of 24 money-center and regional banks
Source: Keefe, Bruyette & Woods Inc.

U.S. BANCORP has outperformed most big bank stocks in the past six months. Its shares were off just 7.5% in the period, compared with a 24% drop for an index of 24 major banks. Meanwhile, major bank stocks rallied Thursday, aided by better-than-expected earnings at Chemical Banking. *Page 16*

INTERNATIONAL

BANKS IN THE 15 leading industrial nations should be required to report any suspicions of money laundering, a task force concluded. *Page 10*

CONSUMER

BANKS ARE TORN when offering credit cards to small businesses over whether to put them in their retail or corporate departments. *Page 8*

TECHNOLOGY

CITICORP BRISTLED at the news that Philips International is marketing a home banking terminal to compete with the one it makes for the bank. *Page 3*

MORTGAGES

THE TOP 50 THRIFTS in mortgage servicing boosted their portfolios 17% last year, to $229 billion. *Page 6*

OTHER NEWS

FIRST WACHOVIA reported net income of $71.3 million, up 6%. Barnett Banks posted profits of $15.5 million, down 75%, and Southeast Banking posted a whopping loss of $56.8 million. *Page 2*

INDEX

People in the News 2
Company Index 2
Funny Money 4
Classified Advertising 12
Bank and Thrift Stocks 15

Record Plan Set Up for CRA Loans

By SAM ZUCKERMAN

SAN FRANCISCO — In a move that could spur competitors to increase loans to low-income and minority groups, Security Pacific Corp. announced Thursday that it would spend $2.4 billion on "community involvement" activities in California over the next 10 years.

The program is the largest dollar commitment by any bank to date to meet the requirements of the federal Community Reinvestment Act. Los Angeles-based Security Pacific said that about 75% to 80% of the total will be used for affordable-housing loans.

The package includes small-business credits, minority contracting commitments, and more charitable contributions for community development.

The $83.9-billion asset Security Pacific is the second large California bank in recent weeks to announce a massive community affairs commitment. San Francisco-based Wells Fargo Bank, with assets of $48.7 billion, said last month it would lend $1 billion over seven years for community-development projects.

See **SECURITY** *page* **11**

Texas Bank's Rebound Boosts Chemical Profit

By TOM LEANDER

NEW YORK — Boosted by tighter expense controls and a return to healthy profitability at its Texas banking unit, Chemical Banking Corp. said its first-quarter earnings rose 29%, to $151.7 million.

The big earnings spurt was aided, however, by a one-time gain.

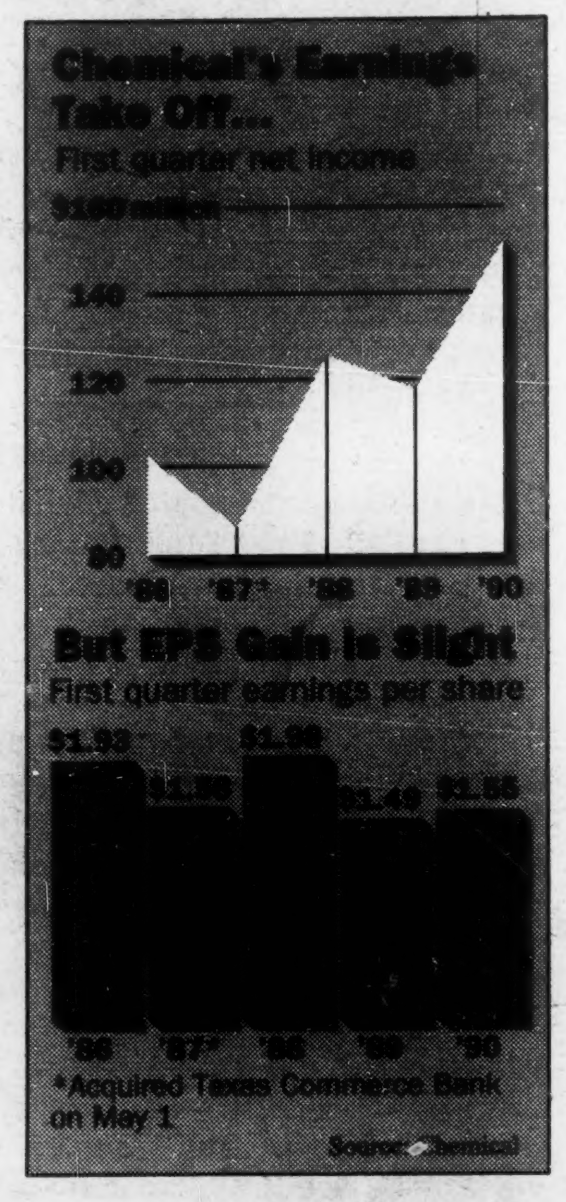
"The bottom line looks good," said Ronald I. Mandle, an analyst for Sanford C. Bernstein & Co. in New York, but he said the nonrecurring gain of $114.7 million from the sale of Chemical's share in Florida National Banks of Florida more than offset a $52 million first-quarter restructuring charge.

Investors Welcome News

Mr. Mandle estimated that, excluding the one-time gain, earnings were about $64 million, or 75 cents a share.

Nonetheless, coming when earnings at many big banks are expected to be held back by a rise in nonperforming loans, the news was welcomed by investors. They reacted by bidding up Chemical shares by $1.125, to $24.50, in midday trading.

Meanwhile, Bank of New York Co. reported $102 million in earnings for the first quarter, up only 1% from the year earlier quarter. Its shares fell 37.5 cents, to $31.375.



*Acquired Texas Commerce Bank on May 1
Source: Chemical

Chemical's earnings were regarded as encouraging by analysts. "They're showing signs of life. It was a positive quarter,"

See **CHEMICAL** *page* **7**

Behind the Scenes of a Meeting Between Business and Regulators

By ROBERT M. GARSSON

The hottest topic in banking now is whether tight regulatory scrutiny on real estate portfolios is spurring a credit crunch. And it has bankers, businessmen, and lawmakers scurrying to get the ears of examiners.

One such case was a breakfast session last week organized by Rep. Joseph Kennedy 2d, D-Mass. The meeting generated a heated discussion of the perceived side effects the scrutiny is generating in New England, according to participants.

The meeting at the Federal Reserve Bank of Boston brought together some 40 business executives, regulators, bankers, including the heads of Bank of Boston Corp., Shawmut Corp., BayBanks Inc., First Mutual Bank of Boston and Boston Bank of Commerce.

Oversight Criticized

John Gould, executive director of Associated Industries of Massachusetts, which represents 3,000 businesses, charged that the Comptroller of the Currency "is driving us right into a recession."

Some of the bankers present sided with complaints from the business community, according to participants. Ira Stepanian, chairman and chief executive officer of Bank of Boston, said the rules employed by the Comptroller's examiners are no different than in the past.

Louise Krafft

Rep. Joseph P. Kennedy 2d
Democrat of Massachusetts

Instead, the difference "is in how they interpret those rules," Mr. Stepanian was quoted as saying. "If they continue to interpret them as they are now doing in New England, there will

See **BEHIND** *back page*

Bankers Backing Norton Buyout Seek Low Profile

By JOHN EVANS
and WILLIAM GOODWIN

Worried about a potential backlash, U.S. and foreign banks financing the hostile acquisition of Norton Co. by Britain's BTR PLC have asked that their identities be kept a tightly guarded secret.

Sources said the banks are concerned that disclosure of their role in the increasingly bitter takeover battle will trigger retaliation by Norton employees and other organizations in Massachusetts, where the U.S. plastics and ceramic manufacturer is based.

Barclays Bank PLC, which is arranging the acquisition financing, has already been subjected to demonstrations by Norton employees outside its U.S. headquarters in New York City.

In Worcester, Mass., Norton's hometown, employees have staged public demonstrations. But that may be only the beginning.

A grass-roots committee of Norton employees has been de-

See **BANKERS** *page* **14**

COMMENT/*By Denis Manelski and Simon Nahnybida*

Back Offices Pose Problems For Bill-Payment Services

Telephone bill paying was introduced in the early 1970s as a consumer service. Later in that decade home banking was tested and offered by financial institutions. Industry experts projected that these services would provide convenient payment alternatives and would complement other electronic funds transfer mechanisms.

Credit cards, proprietary debit cards, automated teller machines, and point-of-sale terminals are displacing checks in substantial volume. However, telephone bill paying and home banking have shown, at best, limited success. In the early 1980s, 450 institutions offered these services; today it's just over 100.

Recently, new interest has been shown in both services. Old programs have been reactivated, and a variety of new service providers have entered the market.

Among the hurdles facing these service providers is the primitive back office supporting telephone bill paying and home banking. Banks, service providers, lock-box processors, and billers must solve the remittance-processing problem.

The Potential

Renewed interest in telephone bill paying and home banking stems from the benefits found in the automation of bill payment processing. These services have the capability of displacing 50% of the checks generated by consumers and small businesses. This represents a potential replacement of one billion checks a month with electronic transactions.

At present, telephone bill paying and home banking utilize four remittance-processing delivery options: check and list, direct send, the automated clearing house using the customer initiated entry format, or MasterCard's remittance-processing service.

Check and list is the most widely used remittance delivery option. This process requires the telephone bill paying and home banking service provider to combine all the payments for a particular biller; write one check for the total of the payments; produce a list detailing the customer's name, account number, and payment amount; and mail or deliver this output to the billers or their lockbox processors.

The check-and-list option is expensive to all parties, and it is error prone, resulting in high rates of inquiry to the consumer bill payment service providers.

A typical bank operation estimates check-and-list cost at 50 cents a payment, substantially more than the processing cost of the paper check. One percent of the payments sent out via check and list generate a customer inquiry, which costs an average of $20 to resolve.

Check-and-list payments are also a costly exception process to the billers. These payments cost the billers 25 cents to capture, versus 8 cents for a payment received with a scanable turnaround document. Billers must also respond to the numerous inquiries caused by this process.

Payments not delivered via check and list use one of the three electronic delivery options.

The direct send option is attractive only for high-volume billers. Under this option, the service provider creates electronic media output from the telephone bill paying and home banking bill payment system, and delivers or transmits directly to the biller. The service provider also credits the biller's account either by a book transfer, a wire transfer, or via the ACH. This option requires that transport, customized formats, and processing arrangements be in place for each biller.

The Automated Clearing House delivers payments under prearranged conditions to the biller's banks. Approximately 25 billers can be reached through the ACH.

MasterCard's remittance-processing service also delivers payments electronically to a growing list of billers. About 60 billers can be reached this way.

All three electronic delivery options provide the back office with inexpensive and error-free processing. They also fulfill the customers' expectations of rapid payment delivery.

Expectations are that both telephone bill paying and home banking will grow quickly in this decade.

But bill-paying services were pioneered 20 years ago, and today one can reach only 60 billers electronically via the automated clearing house or MasterCard service. Meanwhile, hundreds of thousands of billers support a bank service in a major market.

Major billers must be educated about the growing opportunity for improved cash flow and operating services. Lock-box service providers should leverage this by consolidating electronic concentration with their traditional payment processing.

Success in marketing the telephone bill paying and home banking services will backfire if we don't respond quickly to the remittance delivery problem. ☐

Mr. Manelski is executive vice president of U S Tel Inc., Greenwich, Conn., and Mr. Nahnybida is vice president of MasterCard.

Correction

The drawing that accompanied Stephen H. Axilrod's commentary on April 12 ("Tokyo Stock Plunge Echoes the Wall Street Crash of '87," page 4) was the drawing of another columnist, William M. Isaac.

Stephen H. Axilrod

FUNNY MONEY/*By Tom Leander*

Art Exchange

It's not every day that a pending swap deal makes it into the tabloid gossip columns.

Columnist "Suzy" of the New York *Post* reported that Sir Humphrey Wakefield, an art specialist acting on behalf of Britain's National Trust, was negotiating with an unnamed bank for the return of three tapestries woven in 1690. The tapestries once hung in Uppark, an ancient manor house undergoing restoration by the National Trust.

The bank turns out to be Chicago's American National Corp., owner of an art collection. It bought the tapestries years ago. Gerald Kolbaba, the bank's art custodian, confirmed the negotiations. He said American National is willing to return the tapestries if the British government exchanges them for three of equal value.

* * *

Damage Control

As real estate loans continue to haunt lenders across the nation, bank examiners are holding banks and thrifts to more stringent standards.

The National Council of Savings Institutions is riding to the aid of its members with just the type of program that might be expected from a proactive trade group. It will sponsor a self-help seminar,"The Regulatory Examination: How to Get Better Results," on April 17 in New York.

The seminar is intended to help thrift executives control the damage as examiners make a beeline for their books. One purpose of the session, according to the group's promotional flier, is to "minimize criticisms that are inherent in every examination."

* * *

Pitching Curveballs

To mark the opening of baseball season, the Federal Home Loan Bank of New York issued "Casey at the Bat" in the form of a press release. The baseball poem, a perennial favorite penned in 1888 by Ernest L. Thayer, ends on a melancholy note for fans of the mythical Mudville team:

Eugene J. Sherman

"*But there is no joy in Mudville – Mighty Casey has struck out.*"

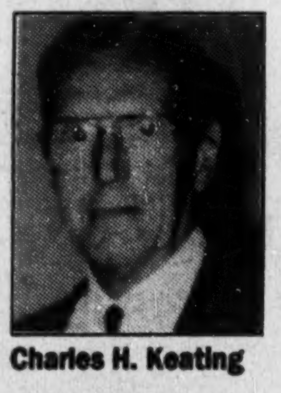
Eugene J. Sherman, chief economist of the New York district bank, tacked on a "post-game analysis," second-guessing the way the opposing team should have pitched to Casey the power hitter.

Asked if there was a financial angle to his analysis, Mr. Sherman replied: "Just because you're an economist, you don't have to spend every moment on the job gauging interest rates."

* * *

Voice from the Ruins

From his vantage point at the center of the most widely reported thrift debacle, Charles H. Keating has no qualms about telling regulators how to sell the assets salvaged from his financial empire.



Charles H. Keating

The former chairman of the failed Lincoln Savings and Loan Association took aim at the government Monday, at a pretrial hearing in Washington. Mr. Keating assailed the way regulators are managing Lincoln's assets, particularly the luxurious Phoenician resort near Phoenix.

The regulators wrested control of the resort from Mr. Keating last September. Lincoln invested $275 million in the resort, Mr. Keating says, and recouped $170 million from the sale of a 45% stake to a Kuwaiti investment group.

Mr. Keating values the property at a minimum of $350 million. But the government is trying to find a buyer for the Phoenician at about $99 million.

"That's sick," he said. "It hurts me that this asset could be sold at this price."

* * *

Updating the Image

While Swiss banks generally cultivate their image as bastions of conservatism, Swiss Bank Corp. has flirted with the avant garde by installing a 14-foot by 18-foot sculpture by artist Richard Serra.

That's the same Richard Serra whose famous "Tilted Arc" was removed from the plaza of the Jacob Javits office building in downtown New York after employees in the building protested that the huge sculpture blocked their path.

With considerable fanfare, Swiss Bank recently hoisted Mr. Serra's "Fin" into place. The work – described by the artist as a "slowly curving concave arc" – will adorn the Swiss Bank Tower, a nearly completed building on Manhattan's 50th Street that will serve as the bank's U.S. headquarters.

But "Fin" is not likely to generate controversy. It will repose safely out of the employees' way on the 11th floor of the building's sky lobby. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Home MORTGAGES

A weekly feature

S&Ls Boost Servicing Rights

But Experts Expect Growth to Wane in '90

By PHIL ROOSEVELT

NEW YORK — In what may prove to be the last blast of growth for some time, the top 50 thrifts in servicing mortgages for investors boosted their portfolios by 17% last year, to $229 billion, an *American Banker* study found.

The growth rate of these leaders was well ahead of the 10.8% posted by all savings and loan associations in servicing for investors.

Proposed Capital Limitation

But experts said that many thrifts are now curbing the growth of their servicing portfolios; they are concerned about a proposed rule that would limit the amount of purchased servicing rights that banks and thrifts could count as capital.

Such a rule is under consideration at the Federal Deposit Insurance Corp., but final action is not expected before late spring. In a 60-day comment period that ended Tuesday, the agency received about 70 letters, an FDIC spokesman said. The comments have yet to be analyzed, he added.

In servicing, thrifts and others earn fees by funneling monthly payments from mortgage borrowers to investors. Servicers also handle tax and insurance payments and are responsible for initiating foreclosures.

Thrift Bailout Law a Factor

In recent years, some thrifts have grown rapidly in the field by purchasing servicing rights from other lenders. But certain provisions of the 1989 thrift-bailout law, coupled with the pending FDIC rule, have erected obstacles to many of the most active buyers. Under the FDIC proposal, purchased servicing rights can make up only 25% of core capital.

"A lot of big buyers in the thrift industry are sitting on the sidelines waiting for the outcome of the FDIC proposal," said Daniel Thomas, a vice president at Cohane, Rafferty Securities Inc., a servicing brokerage based in Harrison, N.Y.

Princeton, N.J.-based Cenlar Federal Savings Bank, a big buyer of servicing rights in recent years, has made no purchases since June, said David Marshall, a senior vice president at Cenlar.

Late '89 Decline at Cenlar

He added that much of the 28% growth in Cenlar's servicing portfolio last year came from purchases initiated in 1988 but not completed until early 1989. Cenlar's servicing portfolio actually declined during the second half of the year.

Among the top 10 thrifts in the field, Glendale Federal Savings and Loan Association, Glendale, Calif., posted the largest gain for the year. But its 117% increase mainly reflected a move to consolidate a mortgage unit into the thrift, said chief financial officer David Hansen.

In the past, the *American Banker* has published yearend servicing data for both thrifts and mortgage companies. This year, mortgage companies are being excluded. But complete midyear rankings of banks, thrifts, and mortgage companies will appear in October, and related data may be published in the interim. □

Top 50 Thrifts in Servicing

Mortgages serviced for investors: 1989 compared with 1988
($ thousands)

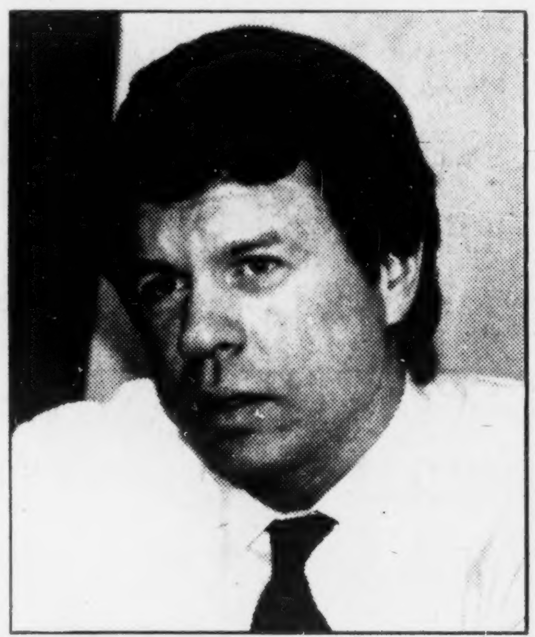
Rank 1989		Servicing 1989	Percent change	Rank 1988
1	Standard Federal Savings Bank, Gaithersburg, Md.	18,424,091	16.95	1
2	Home Savings of America, FA, Irwindale, Calif.	18,035,660	31.83	3
3	Glendale Federal Savings & Loan Assn., Calif.	12,161,196	117.26	9
4	Great Western Bank, FSB, Beverly Hills, Calif.	11,163,726	10.05	4
5	City Savings Bank, FSB, Elizabeth , NJ.	10,832,054	(30.72)	2
6	American Savings Bank, FA, Stockton, Calif.	8,148,433	3.57	5
7	Cenlar Federal Savings Bank, Princeton, N.J.	8,110,924	27.87	6
8	Carteret Savings Bank, FA, Newark, N.J.	8,089,032	30.42	7
9	First Nationwide Bank, FSB, San Francisco	7,189,280	33.08	10
10	Transohio Savings Bank, Cleveland	6,399,416	27.97	12
11	Midfirst Savings & Loan Assn., Oklahoma City	6,289,103	28.74	13
12	Home Federal Savings & Loan Assn., San Diego, Calif.	6,286,138	31.63	14
13	Home Owners Federal Savings & Loan Assn., Boston	5,926,357	(2.80)	8
14	Leader Federal Savings & Loan Assn., Memphis, Tenn.	5,846,909	22.70	15
15	California Federal Savings & Loan Assn., Los Angeles	5,261,209	0.90	11
16	Western Federal Savings Assn., Marina Del Rey, Calif.	5,189,246	32.69	19
17	Colonial Savings & Loan Assn., Fort Worth, Tex.	4,917,977	39.81	22
18	Imperial Savings Assn., San Diego, Calif.	4,638,216	11.21	17
19	Coast Savings & Loan Assn., Los Angeles	4,460,289	(5.54)	16
20	ComFed Savings Bank, Lowell, Mass.	4,299,170	10.33	20
21	Great American First Savings Bank, San Diego, Calif.	4,234,424	6.09	18
22	Household Bank FSB, Newport Beach, Calif.	3,797,011	94.62	32
23	Dime Savings Bank of New York, FSB, Garden City	3,160,275	15.04	26
24	Altus Bank, FSB, Mobile, Ala.	3,156,047	80.64	36
25	AmeriFirst Bank, FSB, Miami	3,057,439	(1.85)	23
26	Homestead Savings Federal S & L Assn., San Francisco	2,904,048	(2.12)	25
27	MeraBank, FSB, Phoenix, Ariz.	2,877,882	(19.34)	21
28	Standard Federal Bank, Troy, Mich.	2,868,291	23.01	28
29	Boston Five Cents Savings Bank, FSB	2,747,436	40.25	31
30	First Gibraltar Bank, FSB, Houston	2,520,643	(16.54)	24
31	Security Savings & Loan Assn., Jackson, Miss.	2,430,844	56.22	42
32	Platte Valley Savings, FS&LA, Gering, Neb.	2,191,463	27.43	37
33	Dominion Federal Savings & Loan Assn., McLean, Va.	2,046,027	15.31	35
34	First Federal Savings & Loan Assn., Rochester, N.Y.	2,007,433	55.79	48
35	Mercury Savings & Loan Assn., Huntington Beach, Calif.	2,004,771	21.05	40
36	Duval Federal Savings & Loan Assn., Jacksonville, Fla.	1,951,290	(6.84)	30
37	Decatur Federal Savings & Loan Assn., Ga.	1,910,219	38.70	45
38	Northeast Savings FA, Hartford, Conn.	1,891,929	10.44	38
39	United Savings Bank, FSB, San Francisco	1,876,908	60.17	56
40	Hamilton Savings Bank, FSB, San Francisco	1,871,620	46.05	50
41	Republic Federal Savings & Loan Assn., Altadena, Calif.	1,859,125	49.14	52
42	ABQ Bank, FSB, Albuquerque N.M.	1,742,727	(6.13)	34
43	Chevy Chase Savings Bank, FSB, Md.	1,694,548	7.41	41
44	San Francisco Federal Savings & Loan Assn.	1,664,542	6.98	43
45	Crestmont Federal Savings & Loan Assn., Edison, N.J.	1,632,610	82.71	74
46	Union Federal Savings Bank, Indianapolis, Ind.	1,616,153	(27.37)	29
47	Guardian Savings & Loan Assn., Long Beach, Calif.	1,470,585	120.09	97
48	Sterling Savings Bank, Southfield, Mich.	1,464,972	62.01	72
49	Gibraltar Savings, FA, Simi Valley, Calif.	1,451,398	(39.12)	27
50	First Federal of Michigan, Detroit	1,450,919	23.12	55

Data source: Data provided by **ADP Data Services Division, New York**, from their data base of Thrift Financial Report submitted by S.A.I.F.–insured thrifts to the Office of Thrift Supervision. **Servicing (for investors):** the total of all unpaid principal balances of all whole mortgage loans and participating interests in loans serviced by an institution but owned by others at the close of the period, whether or not originated by the institution.

SECURITIES

Remic Manager At Freddie Mac Reviews Growth

Mark J. Latimer, 39, is a senior vice president of the Federal Home Loan Mortgage Corp. He oversees Freddie Mac's issuance of real estate mortgage investment conduits, or Remics. In 1989, Freddie Mac issued $40 billion of Remics, up from $13 billion in 1988. Mr. Latimer was interviewed by the American Banker's *Phil Roosevelt.*


Peggy Turbett

Mark J. Latimer
Freddie Mac

Q: Is it true that most new pass-throughs issued by Freddie Mac are winding up as collateral for your Remics?

LATIMER: That's correct. The logic has to do with the need of investors for specific cash flows. With Remics, they can find the maturity that meets the specific needs of their liability strategies.

Q: Has the appetite of the thrifts for Freddie Mac securities changed in the wake of the bailout law.?

LATIMER: There's been a dramatic change. If you just look at the amount of Remics they purchase, it was 20% of our issuance in 1988 and that's now been cut in half, to less than 10%. It's the need to shrink assets to meet the requirements of FIRREA, and the drop in the number of thrifts.

Q: Who has taken up the slack?

LATIMER: Fortunately, a lot of people - commercial banks, pension funds, and insurance companies, to name just a few.

Q: How strong is the overseas buying?

LATIMER: The international market, I would estimate, has held 1% to 2% of our securities historically. Today, on an incremental basis, I would say they're purchasing between 5% and 10% of our issuance. □

TALKING *markets*

Adjustables Popular in Northeast, Poll Says

California may be the U.S. home of the adjustable-rate mortgage, but some of the loan's biggest fans are in the Northeast.

A survey by Chicago Title & Trust Co. shows that 41.2% of northeastern homebuyers chose adjustables last year, well above the nationwide average of 33.1% and slightly ahead of the West's 40.4%.

Moreover, as a trend toward fixed-rate loans swept the country, homebuyers in some Northeast cities actually increased their reliance on adjustables. In New York, 52% of buyers went with adjustables, up from 38.9% in 1988, according to the survey.

That put the Big Apple in a league with Los Angeles (49.5%) and Orange County, Calif. (55.2%). California is home to the nation's largest thrifts, which pioneered adjustable mortgages and continue to specialize in the loans.

Why are adjustables a hit in New York? Buyers may have needed the initial discount typical of adjustables in order to qualify for loans, said John Pfister, a vice president at Chicago Title. "It looks like the first-time buyers in New York were those that were really straining" to afford a home, he said.

Dime Savings Bank of New York, one of the area's largest mortgage lenders, specializes in adjustables. "We had a very high number of ARMs in 1989 - about 90% of all our originations," said Savid Totaro, first senior vice president at the thrift.

Some other New York lenders, however, said the market seemed to lean increasingly toward fixed-rate loans last year.

Certainly, fixed-rate loans gained ground nationwide last year, as their interest rates dipped below the psychologically important 10% level. The number of buyers taking adjustables declined to 33.1% last year from 41.8% in 1988, according to Chicago Title.

According to Chicago Title, adjustables are least popular in the South. Only 18.2% of buyers used the loans last year, down from 29.9% in 1988.

— Phil Roosevelt

Key Interest Rates

	Week ended 4/6/90	Week earlier 3/30/90	Year earlier 4/7/89
30-year fixed-rate mortgage	10.34	10.31	11.20
1-year adjustable-rate mortgage	8.47	8.48	9.39

Rates are based on a weekly survey of 2,000 lending institutions nationwide. The averages reflect rates for a range of loan sizes.

Source: HSH Associates, Butler, N.J.

Secondary Market

	Price 4/11	Week's change	Yield	Week's change	Treasury spread	Week's change
Ginnie Mae 9½%	96-12	-2-02	10.31	+0.39	+169	+32
Fannie Mae 9½%	98-15	-0-04	9.87	+0.03	+126	-5
Freddie Mac 10%*	99-31	1-29	9.96	+0.11	+134	+4

Yield: bond equivalent yield based on mortgage prepayment rates projected by Merrill Lynch. **Treasury spread:** the mortgage security yield minus yield on the current 10-year Treasury bond in basis points. (*)— Current coupon changed since last week.

Source: Merrill Lynch Mortgage Capital, New York

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 6

800

00175-1

AMERICAN BANKER

VOL. CLV NO. 73

Monday, April 16, 1990

155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Exams May Spur An Underclass Of Bank Stocks

By GORDON MATTHEWS

NEW YORK — The stock market's treatment of bank stocks in the past six months has been as ruthless as the behavior of a general who takes no prisoners. But stiffened regulatory examinations may spark a new order in which confidence in some banks replaces fear of the unknown for all.

Many bank analysts who had criticized regulators as part of the problem are coming to view their strong medicine as the tonic needed to improve the deeply negative market psychology beleaguering bank equities.

ANALYSIS: *Follow-up on the news*

Some see a distinct two-tier market emerging soon. The stocks of banks that clear the regulatory hurdle with little or no damage, they say, would be set apart from those with management and loan underwriting practices exposed as inferior.

This division of winners from losers may offer a picture of which institutions will become acquirers and which, targets. Market capitalization and financial strength, rather than interstate barriers, will soon be the biggest factors in the continuing industry consolidation.

Exams' Benefit to Investors

"Painful and overzealous as recent bank examinations may be, their benefit to [the] bank stock investor cannot be overlooked," said Robert Albertson, a banking analyst for Goldman, Sachs & Co. "The net effect is to eventually remove uncertainty in an industry whose low price-to-earnings multiples reflect an opaque mask on credit quality."

"When the smoke settles, those institutions that have come through these exams unscathed should enjoy much greater confidence from investors," agreed Lacy M. Shockley, an analyst for Smith Barney, Harris Upham & Co.

Ms. Shockley said she feels the two-tier market already exists in embryonic form. Shares in the better quality banks are unlikely to drop much further, she said, but the stocks of vulnerable banks could weaken further.

Extraordinary Weakness

Despite a modest rally last week, bank stocks in general have rarely cost less compared to other stocks.

The index of 24 money-center and regional banks maintained by Keefe, Bruyette & Woods Inc. fell 24% in the fourth quar-

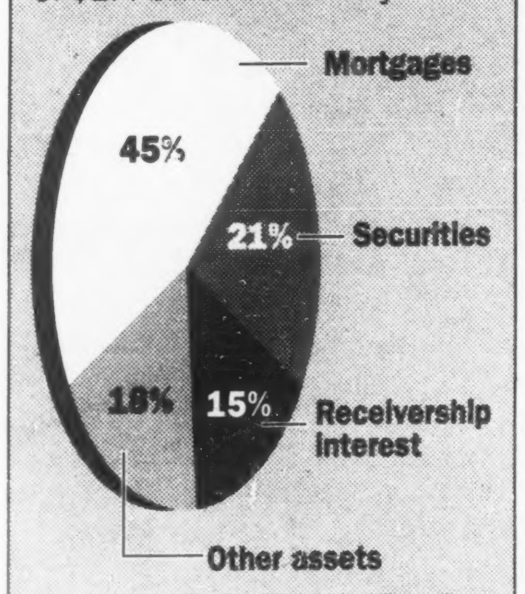
See **EXAMINATIONS** *back page*

INSIDE NEWS

WASHINGTON

Where the RTC Gets Its Revenue

Asset sales and interest income of $2.4 billion in February



Source: Resolution Trust Corp.

THE RESOLUTION Trust Corp. kicks off its 10-city tour in Dallas and Houston this week with conferences on how to do business with the agency. *Page 8*

FINANCE

SMALL BANKS and thrifts got permission a few years ago to buy shares in bond funds. Now they are sitting on hundreds of millions of dollars of paper losses. *Page 24*

INTERNATIONAL

SANWA BANK is expanding its U.S. business in swaps and options that protect against swings in currency and interest rates. *Page 10*

CONSUMER

TEXAS BANKS are picking up the pace of print and electronic advertising in a bid for consumer deposits. *Page 6*

TECHNOLOGY

SWIFT WILL BEGIN recruiting banks to help fine-tune international standards for the electronic exchange of payment orders and trading documents. *Page 3*

OTHER NEWS

BANKERS' GROUPS will push hard for legislation that would limit a lender's liability for environmental cleanup of foreclosed properties. *Page 2*

COMMENT

EMPLOYEES who receive valuable training owe a debt of service, writes Paul S. Nadler. *Page 4*

INDEX

People in the News 2
Company Index 2
Sound Off 4
Weekly Index of Stories 13
Executive Changes 16
Classified Advertising 18

A Grammar Of Lending Takes Shape

By YVETTE D. KANTROW

NEW YORK — As loan portfolios come under closer regulatory scrutiny, banks and other financial companies are moving to improve the quality of their credit data by standardizing the way lenders, borrowers, and credit bureaus communicate with each other.

If the effort by a standards-setting committee is successful, consumer and business lenders would adopt uniform terminology and data formats when exchanging information about borrowers. Participants in the project say standardization would make credit decisions faster and easier, reduce administrative costs, and help lenders assess the overall condition of their portfolios.

Smoothing Asset Sales

Another aspect of the project will streamline communications among participants in the asset-sales market. Standard communications between issuers and investors in asset-backed securities could reduce the cost of participating in that burgeoning market.

"There are some formats [for credit transactions] now, but a lot of the data content has different meanings," said Cindy Fuller, administrator for the financial-industry standards committee coordinating the project. "When the British say boot, they don't mean a shoe," she added. (In Britain, a boot is the trunk of

See **UNIFORM** *back page*

Florida Bankers Rally For Insurance Powers

By YVETTE D. KANTROW

NEW YORK - Buoyed by strong consumer support, the Florida Bankers Association has launched a massive campaign for legislation to allow state banks to sell insurance.

The effort is strongly opposed by Florida's influential insurance lobby. It is being closely watched by bankers nationwide who are locked in similar battles for expanded powers.

"Florida is definitely in the forefront of states with the strictest insurance laws," said Kevin E. Crowe, chairman of Essex Corp., an independent vendor of insurance products in New York. "If the [Florida] bankers are successful, bankers in other states will take up the same crusade."

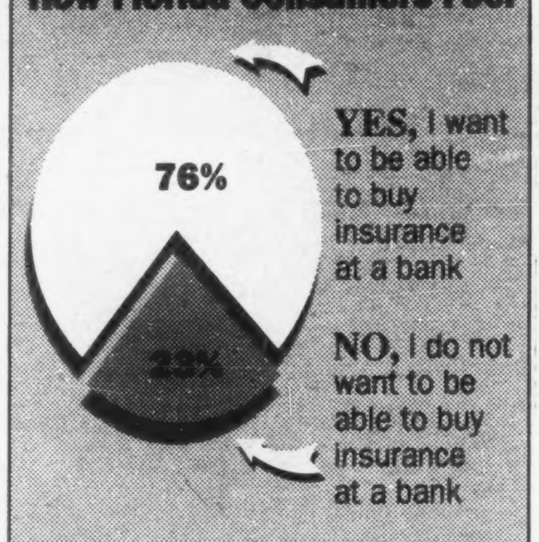
The Florida bankers are looking for powers similar to those won by California banks in 1988, when a referendum known as proposition 103 allowed that state's chartered banks to sell insurance.

A battle shaping up in Delaware could also be a key to further expansions of banks into the insurance business. A proposed bill would allow Delaware-chartered banks - inlcuding credit card affiliates of major money-center and regional banks - to underwrite and sell insurance nationwide.

Review of Existing Law

Florida is one of about 15 states that prohibit bank employees from obtaining licenses to sell insurance. But because of a process known as "sunset" review, those laws could expire this year.

Insurance and Banking: How Florida Consumers Feel



Based on the responses of 66,000 Florida consumers

Source: Florida Bankers Association

Under sunset review, Florida lawmakers are periodically required to review the state's business regulations, ensuring that they are still necessary and that they serve the public interest. If Florida's insurance laws are not rewritten or reenacted during this legislative session - which runs from the first week in April to the first week in June - they will "sunset" or die on Oct. 1.

Annuities Make Wish List

Lewis Carr, a senior vice president in charge of state government relations for the Florida Bankers Association, said it is unlikely that the code prohibiting banks from selling insurance will be totally repealed.

Instead, the state bankers are lobbying for a compromise bill that would increase the number

See **FLORIDA** *page* **12**

The 10 Highest-Paid Banking Executives

1989 compensation

See story on page 14

$2,000,000	$1,737,500	$1,680,323	$1,650,000	$1,545,917
Roberto G. Mendoza Vice chairman J.P. Morgan	**A.W. Clausen** Chairman and CEO BankAmerica	**John F. McGillicuddy** Chairman and CEO Manufacturers Hanover	**Lewis T. Preston** Chairman of executive committee J.P. Morgan	**John S. Reed** Chairman Citicorp
$1,522,500	$1,514,300	$1,500,000	$1,460,824	$1,450,000
Carl E. Reichardt Chairman Wells Fargo	**R.J. Flamson 3d** Chairman and CEO Security Pacific	**Charles S. Sanford** Chairman Bankers Trust	**Barry F. Sullivan** Chairman First Chicago	**Dennis Weatherstone** Chairman J.P. Morgan

COMMENT/ By Paul Nadler

Ethics Questions Are Raised When a Star Trainee Defects

"I was cheated," the human resources director at the bank complained when he learned that Gridley (name changed to protect the guilty) had resigned to take a job at another bank – at a much higher salary.

Why the fuss, since people move on every day? Gridley was different.

He had come to the bank as an uneducated 17-year-old from an immigrant family. The bank had trained him and paid for his college education. Staff had spent countless hours teaching him how to do his job.

In many cases it would have been easier for the human resources professionals to do a job themselves than to bring Gridley up to snuff. But they did it.

Free Enterprise at Work

Now, Gridley was a college graduate, a full member of the team who could pull his own oar. Two months later, he quit.

"That's what free enterprise is all about," some observers would say. Gridley had found a better opportunity.

But doesn't Gridley owe something to the bank for all the time and money it spent to make him into a valuable employee? Shouldn't his sense of obligation outweigh a salary differential – at least for a while?

Other industries have learned to spell out the obligations of employees they pay to educate. I remember when American Airlines made pilot trainees sign an agreement to stay a set number of years after completing the program – or else repay the high cost of their education.

Spelling Out the Terms

Many MBAs whose employers pay for their degrees have to sign similar agreements to stay on a certain amount of time after graduation. Similarly, the U.S. service academies require a set number of years of military service after graduation.

Why can't a banking company require the same loyalty? Is this indentured service? Is it unconstitutional? Those are tough questions. Look at the issue from the viewpoint of the human resources manager.

"I'll never again take a chance on training an immigrant," he responds. "I'll let someone else teach him how to speak and act and function in our society. Then I'll hire him and save the tremendous cost of the training we gave Gridley."

'Other industries have learned to spell out the obligations of employees they pay to educate.'

The human resources manager is really saying: "Let the schools do it." But the American educational system in the 1990s clearly can't do it. Our schools are failing in many areas.

As one insurance company executive put it: "We have to use college graduates in our cities in the East to do what we can do with high school graduates in the smaller cities of the Midwest."

I recently visited a major New York bank where the officers had proudly promised I would see state-of-the-art technology in customer service.

I came in expecting to see something that would knock my socks off. Instead, I was sadly underwhelmed. The machines could only give the platform people rates on bank services, rates on the competitors' services, and other simple information. I thought any platform officer could have have dug this material out of a leaflet in a matter of seconds.

"What's so great about this?" I asked. By using these machines with their central files, I was told, the platform banker could obtain information the customer would want without needing to know how to read a manual or perform simple calculations.

Here was the "no brainer" approach to being a contact banker. With New York's educational problems, I began to understand why this bank was so proud of its technological accomplishments.

It may seem cruel to force people like Gridley to stay a few years after being trained – especially if other employers are willing to pay more for his service.

But if Gridley does not owe something to the bank that trained him, no bank will take the risk of hiring an uneducated Gridley in the first place any more. That would dash all our hopes that businesses can help solve this nation's learning problems.

Given this choice, the lesser evil might be to force those who are trained by banks and others to stay until they have paid back their training costs – along the lines of an educational loan. Otherwise, we will be forced to turn away those whom our educational system has already disappointed or failed. ☐

Mr. Nadler is professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

A shareholder of First Chicago Corp. sued the company last week, alleging that the parent company of First National Bank of Chicago had failed to disclose "adverse material information." First Chicago issued a press release on March 29 projecting a 50% decline in first-quarter earnings from a year earlier and a rise of $150 million to $160 million in its loan-loss provision. But the company had already indicated to some analysts, more than a week earlier, that its nonperforming assets would be higher than expected. Joseph L. McCarthy of the *American Banker* features staff asked:

Q *What kinds of information should a company be obligated to release to the public, and when?*

■ Thomas P. Vartanian
Attorney
Fried, Frank, Harris,
Shriver & Jacobson

A company is obligated to disclose all material information. But what, exactly, constitutes materiality has much to do with the timing of a disclosure.

For example, if you had an audit going on, and it was possible that the audit was going to turn up information about bad loans, you might decide to cancel a meeting with analysts – even though the cancellation itself might have an impact on analysts' assessments. Alternatively, you might decide to make a public disclosure about the loans before the planned meeting.

In any case, disclosures should be made so that all parties are equally and fairly advised on the material.

■ Louis M. Thompson
President
National Investor Relations Institute

There are no bright lines of materiality. The baseline used by courts has been that if a piece of information would cause a reasonable investor to buy, sell, or hold stock in a given company, that information is likely to be material.

In 1976, the Securities and Exchange Commission passed the Safe Harbor Provision, in an attempt to prompt companies to forecast their earnings situation and thereby keep Wall Street more accurately informed.

If an analyst calls to try to get a feel for what your earnings will be, and you think he's outside a certain range, you may guide him back into a more realistic range without actually giving him any specifics.

Some people might say: 'Aren't you giving the securities houses an advantage over individual investors?' My answer to that is no. By this process, you keep Wall Street advised, so there are relatively few surprises. That benefits everyone.

What a company cannot do, however, is to selectively disclose material information. Examples of material information might include a merger or acquisition, or an indication of a significant writeoff.

■ Ronald Berenbeim
Senior research associate
Conference Board

Anything an investor relations person says to an analyst should be public information.

Of course, analysts make their money by obtaining information that is not widely circulated. And a good analyst can talk in general terms with a bank and come up with some useful projections.

It is a matter of specificity. If the analyst does a fair amount of independent research and asks questions – such as: 'Real estate is an industrywide problem, and you have a lot of loans on your books. Are you expecting trouble?' – the investor relations person must give some kind of direction. They are taught not to lie and not to cause too much undue alarm.

■ George M. Salem
Banking industry analyst
Prudential-Bache Securities Inc.

Some people define materiality as something that constitutes a certain percentage of a company's earnings, but I think a more commonsense definition is anything that can change a person's mind about buying or selling a stock.

First Chicago claims that because they hadn't quantified the amount of their problem loans, that prevented them from coming out with a press release. If that's the case, they should have taken a two-step approach, first saying that they had a problem but couldn't quantify it, and later quantifying it – instead of letting several analysts come in for a briefing and keeping everyone else in the dark.

I don't want to play lawyer here, but it seems to me that First Chicago erred. Of course, if you carry this thing to an extreme, no company official would be able to say anything to an analyst or a member of the press.

But I think there's a middle ground here. Management should be allowed to put out enough directional clues to allow a good analyst to piece together his own outlook for a company. ☐

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission
Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.
Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.
Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Some See Fed Cutting Rates To Boost Yen

Reuters

NEW YORK — The Federal Reserve has introduced an element of uncertainty into its policy intentions after four months of nearly unquestioned devotion to steady interest rates.

Most economists said they believe the Fed is still on hold, not swaying from an 8¼% federal funds rate target.

But a small group are suggesting the Fed, yielding to political pressure, may be willing to ease rates a bit to help the yen. The Japanese currency has fallen sharply against the dollar during 1990, and this has seriously disrupted the Tokyo markets.

Fed Injects Liquidity

The Fed's unusually heavy injection of liquidity into the banking system in the past week prompted this speculation. Much more liquidity was injected than economists had expected.

Most of the reserves came in the form of an aggressive open market purchase of Treasury bills for delivery the first day of the latest reserve period.

Economists said that, if the Fed was intent on adding reserves to ease rates, now is a good time to camouflage the move. The Fed ordinarily adds permanent reserves to the banking system at this time of year in anticipation of heavy bank withdrawals to pay individual income taxes in mid-April.

Admittedly, said Steve Slifer, an economist at Shearson Lehman Hutton Inc., the theory sounds a bit farfetched.

Historically, the Fed gives a lesser priority to currency targets than to domestic economic considerations. And for the most part, economists believe that the 8¼% fed funds rate adequately addresses the Fed's program of maintaining modest economic growth and not fueling inflation.

$4.9 Billion Question

But Mr. Slifer asked how else can one explain the $4.9 billion in Treasury securities the Fed bought in the open market and from other central banks in the past week.

Proponents of the theory suggested that the Fed is yielding to political pressure to support the yen by making the dollar less attractive.

The yen has fallen nearly 10% against the dollar since Jan. 1.

Firmer Rates Expected

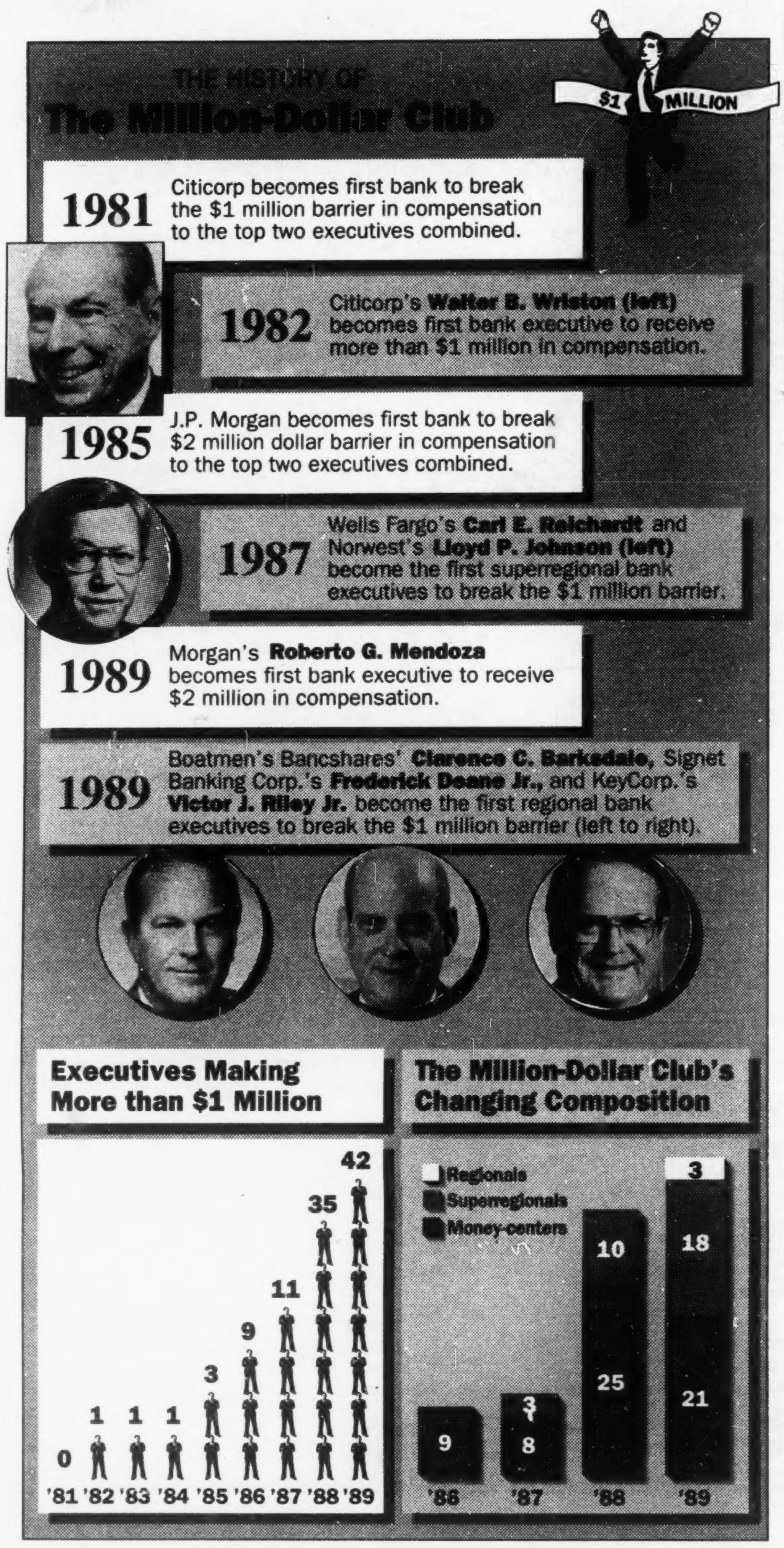
Opponents of the theory said the Fed would never jeopardize the domestic economy in favor of propping up a foreign currency. They suggested the Fed was willing to tolerate a softer funds rate for a day or two last week in anticipation of a firmer rate this week, when tax payments are made.

"The [Treasury] bill pass," said economist Robert DiClemente of Salomon Brothers, "was basically to accommodate larger seasonal demands for currency in circulation and deposit flows that come around tax time." ☐

THE HIGHEST-PAID BANKING EXECUTIVES

Regional Bankers Winning a Share of the Gold

By L. MICHAEL CACACE



THE HISTORY OF

The Million-Dollar Club

1981 Citicorp becomes first bank to break the $1 million barrier in compensation to the top two executives combined.

1982 Citicorp's **Walter B. Wriston (left)** becomes first bank executive to receive more than $1 million in compensation.

1985 J.P. Morgan becomes first bank to break $2 million dollar barrier in compensation to the top two executives combined.

1987 Wells Fargo's **Carl E. Reichardt** and Norwest's **Lloyd P. Johnson (left)** become the first superregional bank executives to break the $1 million barrier.

1989 Morgan's **Roberto G. Mendoza** becomes first bank executive to receive $2 million in compensation.

1989 Boatmen's Bancshares' **Clarence C. Barksdale,** Signet Banking Corp.'s **Frederick Deane Jr.,** and KeyCorp.'s **Victor J. Riley Jr.** become the first regional bank executives to break the $1 million barrier (left to right).

Executives Making More than $1 Million

The Million-Dollar Club's Changing Composition

NEW YORK — Regional and superregional banks have been gaining on money-centers in recent years, and the salaries they pay their top executives are starting to reflect this trend.

Last year, 42 bankers were paid $1 million or more – and, for the first time, half were from superregionals and regionals. By contrast, in 1988 only 10 of the 35 bankers the "million-dollar club" were not from money-centers.

An *American Banker* review of proxy statements found that a modest decline in executive compensation at money-center banks was more than offset by sharp pay hikes at superregional and regional companies. That resulted in a net increase of seven bankers paid $1 million or more.

A Long-Term Trend

"Executive pay at the superregional and regional banks is improving and reflects the long-term trend of better performance of these banks compared with money-center banks," said J. Lee McCullough, partner of the Hay Group, an international human resources consulting firm.

The highest-paid bank executive last year – and the first ever to be paid more than $2 million – was Roberto G. Mendoza, the 44-year-old vice chairman of J.P. Morgan & Co.

Mr. Mendoza, a new member of the million-dollar club, was the head of Morgan Guaranty Trust Co.'s mergers and acquisitions department in 1989. He earned more than former Morgan chairman Lewis Preston and the current chairman, Dennis Weatherstone.

Big Paychecks Despite Losses

The top executives of First Interstate Bancorp and Manufacturers Hanover Corp. violated the golden rule of business compensation in 1989: they accepted higher pay in a year when their companies reported losses.

First Interstate chairman Joseph Pinola, who plans to retire in June, saw his cash compensation jump 12.4% to $1.06 million, according to the company's proxy statement. First Interstate lost $124.5 million last year.

John F. McGillicuddy, Manufacturers Hanover's chairman, enjoyed a more modest 2.1% increase, earning $1.68 million in a year when his bank reported a $518 million loss. Mr. McGillicuddy received no bonus in 1987 when Hanover made a large addition to reserves against Third World loan losses.

A spokesman for First Interstate would not comment on the boost or on speculation that Mr. Pinola's raise was the executive equivalent of a gold watch for years of service.

"Compensation of executives is determined by the board," said the spokesman.

A spokesman at Manufacturers Hanover would not comment.

Last year, the earnings of many money-center banks were hurt by the the special provisions taken against loans to Third World countries. Five of these banks posted sizable loses, while the earnings of most of the others fell sharply. In general, executive pay at money-center banks reflected this poor performance.

The number of money-center bankers in the million-dollar club fell to 21 last year from 25 in 1988, with eight dropping out of the club and four entering. Of the eight dropouts, three retired. For the 17 money-center executives in the club both years, 12 had declines in their cash pay, and only five registered gains.

The biggest losers last year, if people with million-dollar salaries can be characterized as such, were Willard C. Butcher and Walter V. Shipley.

Mr. Butcher, chairman and chief executive of Chase Manhattan Corp., took a 19.2% hit, as his salary fell from $1.45 million in 1988 to $1.17 million in 1989. Chase lost $665 million last year.

Mr. Shipley, chairman of Chemical Banking Corp., suffered a 19% drop in 1989 compensation, to $1.19 million from $1.38 million in the previous year. The bank lost $482.2 million in 1989.

Two Morgan bankers also had pay cuts. Mr. Preston, who was the highest-paid banker in 1988, earning $1.8 million, had a 8.3% decline in his cash compensation to $1.65 million. He is now the fourth-highest-paid banker. Mr. Weatherstone's cash compensation fell 3.3% to $1.45 million last year, and he fell four notches in the rankings to 10th position.

Executive pay at money-center banks reflected last year's poor earnings.

Good Year for Regionals

The superregional and large regional banks – with some noteworthy exceptions – performed well last year, enabling their executives to enter the million-dollar club. Of the top 25 banks in net income, 22 were superregional and regional banks. The number of superregional bank executives paid $1 million or more jumped to 18 from seven, and for the first time three regional executives joined the club.

The highest-paid bank executive from a superregional bank was the 67-year-old chairman of BankAmerica Corp., A.W. Clausen. Mr. Clausen earned $1.74 million last year, up 15.8% from 1988, to rank as the nation's second-highest-paid banker. Last year, BankAmerica's earnings soared 50% to $820 million, making it the top earner in banking.

The largest gain in pay among the superregional executives was posted by Robert R. Ferguson, the 65-year-old chairman of First Fidelity Bancorp who retired last February. His pay rose 55.6% to $ 1.23 million last year. More than 46% of Mr. Ferguson's pay consisted of bonus, profit sharing, and incentive pay.

Other Survey Findings

- The growth in million-dollar earners has been dramatic. Just eight years ago, Walter B. Wriston, chairman of Citicorp, became the first bank executive to break the million-dollar barrier, earning $1.16 million in 1982. In 1985, membership tripled to include Mr. Preston of Morgan, Mr. Butcher of Chase, and Alfred Brittain 3d of Bankers Trust. In 1986, club membership again tripled to nine money-center executives.

In 1987, the year marked with many large losses stemming from the hefty additions to LDC reserves, club membership rose to 11, including for the first time three executives from supperregional banks. For the third time in four years, membership in the club more than tripled to 35 members in 1988. Last year, another bad earnings year for banks, membership rose 20% to 42.

- Among the 21 money-center executives in the club, six were from Morgan, five from Bankers Trust, and three from Manufacturers Hanover. Included in the Manufacturers Hanover count is Thomas S. Johnson, who was elected president of the bank on Dec. 19.
- Among the 18 superregional executives in the club, three are from Security Pacific, and two each are from BankAmerica, Wells Fargo, and Norwest Corp.

The salary survey is based on the proxy statements of the nation's 50 largest banking companies.

The proxy review tallied salary, bonuses, profit sharing, and other incentive payments. Excluded were stock options, restricted stock, stock appreciation rights, and pension plan payments or accruals.

Proxies only identify the five highest-paid officers. Since the top five officers at J.P. Morgan and Bankers Trust all earned more than $1 million, it is possible that some of their executives are omitted from the list. ☐

The Million-Dollar Club

A listing of commercial bank executives who were paid $1 million or more in 1989

Rank 1989	Rank 1988		Remuneration 1989	Remuneration 1988
1	--	**Roberto G. Mendoza**[1], 44 Vice chairman of J.P. Morgan & Co.	$2,000,000 ...	N.A. ...
2	6	**A.W. Clausen,** 67 Chairman and CEO of BankAmerica Corp.	1,737,500 +15.8	1,500,000 +93.5
3	4	**John F. McGillicuddy,** 59 Chairman and CEO of Manufacturers Hanover Corp. and Manufacturers Hanover Trust Co.	1,680,323[2] + 2.1%	$1,646,306[2] +101.1%
4	1	**Lewis T. Preston**[3], 63 Chairman of executive committee of J.P. Morgan & Co.	1,650,000 - 8.3	1,800,000 +39.6
5	2	**John S. Reed,** 51 Chairman of Citicorp	1,545,917 -14.0	1,798,417 +114.0
6	12	**Carl E. Reichardt,** 58 Chairman of Wells Fargo & Co.	1,522,500 +14.5	1,330,000 +16.6
7	9	**R.J. Flamson 3d,** 60 Chairman and CEO of Security Pacific Corp.	1,514,300 + 5.2	1,439,800[4] +42.7
8	3	**Charles S. Sanford Jr.,** 53 Chairman of Bankers Trust New York Corp.	1,500,000 -14.3	1,750,000 +0.0
9	5	**Barry F. Sullivan,** 59 Chairman of First Chicago Corp.	1,460,824 - 3.5	1,514,368 +72.2
10	6	**Dennis Weatherstone**[5], 59 Chairman of J.P. Morgan & Co.	1,450,000 -3.3	1,500,000 +53.3
11	33	**J. Terrence Murray,** 50 Chairman, CEO, president of Fleet/Norstar Financial Group	1,327,000 +31.9	1,005,769 +21.1
12	--	**Kurt F. Viermetz**[6], 50 Vice chairman of J.P. Morgan & Co.	1,300,000 ...	N.A. ...
13	--	**Clarence C. Barksdale,**[7] 57 Vice chairman of Boatmen's Bancshares, Inc.	1,292,615[4] +50.3	860,243[4] +71.7
14	17	**Lloyd P. Johnson,** 59 Chairman and CEO of Norwest Corp.	1,291,280 +3.9	1,243,026 +9.9
15	--	**Richard M. Rosenberg,**[8] 59 Vice chairman of BankAmerica Corp.	1,250,000 +28.2	975,000 +....
16	21	**Ira Stepanian,** 53 Chairman and CEO of Bank of Boston Corp.	1,247,500 + 6.1	1,176,000[9] +84.9
17	--	**Robert R. Ferguson**[10], 65 Chairman, CEO and president of First Fidelity Bancorp.	1,232,644 +55.6	792,080 - 5.1
18	--	**Frederick Deane, Jr.,** 63 Chairman of Signet Banking Corp.; Signet Bank/Maryland & Signet Bank/Virginia	1,219,726 +49.4	816,399 +75.4
19	24	**Charles T. Fisher 3d,** 60 Chairman and president of NBD Bancorp Inc.	1,210,012 +11.1	1,088,813 +19.1
20	13	**Edward A. Lesser,** 56 Executive vice president of Bankers Trust New York Corp.	1,200,000 - 7.7	1,300,000 +0.0
20	13	**Ralph L. MacDonald Jr.,** 48 Executive vice president of Bankers Trust New York Corp.	1,200,000 - 7.7	1,300,000 +0.0
20	13	**Eugene B. Shanks Jr.,** 43 Executive vice president of Bankers Trust New York Corp.	1,200,000 - 7.7	1,300,000 +0.0
20	13	**George J. Vojta,** 54 Executive vice president of Bankers Trust New York Corp.	1,200,000 - 7.7	1,300,000 +0.0
20	18	**Hugh L. McColl Jr.,** 54 Chairman of NCNB Corp.	1,200,000 +0.0	1,200,000 +184.0
25	8	**Willard C. Butcher,** 63 Chairman and CEO of Chase Manhattan Bank NA	1,178,088 -19.2	1,458,088 +32.2
26	30	**J. Carter Bacot,** 57 Chairman and CEO of Bank of New York Co.	1,165,327[11] +13.2	1,029,235[11] +10.4
27	18	**John F. Ruffle,** 52 Vice chairman of J.P. Morgan & Co.	1,150,000 - 4.2	1,200,000 +51.3
27	22	**Thomas C. Theobald,** 52 Chairman of Continental Bank Corp.	1,150,000 +4.5	1,100,000 +69.2
27	34	**Douglas A. Warner 3d**[12], 43 President of J.P. Morgan & Co.	1,150,000 +15.0	1,000,000 ...
30	--	**Paul Hazen,** 48 President of Wells Fargo & Co.	1,122,502 +18.8	945,000 +13.5
31	--	**Frank V. Cahouet,** 57 Chairman and CEO of Mellon Bank Corp.	1,119,545 +14.8	975,580[4] + 8.4%
32	10	**Walter V. Shipley,** 54 Chairman of Chemical Banking Corp. and President of Chemical Bank	1,119,500 -19.0	1,382,313[4] +87.4
33	--	**Victor J. Riley, Jr.**, 58 President and CEO of KeyCorp	1,100,935 +39.6	788,911 +10.3
34	--	**Thomas H. O'Brien,** 53 Chairman, president & CEO of PNC Financial Corp	1,090,072 +17.8	925,373 +16.7
35	23	**Robert Van Buren,** 64 Chairman and CEO of Midlantic Corp.	1,080,000 - 1.2	1,092,760 +11.8
36	--	**John B. McCoy,** 46 Chairman of Bank One Corp.	1,076,109 + 8.0	996,549 +18.6
37	--	**J.J. Pinola,** 64 Chairman and CEO of First Interstate Bancorp	1,069,040[4] +12.4	950,916[4] +17.6
38	31	**Edward A. Farley**[13], 65 Vice chairman of Manufacturers Hanover Corp. and Manufacturers Hanover Trust Co.	1,039,003[2] + 1.6	1,022,387[2] +148.9
39	27	**George F. Moody,** 59 Chairman of the executive committee of Security Pacific Corp.	1,030,400 - 0.9	1,040,000[4] +41.5
40	--	**Robert H. Smith,** 54 President, CEO, and chairman of Security Pacific National Bank	1,027,900 +14.9	894,800[4] ....
41	--	**Thomas S. Johnson**[14], 49 President of Manufacturers Hanover Corp. and Manufacturers Hanover Trust Co.	1,009,917 + 1.9	990,646 ....
42	--	**Richard M. Kovacevich,** 46 President and COO of Norwest Corp.	1,009,294 + 1.5	994,180 + 2.5
		Dropping out of the club		
--	32	**Richard L. Thomas,** 59 President of First Chicago Corp.	986,590 - 3.1	1,018,153 +64.8
--	26	**Thomas G. Labrecque,** 51 President of Chase Manhattan Bank NA	942,200 -11.7	1,067,600 +33.9
--	28	**Richard S. Braddock,** 48 President, Citicorp	876,583 -15.2	1,033,750 +95.2
--	28	**Lawrence M. Small,** 48 Vice chairman, Citicorp	876,583 -15.2	1,033,750 +95.2
--	34	**John T. Olds**[14], 46 Managing director of J.P. Morgan & Co.	N.A.	1,000,000 ...
..	25	**Hans H. Angermueller,** 65 Vice chairman, Citicorp[15]	Retired	1,085,607 +92.1
--	18	**William L. Brown,** 68 Chairman of Bank of Boston Corp.[15]	Retired	1,200,000[9] +37.3
--	11	**Philip M. Hampton,** 57 Vice chairman of Bankers Trust New York Corp.[15]	Retired	1,350,000 +0.0

Remuneration includes total dollar amount of salary, bonus or incentive payments, profit sharing, and all other remuneration (such as insurance premiums, club membership fees, and tax service fees paid by the corporation for the executive), whether current or deferred, attributable to services rendered in 1989 and 1988, respectively. Percent changes are for remuneration from 1987 to 1988 and from 1988 to 1989.

[1] Became vice chairman of the company and of Morgan Guaranty Trust Co. on Jan. 1, 1990. Previously, he was managing director of the bank from Feb. 1989 and executive vice president.

[2] Includes dividends on stock received under long-term incentive plan.

[3] Was chairman of the board during 1989.

[4] Includes remuneration received under long-term incentive plan.

[5] Became chairman on Jan. 1, 1990.

[6] Became vice chairman on Jan. 1, 1990. Previously, he was treasurer.

[7] Retired July 1, 1989.

[8] Appointed president of the corporation and Bank America NT&SA on Feb. 5, 1990.

[9] Does not include bonus for 1988 but includes bonus for 1987 that was paid in 1988.

[10] Retired in Feb. 1990.

[11] Also received cash and common stock under long-term incentive plan: $58,391 in 1989 and $326,991 in 1988.

[12] Became president of the company and of Morgan Guaranty Trust Co. on Jan. 1, 1990. Previously, he was managing director of the bank from Feb. 1989 and executive vice president.

[13] Retired on Dec. 31, 1989.

[14] Elected president on Dec. 19, 1989. Remuneration for 1989 consists of $484,917 received as president Chemical Banking Corp.; a $500,000 payment in connection with the commencement of his employment at Manufacturers Hanover; and an estimated $25,000 in salary for the last two weeks of 1989 based on his base annual salary of $650,000 per year.

[15] Title in 1988 was executive vice president.

[16] Title in 1988.

N.A.— not available.

Source: Banks' proxy, 10K statements, and American Banker questionnaire.

Compiled by American Banker, Copyright 1990.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 14, 15

C01751

AMERICAN BANKER

VOL. CLV NO. 74 | Tuesday, April 17, 1990 | 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Keating Case A Surprise Test Of U.S. Powers

By ROBERT TRIGAUX

WASHINGTON — A few months ago, virtually no one gave Charles H. Keating Jr. a chance of winning a suit seeking the return of his seized thrift, Lincoln Saving and Loan Association. But now that Mr. Keating is having his day in court, some observers are beginning to hedge their bets.

Mr. Keating was to conclude his testimony today in hearings that legal experts say are proving to be a surprising test of federal regulators' power.

"Typically, cases like this never get this far," said one thrift lawyer, who noted that courts tend to defer to federal agencies in matters of bank and thrift supervision.

ANALYSIS: *Follow-up on the news*

Lincoln was taken over by the government almost a year ago, and thrift regulators have said it will cost the government $2 billion or more to cover its losses. In litigation that has cast the controversial Mr. Keating into the national spotlight, Lincoln and its parent, American Continental Corp., have sued the government to reverse the takeover.

To be sure, most lawyers still expect the government to prevail and retain control of Lincoln Savings. But, said one lawyer, "I am less certain today than two months ago."

Mr. Keating's spirited attack on the government has far exceeded the expectations of the legal community. In testimony last week, for example, his questions about how regulators wrote down Lincoln assets seemed to put the government on the defensive. Federal District Judge Stanley Sporkin asked the defense to supply information on how Lincoln's assets were valued.

Conservatorship Deemed Key

"If I were FDIC general counsel, I'd be worried," said one former government attorney who asked not to be identified. "There's so much going on with respect to Keating. Maybe the regulators will be in fine shape, but if the activities of Lincoln's conservatorship are called into question – wow!"

Indeed, some attorneys point to the recent success of Olympic Federal Savings and Loan, Berwyn, Ill., in at least temporarily halting the Office of Thrift Supervision from seizing it. That decision was later overturned, but thrift lawyers say it shows that federal agencies are not all-powerful in the court system.

See **BEHAVIOR** *page* **9**

INSIDE NEWS

TECHNOLOGY

CITICORP ANNOUNCED that it has switched $30 million in telecommunications business from AT&T to MCI Communications Corp. *Page 3*

CONSUMER

GOLD CARD PROGRAMS may be approaching limits to their growth after a decade of aggressive and largely successful promotions. *Page 6*

INTERNATIONAL

THE STEEP DECLINE in U.S. banks' share prices may tempt European predators to acquire institutions. *Page 10*

FINANCE

THE SYNDICATION of a $680 million loan to finance Georgia Gulf's leveraged recapitalization appears to be going well. *Page 22*

PEOPLE

IRVING MARGOL, head of Security Pacific's community reinvestment initiative, has spent years aiding the cause of minorities at the bank. *Page 2*

REAL ESTATE

AN OVERSUPPLY of small shopping centers may pose a host of new problems for banks. *Page 8*

OTHER NEWS

BANC ONE CORP. posted first-quarter profits of $101.8 million, up 16.7%. Its Texas unit contributed $10.7 million. *Page 2*

COMMENT

BANKERS FAMILIAR with methods of comparing investment opportunities have a better chance of making optimal choices, writes Sanford Rose. *Page 4*

INDEX

Company Index 2
Crime Blotter 4
Executive Changes 12
Classified Advertising 18
Bank and Thrift Stocks 23

Deposits Rose Less than 5% At Credit Unions Last Year

By BILL ATKINSON

WASHINGTON — In the legislative battle to rein in credit unions, bankers have lost some of their fuel. They can no longer complain of skyrocketing deposit growth at their tax-exempt rivals.

Data from the National Credit Union Administration show that deposits rose 4.7% in 1989 at the federally-insured institutions it regulates. That is the lowest percentage gain in eight years and is in stark contrast to increases exceeding 20% in 1985 and 1986.

Growth in Line with Banks'

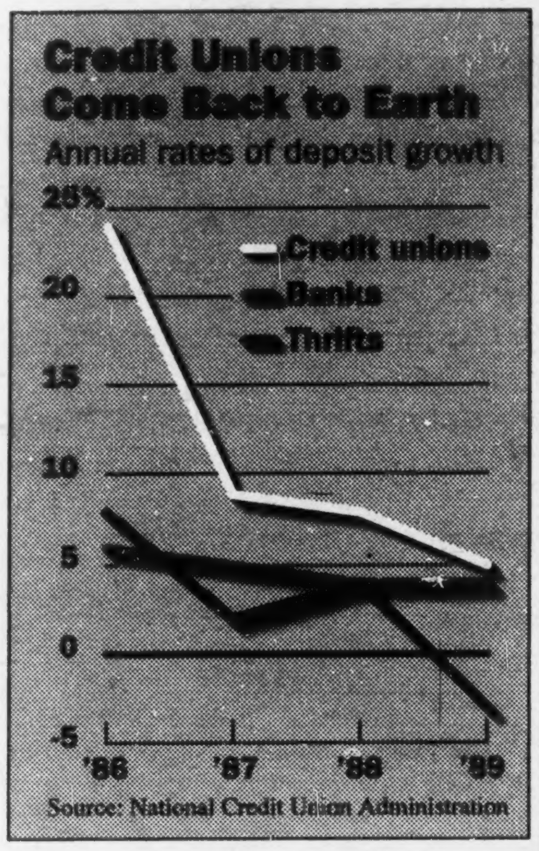
The growth at credit unions was slightly ahead of the 4% deposit increase at commercial banks last year, but commercial banks' aggregate $2.5 trillion in deposits dwarfed the $167 billion in credit unions.

Meanwhile, bankers are blasting credit unions, charging them with unfair competition. In a national lobbying effort, the American Bankers Association has accused credit unions of stretching the definition of common bonds – the membership definition that historically limited their customer bases – and has called for an end to their tax-exempt status.

Industry followers contend that the credit union slowdown is a result of several economic and competitive factors – and perhaps some jawboning by the National Credit Union Administration to deflect criticism from bankers. While the regulatory agency has emphasized capital ahead of growth, credit union interest rates have fallen more in line with those of financial institutions, and competition is intense for a limited pool of consumer savings.

"I don't think we will see growth like [the mid-1980s] for years," said John T. Roycroft, vice president of Callahan and

See **DEPOSITS** *page* **6**



Credit Unions Come Back to Earth

Annual rates of deposit growth

Source: National Credit Union Administration

Chase Profit Drops 67%; Real Estate Is Pothole

By JED HOROWITZ

NEW YORK — A higher-than-expected increase in bad real estate loans battered Chase Manhattan Corp.'s profits in the first quarter, while Manufacturers Hanover Corp. and J.P. Morgan & Co. reported a decline in core earnings more in line with investors' expectations.

Stocks of the three bank companies were down at the close on Monday, while major market indexes edged up. Chase slipped $1.50, to $27.875; Morgan eased 12.5 cents, to $35.375; and Manufacturers Hanover fell 25 cents, to $34.25.

Chase said its net income in the quarter fell 67% to $44 million, largely because of a 73% increase in its loan-loss provision and a $272 million increase in nonperforming real estate loans. Several analysts said they might reduce their yearly estimates for the nation's second-largest bank company because of the extensive real estate problems.

Manufacturers Hanover said its net income fell 7% to $96 million, but analysts applauded the

See **CHASE** *page* **7**

Bank of NY Deal Becomes Dispute Over Stock Value

By GORDON MATTHEWS

NEW YORK — The proposed friendly acquisition of Northeast Bancorp. by Bank of New York Co. turned nasty Monday as a $377 million dispute over the value of the deal became public.

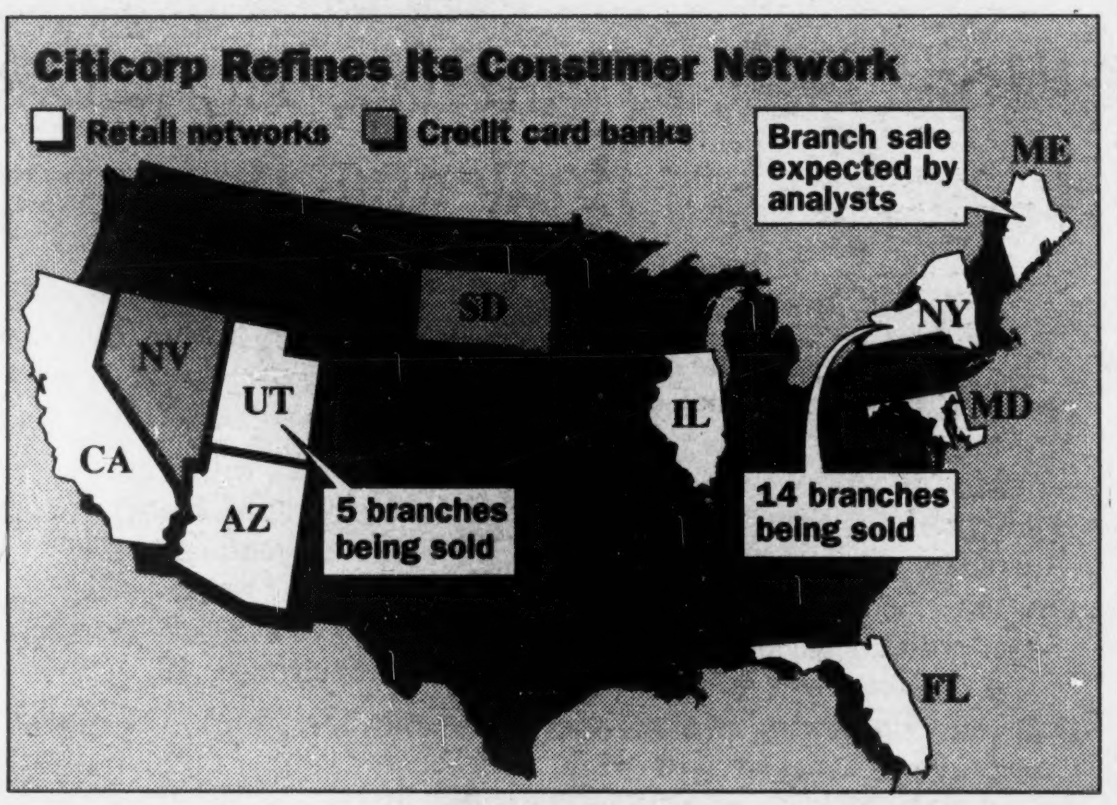
The dispute came to the forefront as Bank of New York prepared to file an application with the Federal Reserve Board for the purchase of the Stamford, Conn., bank.

At issue is a wide disagreement over the book value of Northeast's shares, in light of the deterioration of Connecticut real estate values.

In a statement late Monday, reported by Reuters, Northeast management said it could not understand how Bank of New York determined a book value of $12.31 for each Northeast share as of Dec. 31. Northeast put its yearend book value at $33 a share.

Bank of New York had agreed to a purchase price of 2.5 times

See **DISPUTE** *back page*



Citicorp Refines Its Consumer Network

Citicorp Is Beginning to Define Limits of Its Domestic Expansion

By ELLEN MEMMELAAR

NEW YORK — Citicorp, the company that many smaller banks have come to fear the most for its ability to enter new markets seemingly at will, is becoming selective about where it will go.

In recent weeks, Citicorp has agreed to sell branches in upstate New York and Utah to banks more active in those areas. Analysts expect more branch sales as Citicorp tries both to bolster its capital and focus on regions and businesses that it deems integral to its strategic plan.

The moves do not signal a full-scale retreat from retail markets by the nation's largest banking company. Citicorp boasted in its recent annual report that it provides at least one service to one in four American households. Much of that reach comes from the company's vast credit card operation, which has issued

See **CITICORP** *page* **20**

COMMENT/*By Sanford Rose*

How to Calculate Investment Returns

How should a banker determine where to invest his institution's funds? Although many bankers are familiar with the methodology for comparing investment opportunities, a significant number are not. And this lack of familiarity often results in suboptimal financial choices.

Quite obviously, it makes little sense to choose among competing assets by looking only at their gross yields. These yields must be adjusted for the cost of match-funding the investments plus likely credit losses, noninterest expenses, and options risk – e.g., the risk that a borrower will prepay his loan.

Additionally, to figure out his bottom-line profit, the banker must divide his returns by an amount of allocated capital sufficient to cover unexpected losses. Since the amount of unexpected losses depends crucially on the extent of portfolio diversification, the banker cannot view each investment opportunity in isolation.

He must assess how the marginal investment meshes with his existing portfolio. For example, will a new loan improve portfolio diversification because the fortunes of the new customer tend to vary inversely with those of existing customers? Or will it increase concentration risk because a given economic shock is likely to have much the same impact on the new customer as on the old ones?

Diversification analysis is complicated. So for the sake of simplicity, let us assume that each of three investment opportunities – a conventional whole mortgage loan, a consumer loan, and a junk bond – have the same diversification impact on the banking company's portfolio. Given this assumption, Michael Giarla, a partner at Smith Breeden Associates, an investment counseling firm based in North Carolina, offers the following analysis of the returns promised by each of these investment choices.

Costing the Rate Risk

The gross yields on the three assets are assumed to be as follows: the mortgage, 11%; the consumer loan, 12%; and the junk bond, 14.5%. The bank's short-term funding cost equals 8%. But since each asset has a different average life, the banker must fund at a different maturity in order to neutralize interest rate risk. The extra costs of match-funding the assets – that is, the premiums over the short-term rate which must be paid to get longer-dated funds – are assumed to be 1% for the mortgage (although, in actual practice, this figure is probably considerably understated), 0.50% for the consumer loan, and 0.75% for the junk bond.

Next the banker must adjust the yields for average credit losses – say, 0.50% for the mortgage, 1.50% for the consumer loan, and 4% for the junk bond. Options, or prepayment, risk necessitates the following further subtractions: 0.60% for the mortgage, 0.40% for the junk bond, and only 0.10% for the consumer loan.

Tallying these deductions, the banker notes that the consumer loan appears to afford the highest margin – 1.80% versus 1.35% for the junk bond, which is clobbered by the high credit-risk deduction, and only 0.90% for the mortgage, which has the lowest gross yield and also the most options risk.

Capital earns its share of the assets – plus the leverage spread.

But, of course, the banker can't stop here. He has to make a final deduction for noninterest expenses. These are assumed to vary from 0.25% for the mortgage, to 0.50% for the junk bond, to 1.50% for the consumer loan.

Hence, we arrive at a net "expected" spread of 0.30% for the consumer loan, 0.65% for the mortgage, and 0.85% for the junk bond. The emphasis is on the word "expected" because the banker could have been incorrect in many of his assumptions. For example, as noted, the mortgage may, and very probably does, have a much higher match-funding cost than is being estimated here.

Calculating the Bottom Line

Nevertheless, having made his best guesses, the banker is now prepared to divide the expected net spreads by the amount of allocated capital. According to regulatory requirements, the banking institution needs only 4% capital to backstop the mortgage, but 8% for both the consumer loan and the junk bond.

If, after analyzing the likely variance of losses on each asset, the banker is satisfied that he needs no more than the minimum capital required by the regulators in each asset category, he can proceed to determine his bottom-line profit or return on allocated capital.

This calculation, however, is a bit trickier than most people think. The banker's capital earns its share of the assets plus the leverage spread – i.e., the spread between the remaining assets and liabilities.

So for every $100 invested in mortgages, the rate earned on the $4 in required capital equals 8.65% – the full 11% gross yield minus the allowances for credit, interest rate, and options risk and for noninterest expenses. And the rate earned on the remaining $96 of invested assets equals 0.65% – the gross yield minus all the various adjustments and the 8% short-term funding cost.

Lowest Yield, Highest Profit

This produces a pretax return of 24.3% on the mortgage. And the same calculation shows an 11.9% return on the consumer loan and an 18.6% return on the junk bond.

So, despite the fact that the mortgage has the lowest gross yield, it results in the highest bottom-line profit. A decision based on yield alone would have produced an incorrect choice (the junk bond), as would a decision based solely on risk-adjusted margin (the consumer loan).

To be sure, if the difference between long and short rates is such that the cost of adjusting the mortgage for interest rate risk is not 1% but closer to 1.8%, the picture changes radically. The net mortgage spread equals minus 0.15% and the return on equity is a minuscule 4.3%.

The point is that the banker must make sure that his assumptions are unbiased and reasonably accurate. Only then can he hope to arrive at the optimal choice of assets, provided he incorporates all the elements required for the analysis – yield; cost of funds; adjustments for interest rate, credit, and options risk; noninterest expenses; and capital allocation. ☐

CRIME BLOTTER/*By Tom Leander*

Three Convicted In Montana Fraud

Real Bird, the tribal chairman of the Crow Indians of Montana, was convicted last week of two counts of bank fraud and one count of conspiracy in connection with a loan scam involving officials from the Crow reservation near Billings.

Also convicted in U.S. District Court were Willie Stewart Jr., who is chairman of the Crow Land Resources Committee, and Theodore Hogan, former tribal secretary.

The defendants were accused of misleading First Citizens Bank of Billings and the Billings Credit Union into approving loans by assuring loan officers that the tribe was in the process of buying $296,500 of Mr. Hogan's land, even though they knew the land had already been foreclosed on by Little Horn State Bank, Hardin, Mont.

U.S. Attorney Carl Rostad said the defendants had pocketed more than $50,000 as a result of the scheme. The convictions are expected to be appealed.

Sentencing was scheduled for July 17. The three each face up to 12 years in prison.

* * *

Oregon Robberies Down 46% in 1989

Oregon banks, which experienced the highest rate of bank robberies in the nation in 1988, got a breather last year. The number of bank robbers fell 46% to 187, down from 346 in 1988, according to the Federal Bureau of Investigation.

The FBI in Portland attributed the drop to a crackdown on crime.

* * *

Decision Is Made In Polygraph Case

A bank executive and the bank's in-house counsel at Minnesota Savings Bank, Minneapolis, will not have to pay punitive damages for ordering an employee to take a polygraph test. The court determined they did not know of a state ban.

The law bans the solicitation of a polygraph test by an employer and creates a private cause of action if a boss imposes such a test. But the court found that the punitive damages can be awarded only if the officers had shown a "willful indifference" to the Minnesota law and also found that the bank executive and attorney showed "good faith but mistaken belief."

The court, however, upheld punitive damages against the bank security officer, who had knowledge of the law but administered the tests anyway.

* * *

Two Men Accused As Taxi-Using Robbers

Two Chicago men who allegedly robbed banks using a waiting taxi as a getaway car were arrested in Chicago recently, after FBI agents traced the men to a motel by using cab company records.

Charles Tinsley, 33, and Andrew Traeger, 37, are suspects in the robberies of Heritage Bank of Oak Lawn on March 24; LaSalle National Bank, Chicago, on March 19; and North Community Bank, Chicago, on March 16.

In each robbery, witnesses told police, one robber would remain in the cab while another entered the bank and handed the tellers a threatening note. No weapons were used.

FBI spokesman Robert Long said that Mr. Tinsley and Mr. Traeger are suspected of mailing back half the $6,600 allegedly stolen from Heritage Bank. Investigators were trying to learn the motive for the payback.

* * *

License Number Aids In Suspect's Capture

Michael Kriteman was clad in a towel and on his way to the shower to wash off the red dye from an exploding packet of loot when, police said, they rang his doorbell and nabbed him for robbing Rockland Trust Co. in Brockland, Mass., an hour before.

Mr. Kriteman, 30, a suspect in seven other bank robberies in the area, allegedly entered the Rockland branch and handed over a note to the teller that read "Give me money. I have a gun." The teller handed over an undisclosed sum of money that hid a packet of exploding red dye.

A witness copied down the license plate number. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

STOCKS

Dispute Brews Over Book Value Of Northeast

Continued from *page* **1**

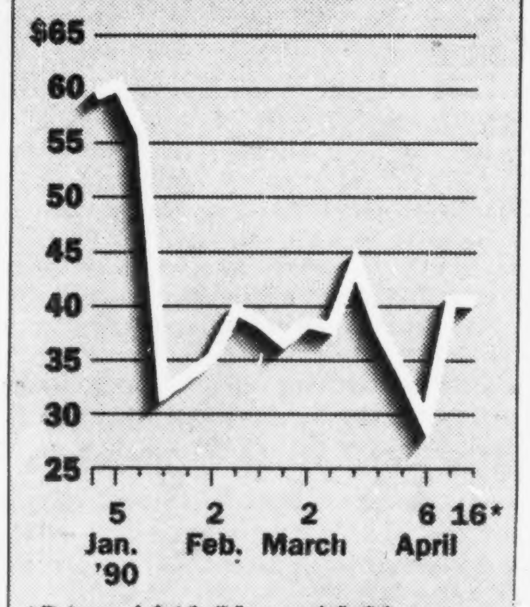
Northeast's book value. In effect, Northeast calculates the value at about $602 million, while Bank of New York puts it at about $225 million.

Shares of Northeast Bank never opened for trading on Monday.

The stock skyrocketed $11.25 to $40.50 in two days last week after Bank of New York chairman J. Carter Bacot said a filing was imminent. The stock traded as high as $61 in January, before Mr. Bacot made pessimistic remarks about the merger.

Northeast Bancorp's Rugged Ride

Price per common share



*Price of $40.50 as of 3:30 pm

Source: DB Technology Inc.

Separately, Northeast reported a loss of $6.5 million for the first quarter, versus a profit of $8.7 million a year ago.

The bank added $27.5 million to its reserve for loan losses and charged off $28.5 million of bad loans in the quarter. Reserves fell to $49.6 million at the end of the quarter from $50.1 million at yearend.

Setting the stage for a potential legal donnybrook, Northeast said it was prepared to enforce its merger pact with Bank of New York, according to the terms of its agreement as well as on the basis of the book value approved by its auditors.

This dispute marks the latest chapter in the saga of what is often regarded as one of the nation's landmark, if incomplete, bank acquisitions. The deal has been pending since 1983.

Landmark Deal

Bank of New York's plan to acquire Northeast prompted the U.S. Supreme Court to decide in 1985 that states did not violate the Constitution by forming exclusive regional compacts to prevent entry by banks from large states like New York.

The high court ruling ushered in the era of interstate banking, but put the Bank of New York-Northeast deal on hold. In the meantime, the stakeout arrangement has supported the stock of Northeast, which is based in Stamford, Conn., and is the parent of Union Trust Co.

With a recession in New England, the Connecticut legislature this year dispensed with the New England compact and opened the state to all entrants on a reciprocal basis. That finally placed the Bank of New York deal in the realm of possibility.

But that was after Northeast had reported weakened fourth-quarter earnings that caused its stock to plunge. Investors grew worried that Bank of New York would balk at completing the deal because of the collapse of New England's real estate market and sharply higher nonperforming loans at Northeast.

Observers believe this is the last point at which Bank of New York could file the application and expect to get a regulatory decision in time to meet the Aug. 15 expiration date on the merger agreement.

* * *

Yesterday's Market

Last week's bank stock rally did not survive the long Easter holiday. The stock market was broadly higher on Monday, but big bank stocks mostly edged lower as cautious investors attempted to digest a flood of bank earnings announcements.

Several analysts said the market for bank stocks seemed to be hurt by reactions to a trio of earnings announcements from New York money-centers, and by a wait-and-see attitude about the earnings and dividend of Citicorp, which is expected to report results today.

In late afternoon trading, Chase Manhattan Corp. slipped 37 cents to $29, J.P. Morgan & Co. eased 12 cents to $35.37, and Manufacturers Hanover Corp. fell 25 cents to $34.25. At the same time, Citicorp eroded 12 cents to $24.75.

"The Chase earnings report was very disappointing, and Morgan was not exciting," noted Richard X. Bove, an analyst for Dean Witter Reynolds Inc. "Manufacturers did better than expected, but the stock was down anyway." □

CAPITAL

LDC Reserve Picture Rosier, Study Shows

By KELLEY HOLLAND

There's a bright spot on the horizon for banks' loan-loss reserves, according to a report released by Keefe, Bruyette & Woods Inc.

Because much of the Mexican debt exposure of American banks has been restructured into more secure bonds collateralized by Treasury securities, many of the banks could begin to show a better reserve ratio against their loans to lesser-developed countries.

That's good news for banks that have been struggling to boost loan-loss reserves. The Keefe study indicates that major banks' reserves against medium- and long-term loans to Third World countries could increase to about 65%, up from 51%.

A Scorecard on Mexican Debt Plan

	Principal reduction bond	Interest reduction bond	New money
Bank of New York Co.	100%	0%	0%
BankAmerica Corp.	0	60	40
Bankers Trust New York Corp.	25	75	0
Chase Manhattan Corp.	30	70	0
Chemical Banking Corp.	30	70	0
Citicorp	0	0	100
Continental Bank Corp.	0	100	0
First Chicago Corp.	0	100	0
Manufacturers Hanover Corp.	50	50	0
J.P. Morgan & Co.	50	50	0

Source: Keefe, Bruyette, & Woods Inc.

"An important element of the LDC picture has been dealt with through the Mexican debt restructuring, " said James J. McDermott, director of research at Keefe Bruyette. "It should promote a decrease in LDC fears."

Banks were offered three options in the debt restructuring agreement with Mexico. They could exchange their loans for new bonds collateralized by Treasury bonds with a lower principal amount but the same coupon as the rate on the loans. They could exchange their loans for bonds with the same principal amount but a lower interest rate, or they could lend new money to Mexico equal to 25% of their loans.

Several Options Exercised

Banks could choose any of the options for part or all of their term loan portfolio. Their selections ran the gamut, with Citicorp only lending new money against its portfolio and Bank of New York planning to exchange all its loans for the principal-reduction bonds.

Calculating LDC loan exposure as if they had written down their principal-reduction bonds and excluded their Mexican loans from their LDC loan exposure as of the end of 1989, money-center banks' reserves rose to 65% of their LDC loan exposure from 51%, at the end of 1989.

First-quarter earnings announcements now coming out will give industry observers their first peek at how banks intend to account for their newly restructured Mexican loans. The Mexican debt swap idea was advanced in the fall of last year, and banks signed off on the plan during the first quarter.

Key Accounting Issues

Key questions are whether the banks will write down the loans they exchanged for principal or interest-reduction bonds, and whether they will classify any or all of their restructured loans as nonperforming assets.

Banks' accounting treatment of their new Mexican bonds varies widely, and makes it harder for investors to compare different banks' performance.

"There's enormous head-scratching going on," said one analyst.

Take J.P. Morgan, for example. That bank took a first-quarter charge of $232 million because the bank wrote down both its interest-reduction bonds and its principal-reduction bonds. In contrast, Manufacturers Hanover Corp. reported a 35% write-down only on the $639 million it restructured as principal-reduction bonds. The banks' principal-reduction bonds were issued at 65% of the face value of the loans exchanged.

Banks vary as well on whether they will classify their restructured Mexican loans as nonperforming assets. □

Who,
What,
When,
Where,
Why,
How.

Research the national debt. Foreign loans. The S&L crisis. What's up at the Fed. Legislation, monetary policy, the prime rate and more. Much more.

Use the American Banker Online database.

A solid decade of news, events, data and statistics as chronicled in the nation's leading financial services newspaper, updated daily. **Call 1-800-356-4763 for more information.**

American Banker ONLINE

Now!

Find American Banker Online on Mead Data Central's NEXIS, DIALOG Information Services, Dow Jones News/Retrieval, Reuter TEXTLINE, DataTimes, DataStar, and NewsNet.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 24

800

C01751

TOP BANKS RANKED BY CAPITAL
Tables begin on page 18

AMERICAN BANKER

NEWSPAPER
15538900015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 76 *Thursday, April 19, 1990* *155th year*

Frozen Accounts May Spur Suits Against Banks

By ROBERT M. GARSSON

WASHINGTON — Banking experts warned Wednesday that 173 financial institutions covered by a court order freezing accounts linked to the alleged laundering of drug money face potential legal problems from both their customers and the government.

"Banks are being placed between two warring parties," said Karen Shaw, executive vice president of the Institute for Strategy Development.

ANALYSIS: *Follow-up on the news*

Although amendments to financial privacy law have provided good-faith exemptions for institutions that cooperate with the government, "banks still face considerable liability," Ms. Shaw said.

For example, if a court order contains an incorrect account number and a financial institution freezes money of a customer not under investigation, the institution could face a lawsuit, Ms. Shaw said.

Enmeshing Investigations

The larger risk is of being tangled in an investigation of money laundering.

So far, law enforcement officials have not suggested that any of the 173 banks knew the accounts may have been used illegally. But officials may conclude that some of the institutions should have known they were dealing with drug dealers or drug money.

In that case, the institutions may be required to prove that they took every reasonable step to ensure that the accounts represented legitimate businesses or individuals.

'Know Your Customer'

"There are requirements to know your customer, and there is a concept known as 'willful blindness,' which means you knew something was amiss but didn't follow up," said John Byrne, a lawyer who specializes in money-laundering issues for the American Bankers Association.

At a minimum, any bank investigated in connection with the accounts frozen Tuesday is likely to spend millions of dollars assembling a defense.

"They are going to run up some serious dollars" in expenses, said Ms. Shaw. "The legal departments don't know about every account, so they are going to have to go back and document how the account was handled, whether CTRs were filed and so forth." CTRs, or

See **FROZEN** *page* **36**

INSIDE NEWS

FINANCE

AMES DEPARTMENT Stores is said to be talking to several banks, including Chemical, about obtaining debtor-in-possession financing in the event it files for protection under Chapter 11. *Page 38*

INTERNATIONAL

AMERICAN EXPRESS plans to build a tangible presence in Eastern Europe by the end of 1990. *Page 12*

CONSUMER

A MARKET DATA FIRM in New York defines the psychological profiles and attitudes of current or prospective customers using a test that measures self-esteem. *Page 6*

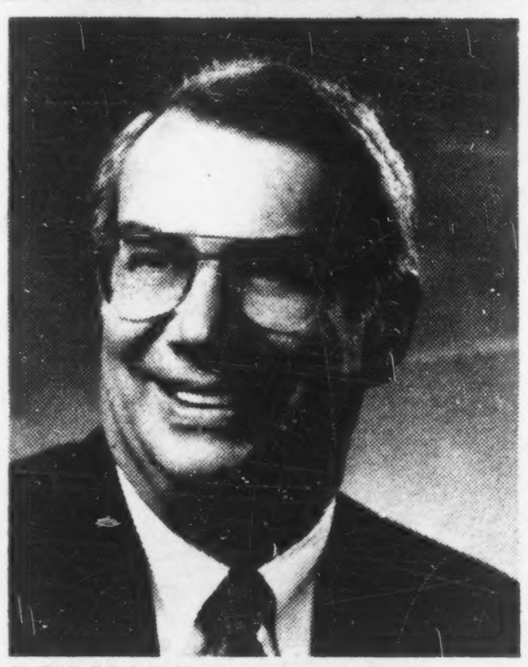
TECHNOLOGY

SOVRAN FINANCIAL and Citizens and Southern have been working for the past six months to plan the consolidation of their operations. *Page 3*

MANAGEMENT

QUALMS OVER QUAKES, along with concerns about a city's climate and image, can play a big role in determining where bank executives relocate. *Page 8*

THRIFTS



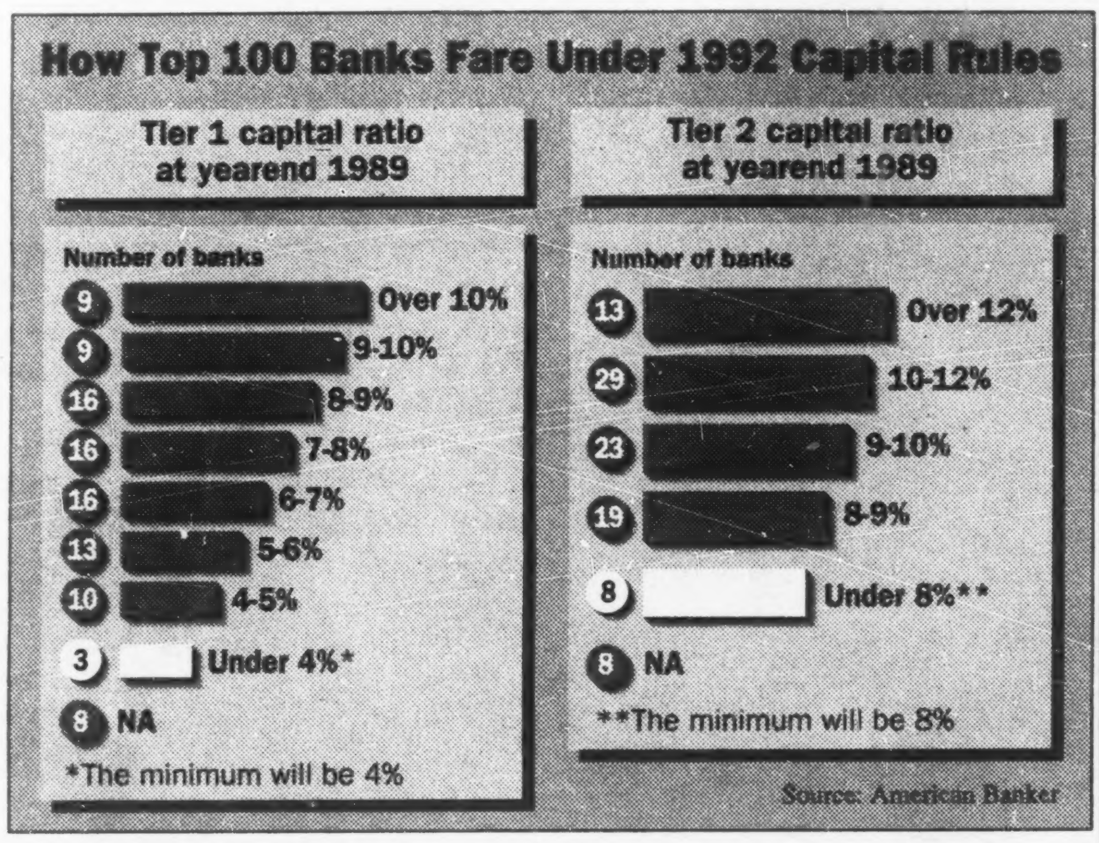
LEONARD S. SIMON, chairman of Rochester Community Savings Bank. tackled the company's growth problems by winning permission to acquire a sickly S&L in New Jersey. *Page 5*

COMMENT

THE S&L FIASCO points up the danger of government intervention in markets, writes William M. Isaac. *Page 4*

INDEX

Company Index 2
The Lobbyists 4
Executive Changes 20
Classified Advertising 34
Bank and Thrift Stocks 39



Source: American Banker

Most Big U.S. Banks Already Meet Capital Levels of the Basel Accord

By KELLEY HOLLAND

NEW YORK — The overwhelming majority of America's largest banks already meet the tough international capital standards that take effect in 1992, an *American Banker* survey found.

As of yearend 1989, at least 89 of the nation's top 100 bank holding companies reported that they had total capital in excess of the regulatory minimum of 8% of risk-adjusted assets that will be enforced beginning in 1992.

The same number of banking companies said that their Tier 1 capital, which consists mostly of equity, was above the 4% minimum agreed to by international regulators in the Basel accord of 1987.

Leading America's banks in both categories was Republic New York Corp., which had total capital of 21.15% and Tier 1 capital of 12.45%. All together, 42 banks had total capital in excess of 10% of risk-weighted assets, and nine had Tier 1 capital above that level. (See tables starting on page 18.)

At the bottom of the banks reporting was Bank of New England Corp., which reported a total capital ratio of 3.45%. The bank's capital ratio suffered when its real estate portfolio led

See **MOST** *page* **19**

Curb on Unit Is New Blow To Bank of New England

By TOM LEANDER

In yet another setback to the recovery of Bank of New England Corp., federal regulators have imposed strict controls on the bank company's Connecticut unit because of "unsafe and unsound" real estate lending practices.

Similar cease-and-desist orders also are expected to be imposed on the bank company's Maine and Rhode Island subsidiaries in the next two or three weeks, Bank of New England said.

Analysts also said that the controls signaled further problems for the New England economy. Hartford-based Connecticut Bank and Trust Co. was widely considered Bank of New England's healthy unit.

Trend Is Foreseen

"It tells me that real estate problems in Connecticut are trailing Massachusetts by six to nine months," said James E. Moynihan, an analyst for Advest in Boston.

Bank of New England's stock was trading Tuesday afternoon

See **U.S.** *page* **9**

Chemical Seeks Bids on Units Managing Assets

By JED HOROWITZ

NEW YORK — Like several money-center banks that have thrown in the towel on managing investments for pension funds, Chemical Banking Corp. said Wednesday that it is exploring the sale of its institutional asset-management businesses in the United States and Britain.

Chemical said the units on the block have about $5 billion of assets under management. A Chemical spokeswoman would not say how much the bank hopes to get for the companies. She said the units were profitable last year, but she did disclose their revenues.

Several Shed Units

Several money-center banks have shed pension-fund management units in recent years. Generally, large banks have not had the reputation of producing the greatest investment returns for clients in a business that has a number of smaller, more flexible independent investment

See **CHEMICAL** *page* **36**

Retailers' Exodus from Credit Cards Could Bring Banks to Promised Land

By ELLEN MEMMELAAR

NEW YORK — After years of waiting for retailers to drop out of the credit card business, bankers may finally be getting their wish.

With costs rising and market share declining for nonbank issuers, industry sources say it is only a matter of time before they turn many of those operations over to banks.

Department stores, oil companies, and other merchants hold the biggest portion of revolving consumer loans not on banks' books – about one-fourth of the $177 billion in revolving credit that had not been securitized at the end of 1989.

While giant retail card issuers like Sears, Roebuck and Co. are unlikely to pull out of the business, banks' share of that market could rise substantially above their 67% at the end of 1989.

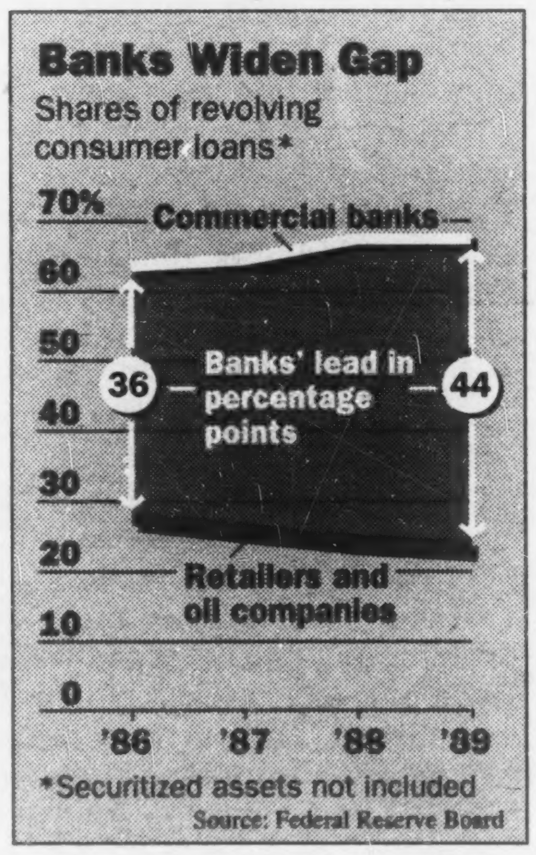
Profiting from the Retreat

Among those poised to take advantage of any exodus are Citicorp, the biggest banking provider of private-label card services to retailers, and GE Capital Corp., the General Electric Co. subsidiary that issues credit cards through a finance company and a bank it owns in Ohio.

Card industry observers point out that the trend is already well established. Banks have gained about four percentage points of the revolving-credit market share at retailers' expense since 1986.

The possibility of letting

See **RETAILERS** *page* **6**



*Securitized assets not included
Source: Federal Reserve Board

COMMENT/*By William M. Isaac*

S&L Fiasco Points Up Folly Of Tampering with Markets

The thrift crisis, culminating in the collapse of the Federal Savings and Loan Insurance Corp., has produced the most expensive bailout in U.S. history. The total cost, most of which will be borne by the taxpayers, is now estimated to be at least $325 billion.

There is an overriding lesson to be learned from this disgraceful episode in American finance: Government policies designed to impede the operation of markets, no matter how well intended, are doomed to fail.

Markets are like great oceans – powerful, unpredictable, and relentless. They eventually overcome any attempts to restrain them.

S&Ls Sprang Up to Meet Need

Thrifts were created in the 19th century in response to a market need. Banks were not satisfying the desire of consumers for a safe haven for their savings dollars and for a vehicle to finance their most basic and expensive need: housing. Thrifts were formed, initially as philanthropic organizations, to fill the void.

Across the span of a century, market conditions changed dramatically. Not only banks, but many other financial intermediaries, recognized the opportunities for profit in serving consumers and developed the products to do so.

In the meantime, the government intervened with a series of measures designed to limit competition. Interest rate controls were put in place to restrict price competition. A rate differential was established to encourage the flow of funds to thrifts. A deposit insurance system was created to maintain stability and to preserve a diverse (and uneconomic) banking structure.

Thrifts Restrained

Laws were passed mandating that thrifts continue to function as nondiversified lenders. Branching restrictions severely curtailed geographic expansion and diversification. And other fences were erected to keep various types of financial intermediaries on their own distinct playing fields.

These attempts to curb the markets appeared to work for a time. They restrained the tides of change. But in the end, they could not prevent nature from taking its course. Inevitably, the pressures built to a level where the ocean of the market exploded through the barriers, devastating everything in its path.

The government made some feeble attempts to respond to these inexorable forces, but its efforts proved too little, too late, at best – and wrongheaded, at worst.

When it became clear by the late 1970s that banks and thrifts were fragile rafts in a sea of change, and were about to be engulfed in the stormy tide of rising and volatile market interest rates, the government abruptly removed rate controls.

Irreversible Damage

But by then, irreparable damage had already been done. Thrifts had amassed huge portfolios of long-term fixed-rate assets on the assumption that liability costs would always be controlled.

Overhead costs had risen to uneconomic levels as banks and thrifts invested heavily in staffs and brick and mortar to enable them to engage in nonprice competition.

Money market funds, commercial paper, and other devices had been developed by nonregulated competitors to bypass increasingly inefficient regulated entities.

Removal of interest rate controls was indeed too little, too late. But that was not the worst of it.

Overzealous Deregulation

Congress and the Reagan administration were repeatedly cautioned by experts that deregulation of interest rates unaccompanied by other substantial changes in the regulatory environment would be a prescription for disaster.

Specifically, they were warned that examination and supervision of depository institutions would need to be strengthened and the deposit insurance system would have to be reformed to ensure that the funds flowed to the stronger, more conservatively managed institutions instead of the highfliers willing to pay the highest rates.

The government not only ignored these warnings, but pursued diametrically opposed policies. The deposit insurance limit was raised from $40,000 to $100,000. The Treasury opposed and congressional hear-

See **THRIFT** *page* **27**

Mr. Isaac, former chairman of the Federal Deposit Insurance Corp., is managing director and CEO of the Secura Group, a bank and thrift consulting firm based in Washington.

THE LOBBYISTS/*By Barbara A. Rehm*

ABA's Byrne Joins Advisory Task Force On Money Laundering

The banking industry will gain a voice in shaping federal money-laundering policies through this week's appointment of lobbyist **John J. Byrne** to a new task force that will advise drug czar **William Bennett** and, more broadly, his **Office of National Drug Control Policy.**

Mr. Byrne, senior federal legislative counsel for the **American Bankers Association,** says the **Drug-Related Financial Crimes Policy Group** aims to balance the needs of bankers as businessmen with the needs of government officials as law enforcers.

The task force may provide a means for bankers to derail burdensome money-laundering regulations – that sound good in theory but impose heavy compliance costs – *before* they get a public airing.

John J. Bryne

Mr. Bryne describes the panel as a "first-tier group to give feedback on notions, ideas, or concepts that may evolve over time into regulations." He adds: "I hope to bring a moderating influence to this group and to use it as a forum."

Officials from the Treasury, Justice, and State departments as well as the intelligence agencies are also being named to the task force. Academia, state and local governments will be represented as well. The group will meet every other month in Washington.

Mr. Byrne says he wants to use his presence on the panel to bolster the Financial Crimes Enforcement Network, a centralized data base; advise members of Congress about currency-reporting rules; and educate the banking industry on regulatory rules and the uses of the financial-crimes data base.

— **Lisa A. Hammond/**
Medill News Service

* * *

Magazine Poll Rates Clout on Capitol Hill

An April 16 *Business Week* diatribe on Congress includes lists of the most and least effective lobbies on Capital Hill.

The banking lobby made both lists.

"We were pleased to be at the top of the most-effective list," said **Edward Yingling,** ABA's executive director for government relations. "Obviously being on the worst list, too, was a bit ironic."

The magazine polled 304 of the Hill's top staffers to see which industries packed the most powerful punch. The "Industries with Clout" list was led by banking, which received 18% of the total votes. On the "... And Industries Without" list, banking was tied for sixth behind the likes of oil companies and utilities.

"You have to take these polls with a grain of salt," Mr. Yingling admitted. "They are not exactly scientific."

* * *

Bank Trade Groups Prepare for Summit

Leaders of the six bank-related trade associations will convene here May 7 for a "summit" meeting.

The top three or four elected officers as well as the top staff person at each association will huddle to hammer out common positions on gnawing issues such as deposit insurance reform, ways to restructure the banking industry, and the decline of the thrift industry.

The trade groups sending representatives are the **American Bankers Association,** the **Independent Bankers Association of America,** the **Consumer Bankers Association,** the **Association of Reserve City Bankers,** and the **Association of Bank Holding Companies.**

These so-called summit meetings have been held about twice a year for the past five years. The last confab was about a year ago, to discuss the thrift-bailout legislation, which was then in its infancy. These summits occasionally lead to lobbying breakthroughs, such as in 1986 when the trade groups built a broad coalition for repeal of the Glass-Steagall Act.

Donald W. Riegle, D-Mich., chairman of the **Senate Banking Committee,** has asked the trade groups for their thoughts on legislation to restructure financial-services regulation.

* * *

Banking Issues Fill Agenda of Realtors

The **National Association of Realtors** has come a long way since negotiating with the **American Bankers Association** two years ago about extending real estate powers to banks. Those talks broke off.

Now, the influential trade association is firmly set against allowing banks entry to the real estate business, says **Stephen D. Driesler,** chief lobbyist for the Realtors.

The bankers and Realtors may not be talking anymore, but when 7,000 NAR members hit town Friday for the trade group's midyear conference, banking issues will crowd the agenda.

Among the bank-related issues to be discussed are the Merchants National case, loans-to-one-borrower limits, and proposals to permit first-time homebuyers to draw funds from tax-deferred individual retirement accounts for down payments.

Stephen D. Driesler

"It seems like next year is shaping up as a critical year," Mr. Driesler said. Lawmakers, he said, "don't want to do anything on [expanded bank] powers without deposit insurance reform." Come January, Treasury is due to report back to Congress on a massive study of the deposit insurance system.

— **Robert M. Garsson**

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

RISK-BASED CAPITAL

Top 100 Banking Companies' Risk-Based Capital

The new tier 1, tier 2, and total capital of the top 100 U.S. bank holding companies on Dec. 31, 1989
Banks are listed geographically, and within state by asset order (in thousands of dollars)

Rank		Total Assets	Tier 1 Capital	Tier 2 Capital	Total Capital	Primary Capital	Tier 1 Cap. Ratio	Total Cap. Ratio	Primary Cap. Ratio
	ALABAMA								
63	**AmSouth Bancorporation**	8,565,389	560,719	192,427	753,146	748,113	9.23	12.01	8.64
68	**SouthTrust Corp.**	7,763,166	496,656	179,156	675,812	622,991	7.02	11.27	7.96
89	**First Alabama Bancshares, Inc.**	5,549,612	489,441	47,866	537,307	526,577	N.A.	N.A.	9.43
99	**Central Bancshares of the South**	4,518,743	307,284	17,805	325,089	338,553	9.00[3]	10.00[3]	7.44
	ARIZONA								
57	**Valley National Corp.**	10,519,481	595,628	148,171	743,799	743,799	N.A.	N.A.	6.88
	CALIFORNIA								
3	**BankAmerica Corp.**	98,764,000	5,393,000	3,360,000	8,753,000	9,614,000	5.61	9.11	9.43
5	**Security Pacific Corp.**	83,943,000	N.A.	N.A.	N.A.	6,302,000	4.10	8.20	7.40
9	**First Interstate Bancorp.**	59,051,407	1,888,476	1,888,476	3,776,952	4,106,727	3.66	7.32	6.79
12	**Wells Fargo & Co.**	48,736,600	2,300,000	2,300,000	4,600,000	4,053,400	4.95	9.91	8.19
66	**BanCal Tri-State Corp.**	7,888,103	437,183[3]	316,588[3]	753,771[3]	610,573	5.57	9.61	7.57
97	**City National Corp.**	4,698,952	281,178	35,979	317,157	317,157	5.98	6.75	6.75
	COLORADO								
81	**United Banks of Colorado, Inc.**	6,080,435	418,915	88,527	507,442	499,923	9.26	11.22	8.13
	CONNECTICUT								
24	**Shawmut National Corp.**	27,855,000	1,625,000[1]	967,000[1]	2,592,000[1]	2,310,000	5.01[2]	8.74[2]	8.08
	DISTRICT OF COLUMBIA								
51	**First American Bankshares**	11,489,707	676,420	83,008	759,428	924,937	8.24	9.26	7.99
69	**Riggs National Corp.**	7,337,187	336,431	303,359	639,790	478,029	6.39	12.15	6.48
	FLORIDA								
23	**Barnett Banks, Inc.**	29,006,690	1,401,764	601,669	2,003,433	2,292,406	6.09[3]	8.61[3]	6.92
40	**Southeast Banking Corp.**	16,525,300	682,300	522,200	1,204,500	1,203,200	5.50	9.70	7.18
67	**Florida National Banks, Inc. (a)**	7,882,734	N.A.	N.A.	N.A.	615,149	N.A.	N.A.	7.63
88	**First Florida Banks, Inc.**	5,564,600	408,000[4]	49,000[4]	457,000[4]	456,983	10.20[4]	11.43[4]	8.14
	GEORGIA								
19	**SunTrust Banks, Inc.**	31,043,627	1,917,119	744,925	2,662,044	2,431,254	8.03	11.01	7.75
33	**Citizens & Southern Corp.**	23,312,787	1,120,000	722,600	1,842,600	1,715,696	5.71	9.40	7.29
93	**Bank South Corp.**	5,136,197	299,263	108,940	408,203	422,173	6.85	9.34	8.16
	HAWAII								
64	**Bancorp Hawaii, Inc.**	8,317,114	479,953	67,732	547,685	567,149	8.86	10.14	6.75
95	**First Hawaiian, Inc.**	5,080,061	281,120	44,154	325,274	315,274	7.76	8.97	6.16
	IDAHO								
100	**West One Bancorp**	4,349,656	339,217	29,806	369,023	326,093	8.50	10.67	7.42
	ILLINOIS								
13	**First Chicago Corp.**	47,907,000	2,517,000	1,791,000	4,308,000	4,198,000	4.70	8.00	8.60
22	**Continental Bank Corp.**	29,549,000	1,680,000	464,000	2,144,000	1,937,000	5.40	6.80	6.47
46	**Harris Bankcorp, Inc.**	12,374,355	705,000	243,000	948,000	938,605	6.20	8.40	7.43
55	**Northern Trust Corp.**	10,937,679	505,000	308,000	813,000	741,000	5.30	8.60	6.70
	INDIANA								
82	**INB Financial Corp.**	6,014,672	430,932	108,616	539,548	493,184	8.82	10.91	8.12
87	**Merchants National Corp.**	5,576,601	337,375	117,316	454,691	415,126	8.30	11.03	7.03
	LOUISIANA								
76	**Hibernia Corp.**	6,698,851	341,223[3]	75,600[3]	416,823[3]	460,290	6.14[3]	7.50[3]	6.80
98	**First Commerce Corp.**	4,657,952	218,512	135,077	353,589	286,990	6.58[4]	10.68[4]	6.10
	MARYLAND								
37	**MNC Financial, Inc.**	20,316,349	1,227,071	408,811	1,635,882	1,680,061	6.14	8.19	8.15
70	**First Maryland Bancorp.**	7,186,938	652,395	151,707	804,102	662,634	10.58	13.04	9.08
92	**Equitable Bancorporation (b)**	5,251,317	N.A.	N.A.	N.A.	332,590	N.A.	N.A.	N.A.
	MASSACHUSETTS								
15	**Bank of Boston Corp.**	39,177,911	N.A.	N.A.	N.A.	3,217,517	N.A.	N.A.	8.00
21	**Bank of New England Corp.**	29,772,719	508,558[1]	508,558[1]	1,017,116[1]	2,228,979	1.72[1]	3.45[1]	7.12
61	**BayBanks, Inc.**	9,913,271	574,196	136,152	710,348	658,928	6.76	8.36	6.70
60	**State Street Boston Corp.**	9,983,021	592,358	132,279	724,637	647,481	11.80	14.50	6.50
	MICHIGAN								
27	**NBD Bancorp., Inc.**	25,771,284	1,453,000	408,000	1,861,000	1,909,525	7.59	9.72	7.34
44	**First of America Bank Corp.**	12,792,682	822,811	180,230	1,003,041	1,053,419	9.73	11.86	8.17
48	**Comerica, Inc.**	12,149,495	596,000	416,000	1,012,000	1,011,667	6.43[4]	10.92[4]	8.19
52	**Michigan National Corp.**	11,479,973	731,672	207,650	939,322	940,151	8.81	11.32	8.10
58	**Manufacturers National Corp.**	10,304,507	636,555	118,720	755,275	789,483	8.10	9.61	7.57
65	**Old Kent Financial Corp.**	8,127,210	544,308	150,492	694,800	664,871	9.75	12.44	8.12
	MINNESOTA								
36	**First Bank System, Inc.**	20,820,243	941,300	684,580[3]	1,625,880[3]	1,638,792	4.40	7.60	7.70
30	**Norwest Corp.**	24,334,700	1,224,000	1,169,100	2,393,100	1,836,000	5.30	10.37	7.98

Table described: American Banker asked the top 100 U.S. bank holding companies (based on assets on Dec. 31, 1989) to report their yearend capital based on the new risked-based capital guidelines that go into effect at yearend 1992. American Banker also asked the banks to calculate the new risked based capital ratios— the Tier 1 and Total (Tier 1 + Tier 2) ratios, based on the final 1992 guidelines, whenever possible. Also shown is primary capital and the primary capital ratio as calculated by the banks for regulatory purposes. **The new guidelines:** On January 19, 1989, the Federal Reserve Board issued final guidelines to implement risk-based capital requirements for state member banks and bank holding companies. The guidelines are based on the framework adopted in July 1988 by the Basle Committee on Banking Regulations and Supervisory Practices, which includes the supervisory authorities of 12 major industrial countries. These guidelines redefine capital as "Tier 1" (core) and "Tier 2" (supplemental) capital; establish minimum interim requirements that must be reached by yearend 1990; and more stringent final requirements that must be reached by yearend 1992. **Tier 1 capital:** for bank holding companies, Tier 1 capital consists of: common stockholders' equity; qualifying noncumulative perpetual preferred stock; and minority interest in the equity accounts of consolidated subsidiaries minus goodwill; minus 50% of investments in certain subsidiaries (banking and finance subsidiaries that are not consolidated for accounting or supervisory purposes and, on a case by case basis, investments in other designated subsidiaries or associated companies at the Fed's discretion) and minus 50% of the reciprocal holdings of the capital instruments of other banking companies. **Goodwill:** With respect to goodwill, goodwill recorded prior to March 12, 1988 is grandfathered until 1992. After 1992, all godwill will be subtracted out. **Tier 2 capital:** consists of qualifying loan and lease loss reserves, perpetual preferred stock, mandatory convertible notes, perpetual debt, and subordinated term debt minus 50% investment in certain subsidiaries and minus 50% of the reciprocal holdings of the capital instruments of other banking companies. **Limits:** perpetual preferred stock included in Tier 1 capital is limited to 25% of the sum of all core capital elements. Also, for the purposes of calculating the total capital requirements, the amount of Tier 2 capital used in the computation cannot exceed the amount of Tier 1 capital. In addition, during the transition period, the guidelines reduce the amount of the allowance that may be included in total capital. **Interim guidelines:** By yearend 1990, the amount of the allowance qualifying as capital will be limited to 1.5% of an institutions weighted risk assets. By yearend 1992, the amount of the allowance qualifying for inclusion in Tier 2 capital cannot exceed 1.25% of weighted risk assets. In addition, combined subordinated debt and term preferred stock included in Tier 2 capital may not exceed 50% of Tier 1 capital. Under the 1990 guidelines, supplemental capital comprised of Tier 2 elements can be included in Tier 1 capital up to 10% of the sum of Tier 1 capital pluss goodwill. **The target ratios:** The Federal Reserve Board has established the following targets: **by yearend 1990,** the ratios of Tier 1 and total capital to weighted risk assets should be **3.625%** and **7.25%,** respectively. **By yearend 1992,** the ratios of Tier 1 and total capital to weighted risk assets should be **4.00%** and **8.00%,** respectively. **Primary capital** is the sum of total shareholders' equity, mandatory convertible debt, allowance for possible loan and lease losses, and minority interest in equity accounts of consolidated subsidiaries. **The primary capital ratio** is the regulatory ratio compiled by the banks. It is calculated by dividing primary capital by the sum of total assets and the allowance for possible loan and lease losses. **(a)**— On Jan. 29 First Union Corp. acquired Florida National Banks of Florida. **(b)**— On Jan. 18, MNC acquired Equitable Bancorp. **(c)**— On Jan. 2, Society Corp. acquired Trustcorp. **(d)**— On March 5, CoreStates acquired First Pennsylvania Corp. **(★)**— Data provided by SNL Securities are as of Sept. 30, 1989. **(1)**— Based on 1990 transitional rules. **(2)**— Ratios computed using the final 1992 rules. **(3)**— Estimated. **(4)**— Data provided by the Hoboken, N.J. office of **SNL Securities**, Charlottesville, Va. **N.A.**— Not available.

Compiled by American Banker, Copyright, 1990.

Continued on page 22.

Most Big U.S. Banks Already Comply with International Rules for 1992

Continued from *page* **1**

to massive writeoffs.

Most of the data for these findings – which mark the first time American banks have been ranked according to 1992 Tier 1 and total capital standards – came from a special *American Banker* survey of the top 100 banking companies in assets on Dec. 31, 1989. For banks not responding to this survey, data from SNL Securities Inc. were used.

(Of the top 100 banking companies as of yearend 1989, three lost their independence through mergers, and five declined to provide data. Those five were: Valley National Corp., Bank of Boston Corp., Fifth Third Bancorp European American Bancorp, and First Alabama Bancshares Inc.)

The growing capital strength of the industry came as no surprise to James J. McDermott, director of research at Keefe, Bruyette & Woods Inc.

Foreign banks have more hidden reserves.

"The regulatory attempt is to set a standard that's achievable by industry," he said.

Banks worked hard over the last year to boost their capital ratios, issuing new equity late last year and selling off assets.

"They've been working both the numerator and the denominator of the ratio to get to higher levels," Mr. McDermott said. Added Arthur P. Soter, a managing director at Morgan Stanley & Co.: "For most banks, the new capital requirements are a nonevent, particularly for the regionals. Their problem is too much capital, not too little. We have overcapacity in the banking industry."

Still, some American banks that already meet international standards may find it harder to comply with separate U.S. capital regulations, soon to be put in place, according to William Taylor, director of bank supervision at the Federal Reserve Board.

'Leverage Ratio' Up in the Air

Bank regulators are still arguing about the final level of equity capital that will be required under the so-called leverage ratio. But by the end of this year, banks will have to hold at least 3% equity capital to total assets.

Because the leverage ratio measures capital to total assets, not to risk-adjusted assets, it may result in higher capital requirements for some banks. That is because under risk-based capital rules, a bank that held only U.S. government securities, weighted zero risk by the rules, would not have to hold any capital. But under leverage ratio standards, it would have to maintain equity capital of 3%.

"For the bank with a very low risk portfolio, the 3% could bite harder than the 4% [Tier 1]," Mr. Taylor said.

Proposed to the leading industrial countries in 1987, the international capital requirements were designed to set worldwide standards to ensure bank safety and soundness.

By 1992, banks must calculate their capital adequacy by weighting assets according to their riskiness and deducting any loan-loss reserves in excess of 1.25% of total risk-adjusted assets.

Banks must maintain Tier 1 capital, mostly common equity and noncumulative perpetual preferred stock, equal to 4% of their risk-adjusted assets. They are also required to maintain total capital equal to 8% of risk-adjusted assets.

Besides Tier 1 capital, total capital includes subordinated debt, auction and term preferred stock, perpetual debt, mandatory convertible debt, and loan-loss reserves up to 1.25% of risk-adjusted assets. These are called Tier 2 capital.

The survey of the top 100 banking companies showed that regional and superregional banks reported higher capital ratios, on average, than did money-center banks, which have been plagued over the years with the need to boost reserves against loans to lesser-developed countries.

After Republic New York Corp., Manufacturers Hanover Corp. was the next strongest money-center, with a 10.24% total capital ratio, followed by J.P. Morgan at 10.10%. Manufacturers Hanover ranked 37th in total capital, and Morgan came in 40th.

Last year, money-centers in particular strove to build up their capital bases after sharply increasing LDC loan-loss reserves, tapping the equity markets in a big way in the autumn.

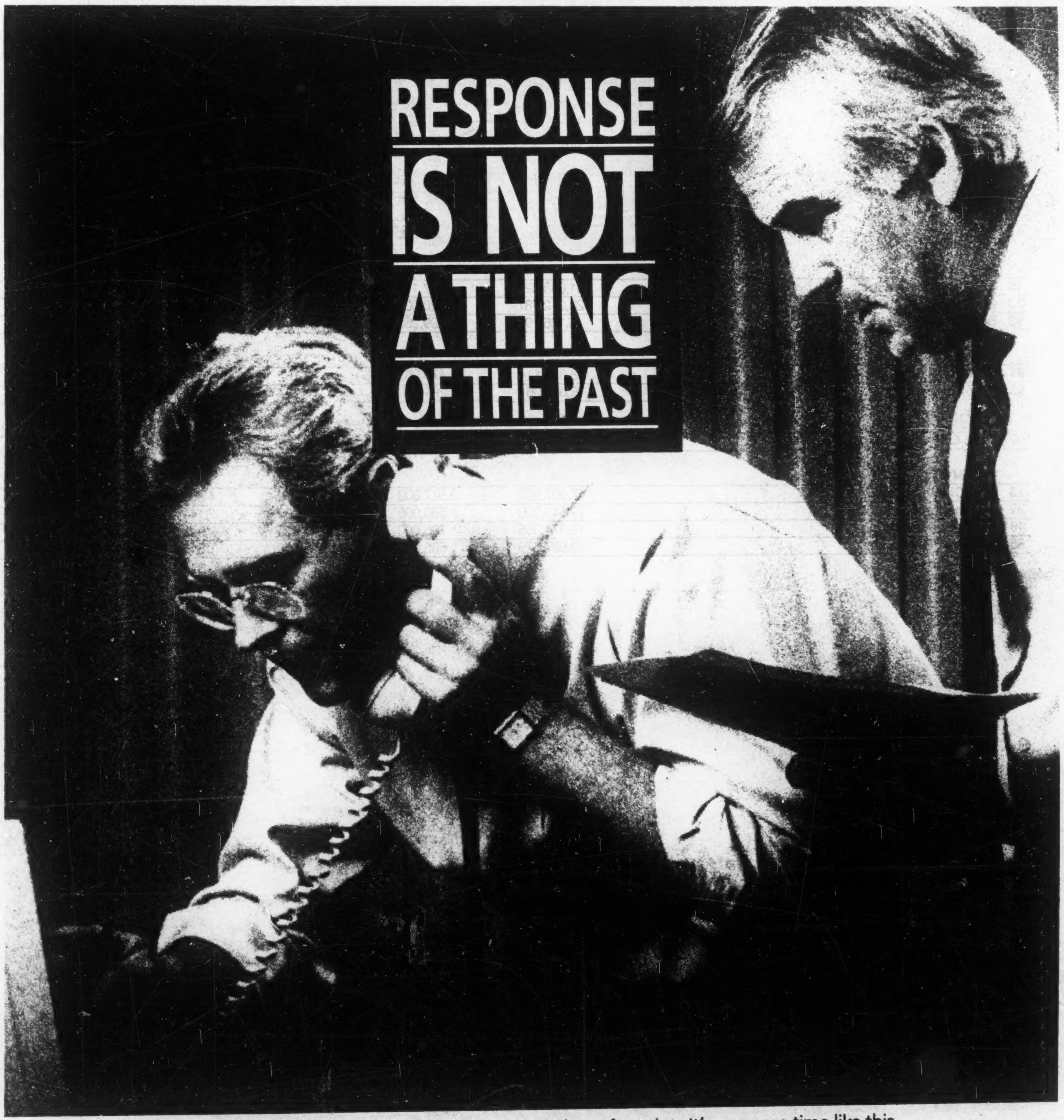
But this year, with concerns over financing for real estate and highly leveraged transactions unsettling the financial markets, banks have had a much more difficult time raising debt or equity. Of the major banks, only First Interstate Bancorp raised a notable amount of equity in the first quarter.

On the surface, the largest U.S. banks appear better capitalized today than many of their overseas counterparts. For example, Japanese banks reported an equity-to-assets ratio, roughly equivalent to Tier 1 capital, of 2.59% at the end of September 1989.

But appearances can be deceiving, according to Stuart H. Windt, a senior managing director at Marine Midland Banks.

Japanese banks have hidden reserves in the form of securities portfolios that have risen sharply in value in recent years. Even if those portfolios had dropped 45% by the time the Japanese banks reported their interim earnings in September 1989, their equity-to-asset ratios would have averaged 6.05%, according to Thomas E. Gove, a vice president at Thomson BankWatch.

Barbara Rehm in Washington contributed to this article.



You can still find it at Balboa Life and Casualty.

By applying strict performance standards, we demand more of ourselves than our customers do.

Every one of over 160,000 claims we receive annually is put in process within one day. As a result, 95% of our life and disability claims are turned around within five days. And over 80% of our collateral protection claims are settled within ten days of receipt. It's response time like this that makes you more effective and keeps your customers satisfied.

At Balboa Life and Casualty, we approach business with the values of the past. We find the future looks better that way.

For more information, call David de Gorter, Marketing Director at 714-553-7692.

AVCO INSURANCE
BALBOA LIFE & CASUALTY
YOUR PARTNER IN INSURANCE

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 18, 19, 22,

24, 26, 28, 29

Top 100 Banking Companies' Risk-Based Capital

The new tier 1, tier 2, and total capital of the top 100 U.S. bank holding companies on Dec. 31, 1989
Banks are listed geographically, and within state by asset order (in thousands of dollars)

Rank		Total Assets	Tier 1 Capital	Tier 2 Capital	Total Capital	Primary Capital	Tier 1 Cap. Ratio	Total Cap. Ratio	Primary Cap. Ratio
	MISSOURI								
42	**Boatmen's Bancshares, Inc.**	14,542,400	974,592	327,512	1,302,104	1,224,905	9.05	12.09	8.34
74	**Mercantile Bancorporation Inc.**	6,942,171	373,000[3]	150,043[3]	523,043[3]	528,359	7.95	9.70	7.48
84	**Commerce Bancshares, Inc.**	5,829,150	377,735	51,859	429,594	456,764	8.95	10.17	7.76
	NEW JERSEY								
20	**First Fidelity Bancorp.**	30,727,815	1,315,000	931,000	2,246,000	2,161,806	5.62	9.61	6.95
32	**Midlantic Corp.**	23,665,536	1,372,502	587,036	1,959,538	2,105,675	6.54	9.34	8.75
47	**UJB Financial Corp.**	12,172,290	835,582	182,484	1,018,066	974,666	8.81	10.73	7.93
	NEW YORK								
1	**Citicorp**	230,643,000	N.A.	N.A.	N.A.	18,109,000	4.04[1]	8.08[1]	7.69
2	**Chase Manhattan Corp.**	107,369,000	N.A.	N.A.	11,958,000	8,928,000	4.44	8.87	8.23
4	**J.P. Morgan & Co., Inc.**	88,964,000	3,983,000	2,856,000	6,839,000	7,781,230	5.90	10.10	9.70
6	**Chemical Banking Corp.**	71,513,000	4,705,000[1]	3,556,000[1]	8,261,000[1]	6,663,000	4.65[2]	8.74[2]	8.99
8	**Manufacturers Hanover Corp.**	60,479,000	3,193,000	2,560,000	5,753,000	6,695,000	5.69	10.24	10.95
10	**Bankers Trust New York Corp.**	55,658,446	N.A.	N.A.	N.A.	5,320,575	4.34	8.08	9.48
11	**Bank of New York Co., Inc.**	48,856,471	2,279,651	1,515,815	3,795,466	4,296,296	4.61	7.58	8.60
25	**Marine Midland Banks, Inc.**	27,066,546	1,008,234	1,008,234	2,016,468	2,555,695	3.77	7.54	9.13
28	**Republic New York Corp.**	25,466,993	1,614,044	1,126,818	2,740,862	1,812,793	12.45	21.15	7.04
35	**National Westminster Bancorp, Inc.**	21,772,979	2,117,435	25,480	2,142,915	2,270,351	8.55[1]	9.26[1]	10.17
41	**KeyCorp**	15,461,365	770,735	306,974	1,077,709	1,216,667	6.89	9.64	7.81
86	**European American Bancorp**	5,763,813	N.A.	N.A.	N.A.	459,784	N.A.	N.A.	N.A.
79	**First Empire State Corp.**	6,233,799	406,106	52,735	458,841	464,387	9.20	10.39	7.38
	NORTH CAROLINA								
7	**NCNB Corp.**	66,190,763	2,505,688	1,814,779	4,320,467	3,517,979	5.00	8.62	5.69
17	**First Union Corp.**	32,130,558	N.A.	N.A.	3,162,931	2,525,304	6.49[6]	11.05[6]	7.80
31	**First Wachovia Corp.**	24,049,523	1,705,758	299,592	2,005,350	1,933,403	8.45	9.94	7.98
96	**BB&T Financial Corp.**	4,807,836	311,051	121,933	432,984	365,715	9.00	12.53	7.55
	OHIO								
26	**Banc One Corp.**	26,552,237	2,103,011	474,974	2,577,985	2,530,237	8.98	11.01	9.44
34	**National City Corp.**	22,971,688	1,433,000	474,000	1,907,000	1,772,804	7.45	9.91	7.63
54	**Ameritrust Corp.**	11,233,140	626,217	285,911	912,128	827,853	6.53	9.52	7.30
56	**Society Corp.**	10,903,327	682,661	199,203	881,864	835,004	8.01	10.35	7.60
50	**Huntington Bancshares, Inc.**	11,679,762	753,534	92,493	846,027	805,888	8.90	10.00	6.85
91	**Trustcorp. Inc. (c)**	5,327,295	N.A.	N.A.	N.A.	337,158	N.A.	N.A.	N.A.
72	**Fifth Third Bancorp**	7,142,972	N.A.	N.A.	N.A.	779,217	N.A.	N.A.	10.8
83	**Star Banc Corporation**	5,949,401	432,019	70,792	502,811	519,922	10.25[4]	12.47[4]	8.38
	OREGON								
38	**U.S. Bancorp.**	16,975,400	919,878	442,720	1,362,598	1,282,300	6.57	9.73	7.49
	PENNSYLVANIA								
14	**PNC Financial Corp**	45,660,744	2,740,000	826,000	3,566,000	3,500,482	7.48	9.73	7.56
18	**Mellon Bank Corp.**	31,467,000	1,328,000	1,208,000	2,536,000	2,494,000	4.60	8.79	7.77
39	**CoreStates Financial Corp.**	16,848,649	1,233,532	725,300	1,958,832	1,593,082	8.10	12.80	9.36
49	**Meridian Bancorp., Inc.**	11,925,145	659,673	88,676	748,349	877,045	6.97	8.82	7.30
77	**First Pennsylvania Corp. (d)**	6,604,862[4]	384,000[4 5]	137,000[4 5]	521,000[4 5]	N.A.	6.54[4 5]	8.87[4 5]	N.A.
75	**Integra Financial Corp.**	6,767,642	531,850	71,915	603,765	604,990	10.60	12.03	8.83
	RHODE ISLAND								
16	Fleet/Norstar Financial Group, Inc.	33,440,789	2,046,999	970,443	3,017,442	2,784,001	7.26	10.70	8.24
	SOUTH CAROLINA								
80	South Carolina National Corp.	6,215,569	434,430	97,029	531,459	490,358	7.95[3]	9.73[3]	7.82
	TENNESSEE								
73	**First American Corp.**	7,058,327	423,532	112,562	536,094	551,297	7.46	9.44	7.68
78	**First Tennessee National Corp.**	6,397,532	379,729	188,636	568,365	515,549	7.60[3]	11.40[3]	7.98
	TEXAS								
43	First City Bancorp. of Texas, Inc.	14,080,966	746,809	177,401	924,210	920,862	7.16	8.86	6.47
	UTAH								
85	First Security Corp.	5,794,767	414,824	96,389	511,213	480,044	9.19	11.32	8.33
	VIRGINIA								
29	**Sovran Financial Corp.**	25,442,264	1,571,130	511,786	2,082,916	1,957,650	7.07[4]	9.65[4]	7.64
45	**Signet Banking Corp.**	12,476,092	715,128	356,320	1,071,448	873,983	7.13	10.68	6.95
53	**Crestar Financial Corp.**	11,360,817	723,934	234,049	957,983	843,500	7.30	9.60	7.86
59	**Dominion Bankshares Corp.**	10,119,695	566,001	201,520	767,521	799,124	7.00	8.20	7.80
94	**First Virginia Banks, Inc.**	5,123,964	440,349	40,905	481,254	495,504	12.14	13.27	9.59
90	**Central Fidelity Banks, Inc.**	5,335,200	378,493	18,000	396,493	413,649	10.25[3]	10.74[3]	7.75
	WISCONSIN								
62	**Firstar Corporation**	8,607,873	508,302	238,400	746,702	678,721	7.95	11.67	7.80
71	**Marshall & Ilsley Corp.**	7,150,841	544,638	144,864	689,502	654,809	10.70	13.80	9.08

Table described: American Banker asked the top 100 U.S. bank holding companies (based on assets on Dec. 31, 1989) to report their yearend capital based on the new risked-based capital guidelines that go into effect at yearend 1992. American Banker also asked the banks to calculate the new risked based capital ratios— the Tier 1 and Total (Tier 1 + Tier 2) ratios, based on the final 1992 guidelines, whenever possible. Also shown is primary capital and the primary capital ratio as calculated by the banks for regulatory purposes. **The new guidelines:** On January 19, 1989, the Federal Reserve Board issued final guidelines to implement risk-based capital requirements for state member banks and bank holding companies. The guidelines are based on the framework adopted in July 1988 by the Basle Committee on Banking Regulations and Supervisory Practices, which includes the supervisory authorities of 12 major industrial countries. These guidelines redefine capital as "Tier 1" (core) and "Tier 2" (supplemental) capital; establish minimum interim requirements that must be reached by yearend 1990; and more stringent final requirements that must be reached by yearend 1992. **Tier 1 capital:** for bank holding companies, Tier 1 capital consists of: common stockholders' equity; qualifying noncumulative perpetual preferred stock; and minority interest in the equity accounts of consolidated subsidiaries minus goodwill; minus 50% of investments in certain subsidiaries (banking and finance subsidiaries that are not consolidated for accounting or supervisory purposes and, on a case by case basis, investments in other designated subsidiaries or associated companies at the Fed's discretion) and minus 50% of the reciprocal holdings of the capital instruments of other banking companies. **Goodwill:** With respect to goodwill, goodwill recorded prior to March 12, 1988 is grandfathered until 1992. After 1992, all godwill will be subtracted out. **Tier 2 capital:** consists of qualifying loan and lease loss reserves, perpetual preferred stock, mandatory convertible notes, perpetual debt, and subordinated term debt minus 50% investment in certain subsidiaries and minus 50% of the reciprocal holdings of the capital instruments of other banking companies. **Limits:** perpetual preferred stock included in Tier 1 capital is limited to 25% of the sum of all core capital elements. Also, for the purposes of calculating the total capital requirements, the amount of Tier 2 capital used in the computation cannot exceed the amount of Tier 1 capital. In addition, during the transition period, the guidelines reduce the amount of the allowance that may be included in total capital. **Interim guidelines:** By yearend 1990, the amount of the allowance qualifying as capital will be limited to 1.5% of an institutions weighted risk assets. By yearend 1992, the amount of the allowance qualifying for inclusion in Tier 2 capital cannot exceed 1.25% of weighted risk assets. In addition, combined subordinated debt and term preferred stock included in Tier 2 capital may not exceed 50% of Tier 1 capital. Under the 1990 guidelines, supplemental capital comprised of Tier 2 elements can be included in Tier 1 capital up to 10% of the sum of Tier 1 capital pluss goodwill. **The target ratios:** The Federal Reserve Board has established the following targets: **by yearend 1990,** the ratios of Tier 1 and total capital to weighted risk assets should be **3.625%** and **7.25%,** respectively. **By yearend 1992,** the ratios of Tier 1 and total capital to weighted risk assets should be **4.00%** and **8.00%,** respectively. **Primary capital** is the sum of total shareholders' equity, mandatory convertible debt, allowance for possible loan and lease losses, and minority interest in equity accounts of consolidated subsidiaries. **The primary capital ratio** is the regulatory ratio compiled by the banks. It is calculated by dividing primary capital by the sum of total assets and the allowance for possible loan and lease losses. **(a)**— On Jan. 29 First Union Corp. acquired Florida National Banks of Florida. **(b)**— On Jan. 18, MNC acquired Equitable Bancorp. **(c)**— On Jan. 2, Society Corp. acquired Trustcorp. **(d)**— On March 5, CoreStates acquired First Pennsylvania Corp. (1)— Based on 1990 transitional rules. (2)— Ratios computed using the final 1992 rules. (3)— Estimated. (4)— Data provided by the Hoboken, N.J. office of **SNL Securities**, Charlottesville, Va. (5)— Data are as of Sept. 30, 1989. (6)— Pro forma. Includes Florida National Banks Inc. which was acquired on Jan. 29. **N.A.**— Not available.

Compiled by American Banker, Copyright, 1990.

Risk-Based Capital Ratios

Yearend 1989 ratios calculated under the 1992 guidelines

Tier 1 Capital ratios

Rank		Tier 1 Ratio
1	Republic New York Corp.	12.45
2	First Virginia Banks Inc.	12.14
3	State Street Boston Corp.	11.80
4	Marshall & Ilsley Corp.	10.70
5	Integra Financial Corp.	10.60
6	First Maryland Bancorp.	10.58
7	Star Banc Corporation	10.25[4]
7	Central Fidelity Banks Inc.	10.25[3]
9	First Florida Banks Inc.	10.20[4]
10	Old Kent Financial Corp.	9.75
11	First of America Bank Corp.	9.73
12	United Banks of Colorado Inc.	9.26
13	AmSouth Bancorporation	9.23
14	First Empire State Corp.	9.20
15	First Security Corp.	9.19
16	Boatmen's Bancshares Inc.	9.05
17	Central Bancshares of the South	9.00[3]
17	BB&T Financial Corp.	9.00
19	Banc One Corp.	8.98
20	Commerce Bancshares Inc.	8.95
21	Huntington Bancshares Inc.	8.90
22	Bancorp Hawaii Inc.	8.86
23	INB Financial Corp.	8.82
24	UJB Financial Corp.	8.81
24	Michigan National Corp.	8.81
26	National Westminster Bancorp Inc.	8.55[1]
27	West One Bancorp	8.50
28	First Wachovia Corp.	8.45
29	Merchants National Corp.	8.30
30	First American Bankshares	8.24
31	Manufacturers National Corp.	8.10
31	CoreStates Financial Corp.	8.10
33	SunTrust Banks Inc.	8.03
34	Society Corp.	8.01
35	Firstar Corporation	7.95
35	Mercantile Bancorporation Inc.	7.95
35	South Carolina National Corp.	7.95[3]
38	First Hawaiian Inc.	7.76
39	First Tennessee National Corp.	7.60[3]
40	NBD Bancorp. Inc.	7.59
41	PNC Financial Corp	7.48
42	First American Corp.	7.46
43	National City Corp.	7.45
44	Crestar Financial Corp.	7.30
45	Fleet/Norstar Financial Group Inc.	7.26
46	First City Bancorp. of Texas Inc.	7.16
47	Signet Banking Corp.	7.13
48	Sovran Financial Corp.	7.07[4]
49	SouthTrust Corp.	7.02
50	Dominion Bankshares Corp.	7.00
51	Meridian Bancorp. Inc.	6.97
52	KeyCorp	6.89
53	Bank South Corp.	6.85
54	BayBanks Inc.	6.76
55	First Commerce Corp.	6.58[4]
56	U.S. Bancorp.	6.57
57	First Pennsylvania Corp.	6.54[5]
57	Midlantic Corp.	6.54
59	Ameritrust Corp.	6.53
60	First Union Corp.	6.49[6]
61	Comerica Inc.	6.43[4]
62	Riggs National Corp.	6.39
63	Harris Bankcorp Inc.	6.20
64	MNC Financial Inc.	6.14
64	Hibernia Corp.	6.14[3]
66	Barnett Banks Inc.	6.09[3]
67	City National Corp.	5.98
68	J.P. Morgan & Co. Inc.	5.90
69	Citizens & Southern Corp.	5.71
70	Manufacturers Hanover Corp.	5.69
71	First Fidelity Bancorp.	5.62
72	BankAmerica Corp.	5.61
73	BanCal Tri-State Corp.	5.57
74	Southeast Banking Corp.	5.50
75	Continental Bank Corp.	5.40
76	Norwest Corp.	5.30
76	Northern Trust Corp.	5.30
78	Shawmut National Corp.	5.01[2]
79	NCNB Corp.	5.00
80	Wells Fargo & Co.	4.95
81	First Chicago Corp.	4.70
82	Chemical Banking Corp.	4.65[2]
83	Bank of New York Co. Inc.	4.61
84	Mellon Bank Corp.	4.60
85	Chase Manhattan Corp.	4.44
86	First Bank System Inc.	4.40
87	Bankers Trust New York Corp.	4.34
88	Security Pacific Corp.	4.10
89	Citicorp	4.04[1]
90	Marine Midland Banks Inc.	3.77
91	First Interstate Bancorp.	3.66
92	Bank of New England Corp.	1.72[1]
--	Bank of Boston Corp.	N.A.
--	First Alabama Bancshares Inc.	N.A.
--	European American Bancorp	N.A.
--	Fifth Third Bancorp	N.A.
--	Valley National Corp.	N.A.
--	Equitable Bancorporation	merged
--	Florida National Banks Inc.	merged
--	Trustcorp. Inc.	merged

Total Capital Ratios

Rank		Total Capital Ratio
1	Republic New York Corp.	21.15
2	State Street Boston Corp.	14.50
3	Marshall & Ilsley Corp.	13.80
4	First Virginia Banks Inc.	13.27
5	First Maryland Bancorp.	13.04[4]
6	CoreStates Financial Corp.	12.80
7	BB&T Financial Corp.	12.53
8	Star Banc Corporation	12.47[4]
9	Old Kent Financial Corp.	12.44
10	Riggs National Corp.	12.15
11	Boatmen's Bancshares Inc.	12.09
12	Integra Financial Corp.	12.03
13	AmSouth Bancorporation	12.01
14	First of America Bank Corp.	11.86
15	Firstar Corporation	11.67
16	First Florida Banks Inc.	11.43[4]
17	First Tennessee National Corp.	11.40[3]
18	First Security Corp.	11.32
18	Michigan National Corp.	11.32
20	SouthTrust Corp.	11.27
21	United Banks of Colorado Inc.	11.22
22	First Union Corp.	11.05[6]
23	Merchants National Corp.	11.03
24	Banc One Corp.	11.01
24	SunTrust Banks Inc.	11.01
26	Comerica Inc.	10.92[4]
27	INB Financial Corp.	10.91
28	Central Fidelity Banks Inc.	10.74[3]
28	UJB Financial Corp.	10.73
30	Fleet/Norstar Financial Group Inc.	10.70
31	First Commerce Corp.	10.68[4]
31	Signet Banking Corp.	10.68
33	West One Bancorp	10.67
34	First Empire State Corp.	10.39
35	Norwest Corp.	10.37
36	Society Corp.	10.35
37	Manufacturers Hanover Corp.	10.24
38	Commerce Bancshares Inc.	10.17
39	Bancorp Hawaii Inc.	10.14
40	J.P. Morgan & Co. Inc.	10.10
41	Central Bancshares of the South	10.00[3]
41	Huntington Bancshares Inc.	10.00
43	First Wachovia Corp.	9.94
44	Wells Fargo & Co.	9.91
44	National City Corp.	9.91
46	U.S. Bancorp.	9.73
46	South Carolina National Corp.	9.73[3]
46	PNC Financial Corp	9.73
49	NBD Bancorp. Inc.	9.72
50	Southeast Banking Corp.	9.70
50	Mercantile Bancorporation Inc.	9.70
52	Sovran Financial Corp.	9.65[4]
53	KeyCorp	9.64
54	BanCal Tri-State Corp.	9.61
54	First Fidelity Bancorp.	9.61
54	Manufacturers National Corp.	9.61
57	Crestar Financial Corp.	9.60
58	Ameritrust Corp.	9.52
59	First American Corp.	9.44
60	Citizens & Southern Corp.	9.40
61	Bank South Corp.	9.34
61	Midlantic Corp.	9.34
63	National Westminster Bancorp Inc.	9.32[1]
64	First American Bankshares	9.26
65	BankAmerica Corp.	9.11
66	First Hawaiian Inc.	8.97
67	Chase Manhattan Corp.	8.87
67	First Pennsylvania Corp.	8.87[5]
69	First City Bancorp. of Texas Inc.	8.86
70	Meridian Bancorp. Inc.	8.82
71	Mellon Bank Corp.	8.79
72	Chemical Banking Corp.	8.74[2]
72	Shawmut National Corp.	8.74[2]
74	NCNB Corp.	8.62
75	Barnett Banks Inc.	8.61[3]
76	Northern Trust Corp.	8.60
77	Harris Bankcorp Inc.	8.40
78	BayBanks Inc.	8.36
79	Dominion Bankshares Corp.	8.20
79	Security Pacific Corp.	8.20
81	MNC Financial Inc.	8.19
82	Bankers Trust New York Corp.	8.08
82	Citicorp	8.08[1]
84	First Chicago Corp.	8.00
85	First Bank System Inc.	7.60
86	Bank of New York Co. Inc.	7.58
87	Marine Midland Banks Inc.	7.54
88	Hibernia Corp.	7.50[3]
89	First Interstate Bancorp.	7.32
90	Continental Bank Corp.	6.80
91	City National Corp.	6.75
92	Bank of New England Corp.	3.45[1]
--	Bank of Boston Corp.	N.A.
--	First Alabama Bancshares Inc.	N.A.
--	European American Bancorp	N.A.
--	Fifth Third Bancorp	N.A.
--	Valley National Corp.	N.A.
--	Equitable Bancorporation	merged
--	Florida National Banks Inc.	merged
--	Trustcorp. Inc.	merged

(1)— Based on 1990 transitional rules. (2)— Capital levels were reported using the 1990 transitional rules. Ratios are based on 1992 guidelines. (3)— Estimated. (4)— Data provided by **SNL Securities**, Charlottesville, Va. (5)— SNL Securities data as of 9/30/89. (6)— Pro forma. Includes acquisition of Florida National Banks.

Compiled by American Banker, Copyright 1990.

Top 100 U.S. Banks in Equity Capital

Based on December 31, 1989 Equity Capital, Compared with December 31, 1988 and June 30, 1989

		EQUITY CAPITAL							Equity Capital/Assets (%)			
Rank 12/89		Total 12/31/89	Total 12/31/88	% Chg.	Rank 12/88	Total 6/30/89	Rank 6/89	Total Assets 12/31/89	12/89	12/88	6/89	Deposit Rank 6/89
1	Citibank NA, New York	7,628,000,000	8,168,000,000	-6.61	1	8,178,000,000	1	161,988,000,000	4.71	5.44	5.35	1
2	Bank of America NT&SA, San Francisco	4,414,000,000	3,611,000,000	22.24	4	4,121,000,000	3	86,712,000,000	5.09	4.36	4.75	2
3	Chase Manhattan Bank NA, New York	3,770,846,000	4,372,933,000	- 13.77	2	4,493,266,000	2	83,807,666,000	4.50	5.64	5.48	3
4	Morgan Guaranty Trust Co., New York	2,988,829,000	4,020,073,000	- 25.65	3	4,115,892,000	4	64,707,226,000	4.62	5.64	5.37	4
5	Wells Fargo Bank NA, San Francisco	2,947,135,000	2,576,537,000	14.38	6	2,756,113,000	6	45,555,858,000	6.47	5.89	6.11	8
6	Security Pacific National Bank, Los Angeles	2,653,816,000	2,216,631,000	19.72	9	2,424,637,000	9	54,313,683,000	4.89	4.53	4.33	6
7	Manufacturers Hanover Trust Co., New York	2,524,000,000	2,560,000,000	-1.41	7	2,679,000,000	7	54,740,000,000	4.61	4.72	4.69	5
8	Chemical Bank, New York	2,127,000,000	2,488,000,000	- 14.51	8	2,632,000,000	8	45,512,000,000	4.67	4.88	5.43	7
9	Bank of New York	2,109,304,000	1,204,914,000	75.06	14	1,255,302,000	14	46,361,809,000	4.55	5.33	5.04	12
10	Continental Bank NA, Chicago	1,779,411,000	1,727,145,000	3.03	10	1,859,554,000	10	29,358,018,000	6.06	5.65	5.86	13
11	Republic National Bank, New York	1,533,631,000	1,631,123,000	-5.98	11	1,637,096,000	11	21,030,950,000	7.29	8.09	7.56	19
12	NCNB Texas National Bank, Dallas	1,505,597,000	1,070,177,000	40.69	15	1,191,332,000	15	33,748,419,000	4.46	4.18	4.26	11
13	Bankers Trust Co., New York	1,503,190,000	2,889,133,000	- 47.97	5	2,936,397,000	5	51,113,127,000	2.94	5.22	5.00	9
14	First National Bank, Chicago	1,482,343,000	1,302,240,000	13.83	12	1,475,469,000	12	36,410,165,000	4.07	3.70	3.91	10
15	First National Bank, Boston	1,246,060,000	1,299,784,000	-4.13	13	1,376,152,000	13	30,000,100,000	4.15	4.96	5.21	14
16	First Interstate Bank of California, Los Angeles	1,037,785,000	865,420,000	19.92	20	966,678,000	19	21,228,507,000	4.89	4.22	4.79	16
17	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	1,037,665,000	918,281,000	13.00	18	981,617,000	18	15,143,871,000	6.85	6.76	6.72	22
18	NCNB National Bank of North Carolina, Charlotte	990,818,000	914,710,000	8.32	19	959,719,000	20	20,443,391,000	4.85	5.46	5.56	24
19	Boston Safe Deposit & Trust Co.	979,532,000	1,014,040,000	-3.40	16	1,036,942,000	16	10,771,670,000	9.09	5.79	7.81	26
20	First Union National Bank, Charlotte, N.C.	957,590,000	818,264,000	17.03	24	884,151,000	24	16,767,084,000	5.71	5.43	5.33	31
21	Mellon Bank NA, Pittsburgh	942,497,000	609,809,000	54.56	37	675,611,000	34	22,697,193,000	4.15	2.75	2.91	17
22	Union Bank, San Francisco	928,989,000	819,773,000	13.32	23	876,608,000	25	15,375,629,000	6.04	5.46	5.79	23
23	National Bank of Detroit	915,650,000	849,081,000	7.84	22	897,187,000	23	17,014,841,000	5.38	5.49	5.55	20
24	Sovran Bank NA, Richmond	852,921,000	755,691,000	12.87	26	797,356,000	26	13,815,734,000	6.17	6.09	6.08	27
25	Seattle-First National Bank	838,280,000	633,290,000	32.37	34	715,012,000	31	12,332,648,000	6.80	5.85	6.45	34
26	Citibank (South Dakota) NA, Sioux Falls	816,542,000	800,595,000	1.99	25	950,226,000	21	11,142,112,000	7.33	5.91	8.37	146
27	Marine Midland Bank NA, Buffalo, N.Y.	813,983,000	860,449,000	-5.40	21	920,936,000	22	21,546,713,000	3.78	4.10	4.32	15
28	Citizens & Southern National Bank, Atlanta	813,910,000	737,460,000	10.37	27	782,186,000	27	12,441,682,000	6.54	6.43	6.25	32
29	Citibank (Delaware), New Castle	794,555,000	720,253,000	10.32	29	756,585,000	29	2,051,967,000	38.72	49.33	49.49	...
30	Southeast Bank NA, Miami	782,342,000	587,866,000	33.08	40	634,607,000	38	15,966,390,000	4.90	4.27	4.37	25
31	Pittsburgh National Bank	716,782,000	690,602,000	3.79	31	737,679,000	30	17,151,513,000	4.18	4.11	4.71	29
32	United States National Bank, Portland, Ore.	715,237,000	619,041,000	15.54	36	667,972,000	35	10,263,310,000	6.97	7.26	7.31	48
33	Connecticut National Bank, Hartford	700,966,000	672,820,000	4.18	32	704,533,000	32	12,471,078,000	5.62	5.52	5.78	41
34	Chase Manhattan Bank (USA) NA, Wilmington, Del.	691,163,000	521,414,000	32.56	51	608,676,000	40	9,387,758,000	7.36	7.65	8.89	120
35	Midlantic National Bank, Newark, N.J.	673,944,000	366,647,000	83.81	77	393,005,000	81	9,818,182,000	6.86	6.42	6.12	85
36	NCNB National Bank of Florida, Tampa	658,970,000	591,395,000	11.43	39	595,154,000	42	11,876,828,000	5.55	6.13	5.34	36
37	Michigan National Bank, Farmington Hills	657,160,000	556,886,000	18.01	43	565,847,000	48	9,853,367,000	6.67	5.99	5.90	40
38	Philadelphia National Bank	649,363,000	573,219,000	13.28	42	604,257,000	41	10,038,832,000	6.47	5.51	6.05	43
39	Shawmut Bank NA, Boston	642,667,000	533,725,000	20.41	47	584,072,000	45	9,270,551,000	6.93	6.02	6.48	72
40	State Street Bank & Trust Co., Boston	620,563,000	538,531,000	15.23	46	575,798,000	46	10,101,462,000	6.14	6.30	6.83	78
41	Texas Commerce Bank NA, Houston	618,271,000	631,240,000	-2.05	35	655,231,000	37	11,625,807,000	5.32	5.42	5.87	52
42	First Union National Bank of Florida, Jacksonville	613,000,000	659,340,000	-7.03	33	692,047,000	33	9,180,518,000	6.68	7.21	7.73	44
43	First Fidelity Bank NA, Newark, N.J.	596,962,000	595,246,000	0.29	38	613,119,000	39	12,342,949,000	4.84	5.33	5.46	38
44	Ameritrust Co. NA, Cleveland	595,416,000	531,740,000	11.98	48	594,750,000	43	8,923,360,000	6.67	6.31	7.04	50
45	Crestar Bank, Richmond	591,857,000	497,565,000	18.95	54	551,530,000	51	10,190,113,000	5.81	5.31	5.56	39
46	Fleet National Bank, Providence, R.I.	591,314,000	488,901,000	20.95	55	493,595,000	61	9,701,134,000	6.10	6.15	6.75	60
47	Meridian Bank, Reading, Pa.	580,514,000	510,000,000	13.83	53	521,957,000	55	10,100,927,000	5.75	6.45	6.40	53
48	First National Bank, Atlanta	566,102,000	511,198,000	10.74	52	534,760,000	54	8,493,590,000	6.67	6.43	6.55	58
49	AmSouth Bank NA, Birmingham, Ala.	561,759,000	530,480,000	5.90	49	554,963,000	50	7,557,555,000	7.43	7.23	7.75	63
50	Boatmen's National Bank, St. Louis	548,282,000	293,019,000	87.11	101	537,434,000	53	7,808,409,000	7.02	6.76	6.68	67
51	Harris Trust & Savings Bank, Chicago	542,582,000	545,746,000	-0.58	44	561,542,000	49	9,969,430,000	5.44	5.93	5.68	47
52	Maryland National Bank, Baltimore	537,130,000	487,397,000	10.20	56	520,550,000	56	9,487,848,000	5.66	5.40	5.61	46
53	Huntington National Bank, Columbus, Ohio	536,045,000	466,402,000	14.93	58	499,635,000	58	8,899,567,000	6.02	6.06	5.72	51
54	Trust Company Bank, Atlanta	527,250,000	463,351,000	13.79	59	494,603,000	60	6,312,806,000	8.35	7.77	8.68	106
55	First Bank NA, Minneapolis	517,158,000	690,719,000	- 25.13	30	665,021,000	36	12,702,725,000	4.07	4.61	4.81	30
56	Sanwa Bank California, San Francisco	516,002,000	379,371,000	36.02	71	433,891,000	69	6,918,322,000	7.46	5.90	6.47	66
57	Manufacturers National Bank, Detroit	511,226,000	438,329,000	16.63	63	472,652,000	64	8,678,071,000	5.89	5.61	5.36	45
58	Morgan Bank (Delaware), Wilmington	510,357,000	323,925,000	57.55	88	499,138,000	59	4,900,310,000	10.41	10.03	10.27	189
59	Provident National Bank, Philadelphia	510,078,000	451,020,000	13.09	61	487,444,000	62	8,322,387,000	6.13	5.65	6.49	64
60	National Westminster Bank USA, New York	496,547,000	530,175,000	-6.34	50	591,661,000	44	14,531,012,000	3.42	3.99	4.23	21
61	National City Bank, Cleveland	477,793,000	428,138,000	11.60	65	461,030,000	65	8,209,006,000	5.82	5.62	5.94	62
62	Comerica Bank-Detroit	473,431,000	447,888,000	5.70	62	453,689,000	66	10,097,839,000	4.69	5.10	4.99	42
63	Citibank (Nevada) NA, Las Vegas (s)	468,790,000	293,497,000	59.73	100	367,199,000	88	7,044,688,000	6.65	5.06	5.91	...
64	Security Pacific Bank Washington, Seattle	467,854,000	457,752,000	2.21	60	477,754,000	63	8,073,701,000	5.79	6.44	6.42	57
65	First Alabama Bank, Montgomery	463,466,000	434,722,000	6.61	64	448,438,000	67	5,398,038,000	8.59	8.50	8.72	89
66	Society National Bank, Cleveland	456,374,000	356,839,000	27.89	81	356,188,000	89	8,130,642,000	5.61	5.86	5.91	76
67	Greenwood Trust Co., New Castle, Del.	456,205,000	359,073,000	27.05	80	421,795,000	73	7,050,646,000	6.47	5.55	8.07	100
68	Signet Bank/Virginia, Richmond	456,196,000	369,844,000	23.35	76	425,837,000	72	8,934,256,000	5.11	4.94	5.25	69
69	European American Bank, New York	450,563,000	389,227,000	15.76	70	432,102,000	70	5,293,279,000	8.51	7.30	7.93	82
70	Bank of Hawaii, Honolulu	446,180,000	373,190,000	19.56	74	400,222,000	78	8,016,497,000	5.57	5.86	5.89	56
71	Citibank (New York State), Perinton	445,517,000	419,088,000	6.31	66	440,491,000	68	5,719,941,000	7.79	7.67	8.16	102
72	Northern Trust Co., Chicago	442,693,000	365,471,000	21.13	79	398,483,000	79	8,634,500,000	5.13	4.53	4.48	71
73	Valley National Bank, Phoenix	436,916,000	542,170,000	- 19.41	45	519,572,000	57	9,391,928,000	4.65	5.32	5.26	35
74	American Express Centurion Bank, Newark, Del.	436,336,000	371,320,000	17.51	75	401,452,000	77	8,754,152,000	4.98	4.64	4.77	152
75	Norwest Bank Minnesota NA, Minneapolis	424,838,000	406,030,000	4.63	68	372,909,000	85	8,512,834,000	4.99	4.79	4.25	65
76	Bank of California NA, San Francisco	418,623,000	332,004,000	26.09	86	398,325,000	80	7,897,834,000	5.30	4.79	5.69	83
77	Chase Lincoln First Bank NA, Rochester, N.Y.	401,182,000	393,571,000	1.93	69	403,174,000	76	6,444,770,000	6.22	6.26	6.41	93
78	Bank of Tokyo Trust Co., New York	400,362,000	375,513,000	6.62	72	404,185,000	75	8,239,421,000	4.86	5.41	4.98	61
79	First Interstate Bank of Oregon NA, Portland	397,190,000	337,958,000	17.53	84	368,924,000	87	6,333,899,000	6.27	5.79	6.00	75
80	First Florida Bank NA, Tampa	395,286,000	375,001,000	5.41	73	391,901,000	83	5,570,790,000	7.10	7.35	7.47	90
81	South Carolina National Bank, Columbia	391,705,000	322,217,000	21.57	90	372,633,000	86	6,074,409,000	6.45	5.88	6.55	88
82	Fidelity Bank NA, Philadelphia	388,416,000	354,098,000	9.69	82	389,447,000	84	9,475,294,000	4.10	3.46	4.21	49
83	Banco Popular de Puerto Rico, San Juan	375,807,000	334,867,000	12.23	85	353,362,000	90	5,923,309,000	6.34	5.91	6.00	77
84	Citizens & Southern National Bank, Fort Lauderdale, Fla.	375,800,000	366,177,000	2.63	78	392,602,000	82	6,209,090,000	6.05	6.91	6.34	68
85	First National Bank of Maryland, Baltimore	370,492,000	313,426,000	18.21	95	339,463,000	92	6,367,057,000	5.82	5.52	5.66	84
86	First City, Texas-Houston NA	368,634,000	315,577,000	16.81	92	329,229,000	98	7,622,619,000	4.84	5.01	4.85	81
87	Florida National Bank, Jacksonville	358,736,000	479,445,000	- 25.18	57	430,396,000	71	7,830,325,000	4.58	6.18	5.77	54
88	Hibernia National Bank, New Orleans	353,604,000	314,732,000	12.35	94	337,202,000	93	6,525,987,000	5.42	5.44	5.50	70
89	First Tennessee Bank NA, Memphis	349,607,000	346,996,000	0.75	83	336,209,000	94	6,142,997,000	5.69	6.05	5.50	80
90	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	344,933,000	303,269,000	13.74	98	323,393,000	99	5,659,249,000	6.10	5.91	6.04	136
91	BancOhio National Bank, Columbus	339,058,000	319,652,000	6.07	91	334,215,000	95	5,910,659,000	5.74	6.23	6.47	94
92	American Security Bank NA, Washington, D.C.	337,174,000	311,488,000	8.25	96	329,843,000	97	5,915,463,000	5.70	5.79	6.12	92
93	IBJ Schroder Bank & Trust Co., New York	333,419,000	326,823,000	2.02	87	331,544,000	96	3,074,761,000	10.84	9.54	8.43	237
94	Norstar Bank of Upstate NY, Albany	326,566,000	323,583,000	0.92	89	317,898,000	100	4,542,627,000	7.19	7.22	7.58	101
95	INB National Bank, Indianapolis	320,333,000	280,761,000	14.09	102	293,695,000	104	4,960,730,000	6.46	5.71	6.08	108
96	Industrial Bank of Japan Trust Co., New York	318,251,000	232,301,000	37.00	129	245,326,000	133	5,575,039,000	5.71	4.89	5.10	122
97	Barnett Bank of South Florida NA, Miami	317,102,738	303,235,000	4.57	99	317,361,000	101	6,108,748,066	5.19	5.42	5.56	73
98	UJB/Hackensack, N.J.	311,337,000	253,978,000	22.58	116	294,719,000	103	5,277,948,000	5.90	5.86	6.32	107
99	Bank One Indianapolis NA	308,814,000	265,216,000	16.44	111	291,864,000	106	4,123,294,000	7.49	6.50	6.80	130
100	Central Fidelity Bank, Richmond	302,564,000	272,939,000	10.85	105	286,333,000	108	5,433,351,000	5.57	5.65	5.93	95

Data Sources: American Banker questionnaire and Federal regulatory report of condition for Dec. 31 1989. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks equity capital also includes the cumulative foreign currency translation adjustments.

Compiled by American Banker, Copyright 1990.

The Top 200 Banks in Equity Capital

Listed in order of their equity capital-to-assets ratio on December 31, 1989

Rank 12/31/89		Capital-to-Assets Ratio		Rank 12/31/88	Equity Rank
		12/31/89	12/31/88		
1	Citibank (Delaware), New Castle	38.72	49.33	1	29
2	Canadian Imperial Bank of Commerce (New York)	26.66	20.47	3	192
3	Chemical Bank (Delaware), Wilmington	19.93	20.99	2	102
4	Farmers & Merchants Bank, Long Beach, Calif.	16.15	15.49	5	165
5	Household Bank NA, Salinas, Calif.	16.11	14.52	6	105
6	First National Bank, Anchorage, Alas.	15.77	16.22	4	188
7	Manufacturers Hanover Bank (Delaware), Wilmington	12.74	10.85	9	135
8	Davenport Bank & Trust Co., Iowa	12.39	10.81	10	161
9	Bankers Trust (Delaware), Wilmington	11.53	10.68	11	112
10	First USA Bank, Wilmington, Del.	10.85	10.11	13	199
11	IBJ Schroder Bank & Trust Co., New York	10.84	9.54	17	93
12	Morgan Bank (Delaware), Wilmington	10.41	10.03	14	58
13	Citizens Bank of Maryland, Laurel	9.72	10.65	12	162
14	Citibank (Maryland) NA, Towson	9.49	12.81	7	158
15	First National Bank, Akron, Ohio	9.28	9.19	18	173
16	Boston Safe Deposit & Trust Co.	9.09	5.79	124	19
17	National Bank of Alaska, Anchorage	8.74	9.71	16	174
18	First Alabama Bank, Montgomery	8.59	8.50	19	65
19	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	8.56	7.47	30	163
20	European American Bank, New York	8.51	7.30	33	69
21	Trust Company Bank, Atlanta	8.35	7.77	25	54
22	Marine Midland Bank (Delaware) NA, Wilmington	8.25	7.77	24	175
23	Citibank (Arizona), Phoenix	8.11	11.03	8	145
24	Sun Bank/South Florida NA, Fort Lauderdale	7.83	7.47	31	191
25	Citibank (New York State), Perinton	7.79	7.67	26	71
26	Hamilton Bank, Lancaster, Pa.	7.56	7.80	23	160
27	Bank One Indianapolis NA	7.49	6.50	62	99
28	Third National Bank, Nashville, Tenn.	7.48	6.79	49	168
29	Sanwa Bank California, San Francisco	7.46	5.90	113	56
30	Boatmen's First National Bank, Kansas City, Mo.	7.45	7.84	22	147
31	AmSouth Bank NA, Birmingham, Ala.	7.43	7.23	35	49
32	Star Bank NA, Cincinnati	7.43	7.09	40	143
33	Chase Manhattan Bank (USA) NA, Wilmington, Del.	7.36	7.65	28	34
34	Bank of New York (Delaware), Wilmington	7.33	6.71	53	109
35	Citibank (South Dakota) NA, Sioux Falls	7.33	5.91	110	26
36	Bank One Milwaukee NA	7.30	6.14	89	172
37	United States Trust Co., New York	7.30	5.69	128	184
38	Republic National Bank, New York	7.29	8.09	21	11
39	Daiwa Bank Trust Co., New York	7.25	8.42	20	179
40	Norstar Bank of Upstate NY, Albany	7.19	7.22	37	94
41	Trustmark National Bank, Jackson, Miss.	7.18	7.07	41	149
42	Deposit Guaranty National Bank, Jackson, Miss.	7.14	6.95	43	124
43	First Florida Bank NA, Tampa	7.10	7.35	32	80
44	New Jersey National Bank, Pennington	7.10	6.66	56	186
45	Sovran Bank/Central South, Nashville, Tenn.	7.10	7.05	42	108
46	Whitney National Bank, New Orleans	7.10	10.02	15	170
47	Fifth Third Bank, Cincinnati	7.08	6.69	54	107
48	Boatmen's National Bank, St. Louis	7.02	6.76	50	50
49	United States National Bank, Portland, Ore.	6.97	7.26	34	32
50	Wilmington Trust Co., Del.	6.96	7.65	29	126
51	Bank One Dayton NA, Ohio	6.93	6.65	57	193
52	Shawmut Bank NA, Boston	6.93	6.02	102	39
53	Norstar Bank NA, Buffalo, N.Y.	6.88	6.59	59	120
54	Union Trust Co., Stamford, Conn.	6.88	7.23	36	139
55	Midlantic National Bank, Newark, N.J.	6.86	6.42	73	35
56	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	6.85	6.76	51	17
57	Liberty National Bank & Trust Co., Louisville, Ky.	6.83	6.75	52	185
58	Seattle-First National Bank	6.80	5.85	121	25
59	Rhode Island Hospital Trust National Bank, Providence	6.74	6.09	94	166
60	Midlantic National Bank/North, West Paterson, N.J.	6.70	6.90	45	130
61	First Union National Bank of Florida, Jacksonville	6.68	7.21	38	42
62	Ameritrust Co. NA, Cleveland	6.67	6.31	76	44
63	First National Bank, Atlanta	6.67	6.43	71	48
64	Michigan National Bank, Farmington Hills	6.67	5.99	106	37
65	Citibank (Nevada) NA, Las Vegas (s)	6.65	5.06	171	63
66	First Interstate Bank of Nevada NA, Reno	6.65	6.48	63	127
67	M & I Marshall & Ilsley Bank, Milwaukee	6.65	6.46	66	181
68	Key Bank of Central New York NA, Syracuse	6.57	6.36	74	195
69	Citizens & Southern National Bank, Atlanta	6.54	6.43	70	28
70	First Interstate Bank of Washington NA, Seattle	6.54	6.45	67	140
71	First Wisconsin National Bank, Milwaukee	6.49	6.42	72	141
72	Old Kent Bank & Trust Co., Grand Rapids, Mich.	6.49	6.00	104	157
73	Central Bank of the South, Birmingham, Ala.	6.47	6.54	60	115
74	First Fidelity Bank NA/North Jersey, Totowa, N.J.	6.47	7.15	39	187
75	Greenwood Trust Co., New Castle, Del.	6.47	5.55	141	67
76	Philadelphia National Bank	6.47	5.51	145	38
77	Wells Fargo Bank NA, San Francisco	6.47	5.89	114	5
78	INB National Bank, Indianapolis	6.46	5.71	127	95
79	South Carolina National Bank, Columbia	6.45	5.88	115	81
80	First of America Bank-Southeast Michigan NA, Detroit	6.41	6.48	64	189
81	Security Pacific Bank Arizona, Phoenix	6.38	5.04	172	119
82	Puget Sound National Bank, Tacoma, Wash.	6.36	6.52	61	190
83	Banco Popular de Puerto Rico, San Juan	6.34	5.91	109	83
84	SouthTrust Bank of Alabama NA, Birmingham	6.34	6.60	58	150
85	First American Bank of Virginia, McLean	6.32	6.08	96	134
86	Citizens & Southern National Bank, Charleston, S.C.	6.31	5.68	129	131
87	Sun Bank NA, Orlando, Fla.	6.31	6.34	75	117
88	Continental Bank, Norristown, Pa.	6.30	6.10	93	113
89	First Interstate Bank of Oregon NA, Portland	6.27	5.79	125	79
90	Branch Banking & Trust Co., Wilson, N.C.	6.23	6.18	85	111
91	Chase Lincoln First Bank NA, Rochester, N.Y.	6.22	6.26	78	77
92	First National Bank, Louisville, Ky.	6.22	5.93	107	121
93	Norstar Bank, Melville, N.Y.	6.22	6.13	92	197
94	Bank of Baltimore	6.21	5.99	105	159
95	First Security Bank of Utah NA, Salt Lake City	6.20	6.48	65	155
96	Chemical Bank New Jersey NA, Morristown	6.19	6.03	100	106
97	First-Citizens Bank & Trust Co., Raleigh, N.C.	6.18	6.23	81	146
98	Northeastern Bank of Pennsylvania, Wilkes-Barre	6.17	6.05	99	194
99	Sovran Bank NA, Richmond	6.17	6.09	95	24
100	State Street Bank & Trust Co., Boston	6.14	6.30	77	40

Table described: American Banker has ranked the 200 largest commercial banks in equity capital; calculated their equity capital-to-assets ratio on Dec. 31, 1989; and listed these 200 banks in order of this ratio. **Capital-to-Assets Ratio:** is the equity capital-to-assets ratio on Dec. 31, 1989, and Dec. 31, 1988. **Rank 12/31/88**: is the bank's ratio rank for 1988. **Equity rank:** The bank's equity capital ranking for 1989.

Compiled by American Banker, Copyright 1990.

The Top 200 Banks in Equity Capital

Listed in order of their equity capital-to-assets ratio on December 31, 1989

Rank 12/31/89		Capital-to-Assets Ratio 12/31/89	12/31/88	Rank 12/31/88	Equity Rank
101	Provident National Bank, Philadelphia	6.13	5.65	132	59
102	West One Bank Idaho, NA, Boise	6.13	6.90	46	167
103	United Bank of Denver NA	6.11	6.23	82	183
104	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	6.10	5.91	111	90
105	Equibank, Pittsburgh	6.10	6.24	79	177
106	Fleet National Bank, Providence, R.I.	6.10	6.15	88	46
107	Barclays Bank of New York NA	6.07	5.86	117	164
108	Continental Bank NA, Chicago	6.06	5.65	131	10
109	Citizens & Southern National Bank, Fort Lauderdale, Fla	6.05	6.91	44	84
110	Union Bank, San Francisco	6.04	5.46	148	22
111	Huntington National Bank, Columbus, Ohio	6.02	6.06	97	53
112	Fuji Bank & Trust Co., New York	5.94	5.17	169	129
113	Citizens First National Bank, Ridgewood, N.J.	5.93	5.86	118	178
114	First National Bank of Commerce, New Orleans	5.90	6.14	90	182
115	UJB/Hackensack, N.J.	5.90	5.86	120	98
116	Bank South NA, Atlanta	5.89	5.56	140	138
117	Manufacturers National Bank, Detroit	5.89	5.61	138	57
118	Sovran Bank/Maryland, Bethesda, Md.	5.89	5.58	139	133
119	U.S. Bank of Washington NA, Seattle	5.87	6.21	84	101
120	First National Bank of Maryland, Baltimore	5.82	5.52	143	85
121	National City Bank, Cleveland	5.82	5.62	136	61
122	NCNB South Carolina, Columbia	5.82	6.82	48	104
123	Crestar Bank, Richmond	5.81	5.31	163	45
124	National Westminster Bank NJ, Jersey City, N.J.	5.81	5.45	149	103
125	Security Pacific Bank Washington, Seattle	5.79	6.44	69	64
126	City National Bank, Beverly Hills	5.76	5.30	164	118
127	First Hawaiian Bank, Honolulu	5.76	6.01	103	114
128	Mercantile Bank NA, Clayton, Mo.	5.76	6.88	47	132
129	Meridian Bank, Reading, Pa.	5.75	6.45	68	47
130	BancOhio National Bank, Columbus	5.74	6.23	80	91
131	Bank One Columbus NA, Ohio	5.73	5.61	137	136
132	First Union National Bank, Charlotte, N.C.	5.71	5.43	152	20
133	Industrial Bank of Japan Trust Co., New York	5.71	4.89	179	96
134	American Security Bank NA, Washington, D.C.	5.70	5.79	123	92
135	Signet Bank/Maryland, Baltimore	5.70	5.63	135	153
136	First Tennessee Bank NA, Memphis	5.69	6.05	98	89
137	Equitable Bank NA, Baltimore	5.67	5.81	122	116
138	Maryland National Bank, Baltimore	5.66	5.40	156	52
139	Connecticut National Bank, Hartford	5.62	5.52	142	33
140	Valley Bank of Nevada, Las Vegas	5.62	6.18	87	200
141	Society National Bank, Cleveland	5.61	5.86	119	66
142	Imperial Bank, Los Angeles	5.60	6.03	101	198
143	National Community Bank, Rutherford, N.J.	5.60	5.36	158	148
144	Bank of Hawaii, Honolulu	5.57	5.86	116	70
145	Central Fidelity Bank, Richmond	5.57	5.65	130	100
146	Dominion Bank NA, Roanoke, Va.	5.57	5.26	167	125
147	NCNB National Bank of Florida, Tampa	5.55	6.13	91	36
148	BayBank Middlesex, Burlington, Mass.	5.49	5.29	165	152
149	Harris Trust & Savings Bank, Chicago	5.44	5.93	108	51
150	Hibernia National Bank, New Orleans	5.42	5.44	151	88
151	FCC National Bank, Wilmington, Del.	5.41	7.67	27	122
152	Manufacturers & Traders Trust Co., Buffalo, N.Y.	5.41	5.28	166	151
153	American National Bank & Trust Co., Chicago	5.40	4.96	174	137
154	National Bank of Detroit	5.38	5.49	146	23
155	Merchants National Bank & Trust Co., Indianapolis	5.37	5.39	157	169
156	Israel Discount Bank, New York	5.35	5.35	159	128
157	Texas Commerce Bank NA, Houston	5.32	5.42	154	41
158	Bank of California NA, San Francisco	5.30	4.79	181	76
159	Central Trust Co. NA, Cincinnati	5.29	5.71	126	156
160	Sumitomo Bank of California, San Francisco	5.29	4.95	177	144
161	First Union National Bank, Atlanta	5.23	5.51	144	142
162	Barnett Bank of South Florida NA, Miami	5.19	5.42	153	97
163	Northern Trust Co., Chicago	5.13	4.53	187	72
164	Signet Bank/Virginia, Richmond	5.11	4.94	178	68
165	Bank of America NT&SA, San Francisco	5.09	4.36	190	2
166	Norwest Bank Minnesota NA, Minneapolis	4.99	4.79	182	75
167	American Express Centurion Bank, Newark, Del.	4.98	4.64	185	74
168	Southeast Bank NA, Miami	4.90	4.27	191	30
169	First Interstate Bank of California, Los Angeles	4.89	4.22	192	16
170	Security Pacific National Bank, Los Angeles	4.89	4.53	188	6
171	Bank of Tokyo Trust Co., New York	4.86	5.41	155	78
172	NCNB National Bank of North Carolina, Charlotte	4.85	5.46	147	18
173	First City, Texas-Houston NA	4.84	5.01	173	86
174	First Fidelity Bank NA, Newark, N.J.	4.84	5.33	161	43
175	Citibank NA, New York	4.71	5.44	150	1
176	Comerica Bank-Detroit	4.69	5.10	170	62
177	Chemical Bank, New York	4.67	4.88	180	8
178	Valley National Bank, Phoenix	4.65	5.32	162	73
179	Morgan Guaranty Trust Co., New York	4.62	5.64	134	4
180	Manufacturers Hanover Trust Co., New York	4.61	4.72	183	7
181	Florida National Bank, Jacksonville	4.58	6.18	86	87
182	Bank of New York	4.55	5.33	160	9
183	Chase Manhattan Bank NA, New York	4.50	5.64	133	3
184	NCNB Texas National Bank, Dallas	4.46	4.18	193	12
185	Premier Bank NA, Baton Rouge, La.	4.36	6.67	55	176
186	Pittsburgh National Bank	4.18	4.11	195	31
187	Riggs National Bank, Washington, D.C.	4.17	4.13	194	110
188	First National Bank, Boston	4.15	4.96	175	15
189	Mellon Bank NA, Pittsburgh	4.15	2.75	200	21
190	Fidelity Bank NA, Philadelphia	4.10	3.46	199	82
191	First Bank NA, Minneapolis	4.07	4.61	186	55
192	First National Bank, Chicago	4.07	3.70	198	14
193	First Interstate Bank of Arizona NA, Phoenix	3.96	6.22	83	123
194	Mellon Bank (East) NA, Philadelphia	3.84	4.46	189	180
195	Marine Midland Bank NA, Buffalo, N.Y.	3.78	4.10	196	27
196	National Westminster Bank USA, New York	3.42	3.99	197	60
197	Bankers Trust Co., New York	2.94	5.22	168	13
198	First Pennsylvania Bank NA, Philadelphia	2.50	4.95	176	196
199	Connecticut Bank & Trust Co. NA, Hartford	1.94	5.90	112	171
200	Bank of New England NA, Boston	1.48	4.65	184	154

Table described: American Banker has ranked the 200 largest commercial banks in equity capital; calculated their equity capital-to-assets ratio on Dec. 31, 1989; and listed these 200 banks in order of this ratio. **Capital-to-Assets Ratio:** is the equity capital-to-assets ratio on Dec. 31, 1989, and Dec. 31, 1988. **Rank 12/31/88:** is the bank's ratio rank for 1988. **Equity rank:** The bank's equity capital ranking for 1989.

Compiled by American Banker, Copyright 1990.

860

C01751

AMERICAN B

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 78 *Monday, April 23, 1990* *155th year*

SEC Regulation On Debt Trading Hailed by Banks

By WILLIAM GOODWIN

Officials at the American Bankers Association were breathing a little easier Friday after learning that a new SEC restriction on private placement activity apparently is not as onerous as they first believed.

ABA officials left an Securities and Exchange Commission meeting Thursday thinking that the SEC had just imposed a blanket prohibition against commercial banks trading private-placement securities for their fiduciary accounts.

Under the SEC's just-adopted rule 144A, banks would be able to trade private-placement securities only for their own account, the ABA concluded at Thursday's meeting. That impression was based on oral comments made at the meeting.

ANALYSIS: *Follow-up on the news*

But an SEC staffer told ABA officials Friday that the restriction is not as bad as it sounded.

Banks would be barred from trading on behalf of their personal trust accounts, but not for qualified pension fund and charity accounts. ABA officials said they were told.

ABA Encouraged

While still awaiting official word about the extent of the restriction, ABA officials were heartened by the staffer's comments.

"It definitely would ease our concerns somewhat," if the staffers report is correct, said James McLaughlin, director of agency relations at the ABA.

The SEC originally said it hoped to release the rule in written form on Friday, but later said the rule would not be publicly released until today.

Meanwhile, the top SEC staffers working on the rule could not be reached Friday for a definitive clarification.

Despite Friday's confusion, bankers and their lobbyists applauded adoption of 144A.

Wider Trading Opportunities

In general, the new rule will free up trading in the private-placement market by allowing the purchase and immediate resale of unregistered securities to qualified institutional investors – those who own at least $100 million of securities.

Commercial bankers expect the issuance of new private placements to move ahead even faster than the already blistering pace of recent years. Last year, banks and investment bankers helped corporations raise more

See **SEC** *page* **18**

INSIDE NEWS

INTERNATIONAL

BRAZIL'S WILLINGNESS to open debt-reduction talks is increasing the chances that this year banks may recover some of the money owed to them. *Page 12*

TECHNOLOGY

MELLON BANK CORP. plans to ratchet up its technology offerings in the potentially lucrative field of outsourcing. *Page 3*

CONSUMER

EARTH DAY EVENTS were staged without bank sponsorship, by and large, partly because organizers deemed the institutions unsuitable donors. *Page 6*

WASHINGTON

THE BRAIN DRAIN that has shifted experienced employees to the Resolution Trust Corp. from the FDIC may weaken the regulatory agency's ability to monitor commercial banks. *Page 8*

CAPITOL HILL

ALAN GREENSPAN said the Fed remains concerned that "recessionary factors" could undermine large leveraged-buyout loan portfolios held by some U.S. banks. *Page 5*

OTHER NEWS

FIRST CHICAGO CORP. denied giving analysts detailed data on its problem loans before releasing first-quarter earnings. *Page 2*

COMMENT

BANKERS MUST UPDATE their image to reflect the true nature of the industry, writes Paul Nadler. *Page 4*

INDEX

People in the News 2
Company Index 2
Sound Off 4
Executive Changes 10
Weekly Index of Stories 13
Classified Advertising 14
Bank and Thrift Stocks 19

Citicorp Securities on the Moody's Watchlist

Outstanding issues under review for possible downgrading*

	Current rating
Citicorp ($27 billion)	
Senior debt	A1
Subordinated debt	A2
Preferred stock	"a2"
Commercial paper	Prime-1
Subsidiary banks ($4 billion)	
Long-term deposits	Aa2
Issues backed by letters of credit	Aa2
Citicorp Overseas Finance Corp. ($1.7 billion)	
Four issues	A1
Subordinated floating-rate Euronotes	A2
Citicorp Guaranteed Residential Mort. Pass-Throughs ($4.4 billion)	
Forty-nine issues	Aa3
Citicorp Banking Corp. ($0.3 billion)	
Subordinated floating-rate Euronotes	A2

*Not all Citicorp issues included

Source: Moody's Investors Service

Review of Citicorp Debt Signals Moody's Focus on Money-Centers

By KELLEY HOLLAND

NEW YORK — The decision of Moody's Investors Service to place Citicorp's debt securities under review signals a change in focus for the increasingly aggressive rating agency.

Since the beginning of the year, Moody's has downgraded 43 banks and thrifts, but all the banks involved were regionals. Now money-centers may find themselves under the same tough scrutiny.

"We started out by looking at the banks with rapidly deteriorating asset quality, where nonperformers were rising very rapidly," said Christopher T. Mahoney, associate director at Moody's.

"Now we're taking a look at institutions that have large exposures where the deterioration hasn't really started yet." He said that this would mean a shift in emphasis for money-center banks.

In its statement Thursday, Moody's highlighted Citicorp's exposure to lesser-developed

See **MOODY'S** *back page*

Bank Stocks Off Sharply As Worries Proliferate

By GORDON MATTHEWS

NEW YORK — Major bank stocks were hammered hard on Friday as new worries about rising interest rates were added to nagging fears about high-leverage loans, depressed earnings, and reductions in debt ratings.

"It looks like we are making a run down the whole worry list today," said James J. McDermott Jr., executive vice president and research director of Keefe, Bruyette & Woods Inc.

Interest-rate concerns also helped drag down the broader stock market, which had one of its most volatile days of the year. Hit early and often, bank stocks ended the week near their levels of two weeks earlier – prior to their best performance of the year.

Analysts said Friday was the bloodiest day for the bank group since April 5 and 6, when a panic selloff followed a meeting between bank analysts and officials from the Office of the

See **STOCKS** *back page*

Seidman Urges RTC to Scrap Asset Appraisal

By BARBARA A. REHM

WASHINGTON — In a move that real estate experts said would greatly speed the sale of seized thrift assets, the Resolution Trust Corp. is expected to start using competitive bids instead of appraisals to determine the sale price of property, according to L. William Seidman, the agency's chairman.

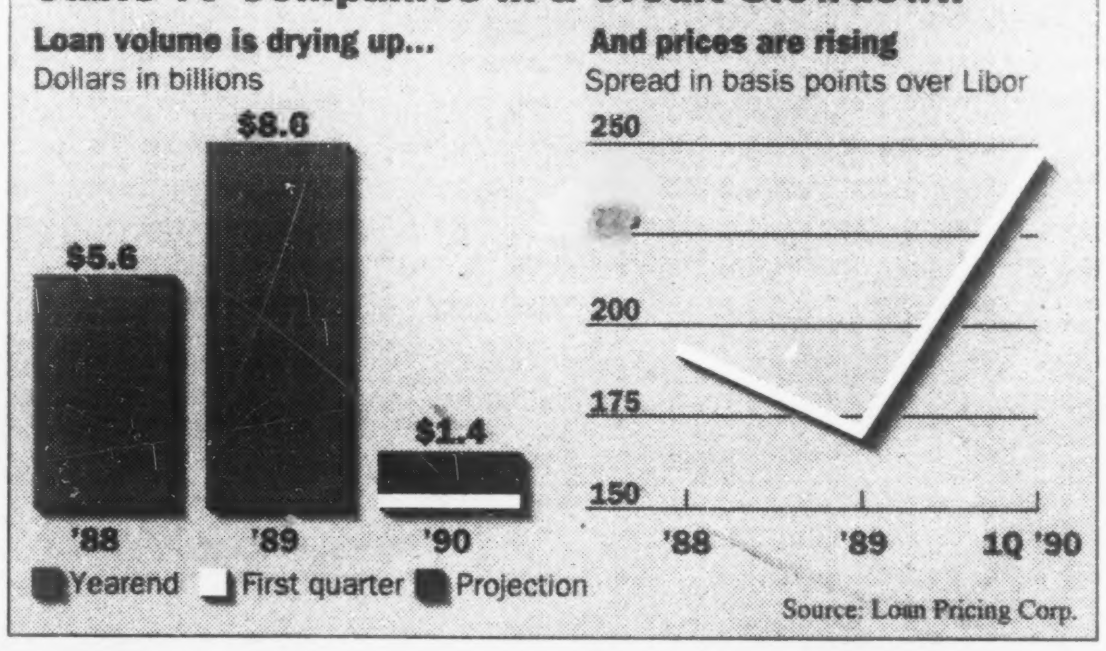
Asset values are now determined by an appraisal process, which has proved cumbersome and sometimes fruitless. High prices set by appraisers have contributed to the RTC's troubles in selling assets from seized thrifts.

"We are looking at how to establish market value without appraisals," Mr. Seidman said in an interview last week. "If you advertise broadly and you have 50 bidders and three of them are within 5% of each other, then that is the market price."

The RTC's four-member board will consider the proposal at a meeting Tuesday. Mr. Seidman's support is expected to assure approval.

See **SEIDMAN** *page* **9**

Cable TV Companies in a Credit Slowdown



Source: Loan Pricing Corp.

Regulators' Leverage Guidelines Blur Credit Picture for Cable TV

By CURTIS SIMMONS

NEW YORK — Aided by the seemingly bottomless pockets of their bankers, cable television companies expanded rapidly in the 1980's, fighting for valued franchises and eventually devouring one another in a great wave of consolidation.

But now, according to bankers and industry experts, credit for cable TV companies is drying up fast. The reason: new regulatory guidelines for bank loans to leveraged companies, announced in February.

These standards, combined with turmoil in the junk bond market following the demise of Drexel Burnham Lambert Inc., have cast a pall on the market for highly leveraged transactions. And perhaps no other industry has been as severely affected as cable TV.

"Banks are feeling the effects of HLTs and the feds hunkering down on them," said William Schink, vice president for media and communications lending at General Electric Capital Corp. "They are becoming more conservative."

"It is tougher to get deals done during this uncertainty," said

See **CABLE** *page* **16**

PEOPLE *in the news*

James Large Has Anchor Back on Hopeful Course

By PHIL ROOSEVELT

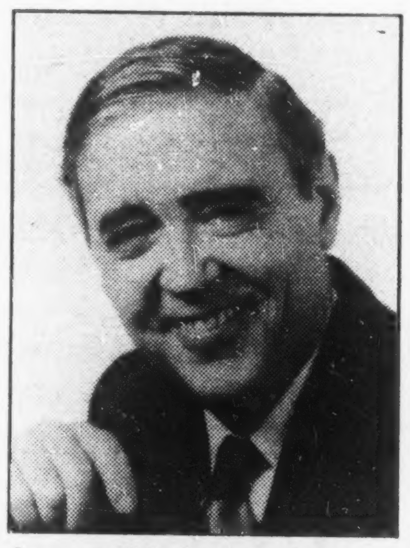
When James M. Large Jr. arrived at the troubled Anchor Savings Bank last year, rivals and analysts were quick with the quips: Mr. Large faces a big job; Anchor is sinking; glub, glub, glub.

The jokes may soon subside. Last week, after 12 months as chairman and chief executive of the Hewlett, N.Y.-based thrift, the veteran of First Interstate Bancorp reported that his turnaround effort was well on the way to success. In the latest sign of hope, the Office of Thrift Supervision approved Anchor's plan for meeting capital standards within two years.

The action by the OTS markedly reduces the chances that regulators will seize the $9 billion asset-thrift, one of the largest on the East Coast. Thus, the action has given new life to Mr. Large's vision of a completely revived Anchor.

"We've demonstrated by what we've accomplished so far that we have the right to continue," he said in an interview. "Now we have to take it the rest of the way."

Indeed, Anchor still has major problems. It has posted losses in each of the past five quarters, and it has negative tangible capital of about $200 million. To meet the capital requirements of the 1989 bailout law, Anchor needs about $330,000.


James M. Large Jr.

The thrift has been hobbled by large amounts of nonearning goodwill, low yields on assets, and high overhead costs. Analysts place much of the blame on a seemingly random acquisition spree launched in the early 1980s under Mr. Large's predecessor, Donald L. Thomas.

Mr. Large, 57, joined Anchor last April after earning turnaround stripes as an executive vice president at First Interstate. He helped revive 15 of the company's small banks. Previously, he led a turnaround at First National Bank of Allentown, Pa.

"Banking is my hobby," says Large, who acknowledges that he's a workaholic.

At Anchor, Mr. Large has already taken dramatic action, slashing the thrift's head count 35% to 2,058. And it looks like he has only started.

Branch Sales Part of Plan

Under his capital plan, Anchor will raise money partly by selling as many as 58 of its 120 branches, including $2 billion of deposits. The targeted branches are in the Southeast, rather than Anchor's core market in metropolitan New York. Anchor will also sell some mortgages and other assets and seek to convert cumulative preferred stock into instruments that count as capital.

The planned branch closures required a huge goodwill writedown for the quarter ending March 31. As a result, Anchor posted a loss of $169 million for the period. Excluding one-time charges and gains, the thrift lost about $3 million, down from $7 million in the previous quarter and $12 million in the quarter before that.

The thrift will return to the black in "a reasonable period of time," Mr. Large said.

"The basic franchise is really alive and well," he said. "Our market share is growing, our deposits are growing, and we've opened more checking accounts in the last month than we did in the last 12 months." □

Highly Leveraged Loans Reduced At Wells Fargo, President Says

Reuters

LOS ANGELES — Wells Fargo & Co., which earlier reported a 19% increase in earnings per share for the first quarter, is passing up some business in highly leveraged transactions because the deals do not meet its standards, president Paul Hazen said.

"Our [highly leveraged] outstandings are trending downward in the first quarter and the reason is that we saw few deals that met our standards," he told the annual meeting last week.

He noted that at the end of 1989, the company's outstanding highly leveraged loans stood at $4.2 billion under a new definition laid down by U.S. regulators.

Mr. Hazen said that Wells' experience with HLTs had been relatively favorable because of the in-house standards such transactions must meet before Wells joins a deal.

"From 1983 to 1988, we did not have any losses under the old definition and in 1989 we had only one for $30 million," he said.

Because of its HLT portfolio, Wells' stock has been vulnerable to jitters in U.S. financial markets and the problems that have arisen in the high-yielding junk bond market.

Wells' large commercial real estate portfolio also has made it vulnerable to stock market concern that the problems in real estate markets in the Northeast will spread to California, which so far has been immune. □

Liquidity Crisis Had Hit Lincoln, Regulator Says

By LISA A. HAMMOND
Special to the American Banker

WASHINGTON — A federal regulator testified on Friday that Lincoln Savings and Loan Association was in a liquidity crisis when the government seized it last spring.

The testimony came on the final day of the government's defense of the seizure of the Irvine, Calif., institution, whose liquidation could cost taxpayers $2 billion or more.

Charles H. Keating Jr., chairman of Lincoln's parent, American Continental Corp., Phoenix, claims federal regulators improperly devalued Lincoln's assets to justify seizing the thrift.

The preliminary hearing on Mr. Keating's suit to regain control of the California thrift lasted 27 days.

Examination Called Standard

Keith Seibold, the western regional director for the Federal Deposit Insurance Corp. who supervised the Lincoln takeover, said in the preliminary hearing Friday that the asset values were changed after standard FDIC examinations of the thrift.

Mr. Seibold testified that Lincoln's state at the time of its seizure was "one of the most chaotic situations I've seen in my 20 years at the FDIC."

"Lincoln had a severe liquidity crisis when we walked in," he said.

Final arguments are scheduled for June 8. Federal District Judge Stanley Sporkin can dismiss the case, issue a summary judgment, or order a trial.

John E. Lundin, Mr. Keating's lawyer, predicted that the case would go to trial.

But lawyers for the government disagreed. "I think this is the trial, although the judge hasn't told us what he is going to do," said government attorney Paul E. Gutermann.

Ms. Hammond writes for the Medill News Service.

First Chicago Net Off 45%; Chief Says No Data Leaked

By NANINE ALEXANDER

CHICAGO — First Chicago Corp. chairman Barry F. Sullivan denied on Friday that the bank company gave analysts detailed information about its problem loans while briefing them in advance of releasing first-quarter earnings.

The bank company reportedon Friday that first-quarter profits plunged 45% to $68.6 million because of problems with real estate loans. The decline was expected, since First Chicago announced three weeks ago that first-quarter profits would probably be cut in half because of an increase in the loan-loss provision to cover badreal estate loans.

Speculation centered on troubled VMS Realty Partners. In a published report, James J. McDermott Jr. of Keefe, Bruyette & Woods Inc. was quoted as having been told by First Chicago that it had about $200 million of loans outstanding to VMS. The bank and Mr. McDermott denied the story.

At a news conference on Friday Mr. Sullivan again denied the allegations, which reportedly sparked an inquiry by the Securities and Exchange Commission. Of the investigation, Mr. Sullivan said, "We haven't heard anything from the SEC."

First Chicago's provision for loan losses in the first quarter grew more than threefold to $160 million from $50 million in the year earlier quarter. Nonperforming loans grew 32.6% to 1.05 billion from $792 million last year.

Real Estate Woes May Persist

Although Mr. Sullivan said he expected that the loss provision would return to normal levels in the next quarter, he did not rule out more difficulties in real estate. He said there are a few loans that are being closely scrutinized.

Analysts said the numbers were in line with expectations.

Christoph A. Kotowski, an analyst at Oppenheimer & Co., said the amount of nonperforming loans was at the low end of his expectations. He also thought First Chicago's 112% ratio of reserves to nonperforming loans was a positive sign.

Mr. Kotowski said he thought net interest margin of 2.89% was weak. In the year earlier quarter it was 3.37%. Net interest income declined to $327 million from $332.2 million a year ago. □

FIRST CHICAGO CORP.
Chicago
Dollar amounts in millions (except per share)

FIRST QUARTER	**1Q '90**	**1Q '89**
Net income	$68.6	$124.7
Per share	0.92	1.79
Net interest income (tax. equiv.)	327.0	332.2
Spread	2.89%	3.37%
ROA	0.53%	1.11%
ROE	10.9%	23.9%
Noninterest income	312.5	249.5
Noninterest expense	375.9	343.2
Loss provision	160.0	50.0
Net chargeoffs	37.4	74.0
BALANCE SHEET	**3/31/90**	**3/31/89**
Assets	$49,992	$45,054
Deposits	32,544	32,219
Loans	30,316	28,225
Shareholder equity	2,720.0	2,471.0
Loss reserve	1,064.0	1,292.0
Reserve/loans ratio	3.5%	4.6%
Nonperf. loans	1,050.0	792.0
Nonperf. loans/loans	3.5%	2.8%
Primary capital ratio	8.1%	8.9%

Correction

A ranking of bank holding companies based on risk-based capital ratios was published April 19 (page 24). City National Corp., Beverly Hills, Calif., said ratios that it had supplied were understated.

At yearend 1989, the bank's actual Tier 1 and total capital ratios were 8.52% and 9.61%, respectively, ranking City National 27th in Tier 1 and 53d in total capital among the top 100 banking companies.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
H.F. Ahmanson 6
American Bankers Assn. 1,6,8
American Continental 2
American Financial Services Assn. 6
Anchor Savings 2
Australia & N. Zealand Banking 12

B
Banc One 1,3
Banco Santander 12
Bank of Boston 1
Bank of New England 1
Bank South 10
BankAmerica 1,12
Bankers Trust New York 1,3
Barclays Bank 3
Bear Stearns 1
Boulevard Bancorp 10
Burritt InterFinancial Bancorp 10

C
Canadian Imperial Bank 1
Chase Manhattan 12
Chemical Banking 12
Chittenden 10
Citicorp 1,12
City National (Beverly Hills) 2
CNN Management Systems 3
Commonwealth Federal Savings 10
Consumer Bankers Assn. 6
Continental Bank 1
CoreStates Financial 1

D - F
D&N Financial 10
Dean Witter Reynolds 1
Digital Equipment 3
Eastern Bank 10
Eastman Kodak 3
Electronic Data Systems 3
Financial Interchange 10
First Arizona Savings 10
First Chicago 1,2
First City Bancorp. 3
First Home Federal
  Savings (Sebring, Fla.) 1
First NH Banks 10
Flagship Financial 10
Fortune Financial 6
Fox-Pitt Kelton 1

G
General Electric 1
General Motors 3
Great Western Financial 1

H - J
H.J. Heinz 3
Hansen Group 10
Harris Bankcorp 6
Hibernia 3
IBM 3
J.P. Morgan 1,12

K - L
Kapiti 3
Keefe, Bruyette & Woods 1,2
KeyCorp 10
Leo Burnett 6
Loan Pricing Corp. 1

M
Manufacturers Hanover 1,12
MasterCard International 3,6
Mayer, Brown & Platt 1
McConnaughy Barocci Brown 6
Mellon Bank 1,3
Merrill Lynch 1,3,6
MNC Financial 1
Moody's Investor Service 1
Multinational Strategies 12

N
National Australia Bank 12
National Community Bank 10
National Westminster Bank 1
NCNB 1
Northeast Bancorp 10

O - R
Oppenheimer & Co. 2
Palmieri Cos. 1
Paul Kagan 1
Paul, Hastings, Janofsky & Walker 10
Perot Systems 3
Resolution Trust Corp. 1
Richfield Bank & Trust 10
Rogers & Wells 1

S
Salomon Brothers 1
Sanford C. Bernstein 1
Secura Group 8
Securities Data 1
Shearson Lehman Hutton 1
Society of Real Estate Appraisers 1
Southeast Banking 6
Standard & Poor's 1

T - Z
Telecommunications 1
Texas Air 3
Toronto Dominion Bank 1
TRW 10
United States Trust 10
Visa U.S.A. 6
VMS Realty Partners 2
Wells Fargo 1,2
Wisconsin Bankers Assn. 6

COMMENT/*By Paul Nadler*

Image of Bankers Out of Step With Changes in the Industry

One of banking's major concerns today is image. How can we differentiate our ethical operations from the scandalous operations of some thrifts and Wall Street firms when the public thinks that every financial institution is a "bank"?

How can we get the public to know the difference between a thrift that has recently been allowed to take the name "bank" and a full-service bank that has been in the business for years?

How can we get people to accept the fact that, even though a bank joins a superregional or statewide organization, it is still the local bank doing its job on the same old corner?

The Latest Challenge

These image challenges are well known. But there is another that may be equally important: Demonstrating to college graduates just entering the work force what a bank truly is and does, and dispelling the outdated, stereotyped image.

There is a sharp distinction between a banker's image and what a banker actually does.

Most college students still think of a banker as someone who knows how to dress properly, choose the right food and wine, mingle with the right people, and occasionally sign these people up for deposit or borrowing services. The expression "bankers' hours" remains a part of our vocabulary, no matter how long bankers work in 1990.

I wrote a column over a decade ago to emphasize that the exciting new frontier of banking had become the operations area. At that time, the students only wanted so-called fast-track training programs for lending officers.

'Anyone Can Put on a Vest'

I received a call from Walter Wriston's office asking me to spend a morning discussing this issue with the policy committee of Citibank, where he was then CEO. I'll never forget Mr. Wriston's comment to me: "Anyone can put on a vest and lend to Corning Glass. It's the guy who breaks up the knife fights in the computer room that keeps this bank going."

There is still an opportunity to get the cream of today's crop of students to understand what is involved in banking and how exciting it can be.

But while bankers have had an image problem with students for decades, where the difference between image and reality comes to the fore in 1990 is in the wooing of bright people to bank examination service.

When students come to me looking for entry-level jobs in banking, I remind them that banks are laying off thousands of people rather than hiring. Banks that do need people have a pool of trained personnel who were unfortunate enough to have been with the wrong bank but who are now available for new challenges.

'The expression "bankers' hours" remains a part of our vocabulary, no matter how long bankers work in 1990.'

Rare indeed will be the college graduate who is given an opportunity to be hired and trained by a bank in 1990 – an era of the worst bank results in half a century.

Demand for Examiners

But good young people are needed desperately in bank examination. If we have learned anything from the thrift industry fiasco, it is that we need far more and far better trained supervisors and examiners.

Yet again, look at the image of bank examiners. The examiner is still thought of a the young CPA who "counts the cash" and makes sure all the paper is in the vault and all the documentation is correct.

How different this is from the real role of bank examiners today in determining whether banks are safe, whether they are meeting their capital requirements, and whether they are reserving adequately against loan losses. In fact, the examiner may have too much say, rather than too little, in the running of most banks today.

Best, Brightest Not Wooed

Yet what efforts have the examination staffs of the federal and state regulatory agencies made to get this information across to students and thereby to woo the "best and the brightest" into bank examination?

Professors of banking get few calls from examiners wanting to interview their students. But the need for good students is so great that when I sent a bright young woman to a regional office of the Comptroller of the Currency, the regional comptroller not only wrote to thank me but asked if I had more students like her.

Banks and bank examiners thus face a challenge to change their image. Their effort will have a major impact on the industry long after today's thrift bailout and bank loss problems are solved. For if our best students do not know what bank work can accomplish, the industry will not be able to keep up with the changes in this ever more complex economic environment. □

Mr. Nadler is professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

More than 40 bankers in the United States were paid better than $1 million each in salary and other compensation in 1989, an *American Banker* review of proxy statements found. While the pay of some money-center bank executives was cut somewhat, sharp pay increases were given executives at superregional and regional banks. Some chief executives received raises despite their banks' poor results. Jeffrey Marshall of *American Banker* asked the following people for their views.

Q ***Are top bankers being paid too much, and should pay be tied more closely to performance?***

■ Emanuel N. Monogenis
Partner
Heidrick and Struggles Inc.

I think the question should be: What are they paid in comparison to whom? In comparison to a rock star or an athlete? With a rock star, you know how much has been generated because the person filled Madison Square Garden.

Those bank presidents who produce more should be paid more. If they produce $600 million in profit, what's wrong with paying them $2 [million] or $3 million? If it's clear to directors that an individual is producing a certain level of profit, I don't have a problem calling whatever pay that person gets justified. The cynicism revolves around people who aren't performing . . . .

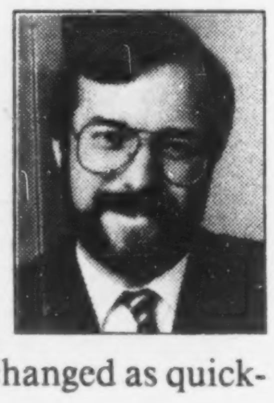
If there is accountability following performance, then people won't mind [what top executives are paid].

■ Dan Williams
Banking industry analyst
Sutro & Co.

I would think the time is not too far off when corporations in general would be well-advised to do something that really does tie the compensation of senior executives of a company to performance. And I mean a program which doesn't just stair-step up [the compensation].

One of the problems is that, in the last few years, executive compensation may or may not have been exorbitantly high, but when it is high, it never comes down. If the company has a couple of lousy years, the directors never find a way to bring it down. It never gets adjusted. In our business, if production goes down, compensation goes down.

■ Steven E. Hall
Managing director
Pearl Meyer & Partners Inc.



Generally, what we're seeing with banking is an industry in a state of transition. It's no longer what it used to be years and years ago. And while the business has changed, we're finding that the compensation delivery systems in place for those top people has not changed as quickly . . . .

The important thing to focus on is the mix of salary that you pay someone that is short-term versus long-term and incentive. That's the place where banks are starting to make their strides. It's creating a proper balance between a guaranteed amount in terms of salary and what is more at risk in terms of performance. Some of our clients have really done a lot in the past few years, to [put] 40% to 50% of someone's total pay at risk. It's being very responsive.

One thing that creates a problem for banks is the whole LDC issue . . . . It looks like a lot of bankers did take an LDC hit [to their pay]; I think that is not always the most equitable thing to do. They got caught up in someone else's mistakes.

A lot of these bankers aren't exactly sleepily taking in deposits and doling out loans. Now, they're in businesses where there's a lot of risk and opportunities to make a lot of money.

■ Margaret-Ann Cole
Manager, benefits and compensation
Deloitte & Touche

A million dollars isn't what it used to be. If you figure that a regular middle-management person is making $60,000 or $70,000, in a number of years, with good raises of 10% or so, that person may be making a quarter of a million.

I think we're moving much closer to a [pay-for-] performance path, particularly with the job market being so tight. It's very performance-driven, much more so than in past years. In the early '80s, pay was out of control. Companies would pay a lot to get these hotshots on board and then find that maybe they weren't worth so much.

I really feel that the tight job market is filtering into these industries . . . . A lot are offering lower base salaries and bigger bonuses. I really think that's the wave of the future. □

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editor: Eric M. Starkman
Features Editor: Patricia Stundza
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Winnie O'Kelley (assistant chief), Christine Arax, Terry Bormann, John Fulton, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Economist To Begin 2d Stint Atop Argentine Central Bank

Reuters

BUENOS AIRES — Orthodox economist Javier Gonzalez Fraga will return to head Argentina's Central Bank this month, a senior bank official said.

It has not yet been decided whether Mr. Gonzalez will be named president or whether he will have a new title after the Central Bank is restructured, said the bank official, who asked not to be named.

Mr. Gonzalez Fraga was President Carlos Menem's first Central Bank president. He resigned in November after his differences with former Economy Minister Nestor Rapanelli became public and affected Argentina's sensitive financial markets.

The Peronist administration plans to split the Central Bank into at least three bodies, the official told Reuters. One branch will be responsible only for monetary policy; a second will supervise the banking system, and the third will handle foreign trade.

Mr. Gonzalez Fraga was a consultant to foreign and local banks before becoming Central Bank president. In his 20-week tenure, its foreign reserves rose to $2 billion from almost nil when he took over from a Radical Party predecessor amid hyperinflation.

A supporter of a free-floating exchange rate, Mr. Gonzalez Fraga clashed last year with Mr. Rapanelli, who intended to keep the currency's parity fixed at 652.5 australs per U.S. dollar until 1991.

Mr. Rapanelli quit in December after the austral crashed past 1,500 per dollar in the black market and hyperinflation resumed. The austral, floated in January, now stands at 4,905 to the dollar.

... by country

SPAIN

Gonzalo de Las Heras, managing director in charge of **Morgan Guaranty Trust** Co.'s Latin American division, is leaving to join Spain's **Banco Santander**.

Mr. De Las Heras will join Banco Santander's senior management as adviser on international strategy to the bank's chairman, Emilio Botin.

The 50-year-old, Spanish-born banker joined Morgan in 1978 in Madrid, where he headed the U.S. bank's representative office. He subsequently was instrumental in building up Morgan's debt trading and corporate finance activities in Latin America.

— **James Kraus**

CZECHOSLOVAKIA

The International Monetary Fund has readmitted Czechoslovakia, state-run television quoted Finance Minister Vaclav Klaus as saying.

Mr. Klaus told reporters he had just returned from a meeting in Spain where Czechoslavakia's readmission to the fund was confirmed. The nation formally applied for IMF membership in January, and Mr. Klaus has said he expected admission to be granted at the IMF's annual meeting in September.

Czechoslavakia would join the so-called Belgian group in the IMF, with countries such as Belgium, Hungary, Turkey, and Luxembourg of equal status.

— **Reuters**

PHILIPPINES

The government is drafting a program to trim its consolidated public sector deficit and keep closer to a level agreed on with the International Monetary Fund, Central Bank Governor Jose Cuisia said.

Failure to comply with IMF economic targets would delay release of the third tranche from a $1.17 billion, three-year loan facility designed to support economic growth.

The IMF wants Manila to stick to the target deficit of 33.4 billion pesos or 3% of estimated 1990 gross national product, Mr. Cuisia told reporters.

Based on current trends, the consolidated public sector deficit is ballooning to 55.2 billion pesos or 5% of GNP, officials said.

— **Reuters**

MEXICO

The World Bank said it approved a $450 million loan to Mexico to help finance a project to expand electrical transmission and distribution systems and to renovate thermal plants.

The loan is part of a $7.1 billion, 10-year project to improve Mexico's electrical systems. The Inter-American Development Bank and bilateral agencies are expected to cofinance the project, the World Bank said.

The loan is for 17 years at a variable interest rate, currently 7.75%, linked to the World Bank's cost of borrowing.

— **Reuters**

AUSTRALIA

Australia and New Zealand Banking Group and **National Australia Bank** announced cuts in their 18.75% prime reference lending rates, effective today.

ANZ Group managing director Reg Nicolson said his institution's cut, to 18.5%, reflected the falling cost of deposits. "If the cost of these deposits continues to fall, this will translate into further cuts in the ANZ reference rate," he said.

National Australia cut its benchmark rate to 18.25%.

— **Reuters**

JAPAN

The Finance Ministry said it is considering making it easier for foreign banks to open branches in Japan, and foreign bankers said the move is expected mainly to benefit **Citicorp**'s Citibank unit.

— **Reuters**

Bankers Warming to Brazil Talks

Odds Seen Improving for Some Payment this Year

By JAMES R. KRAUS

NEW YORK — Brazil's willingness to open debt-reduction talks is increasing the chances that its creditor banks may recover some of the money they are owed this year, bankers predicted.

"The discussions we have had privately so far lead us to believe they want a constructive solution," said a banker in New York. "The odds that banks will get some interest are excellent. The odds of our being paid 100% are zero."

Brazil owes foreign commercial banks about $65 billion out of a total foreign debt of $115 billion, more than the $48.5 billion Mexico owed foreign banks before its debt restructuring. The Brazilian debt includes $16.3 billion owed to U.S. banks, with Citicorp the single largest creditor.

Arrears Top $5 Billion

Brazil stopped making interest payments in June and its interest arrears exceed $5 billion. The missed payments were partly responsible for the reduced profits reported by several major U.S. banks for the first quarter.

Brazil paid Citicorp $170 million in interest last year, compared with $661 million a year earlier.

It paid Chase Manhattan Corp. $100 million, down from $365 million a year earlier; BankAmerica Corp., $105 million, down from $351 million; Manufacturers Hanover Corp., $73 million, down from $256 million; J.P. Morgan, $65 million, down from $240 million; and Chemical Banking Corp., $46 million, down from $205 million.

Loans to Brazil

As of Dec. 31, 1989

	($ mil.)
Citicorp	$3,300
BankAmerica	1,809
Chase Manhattan	1,577
Manufacturers Hanover	1,269
Chemical Banking	1,096
J.P. Morgan	600
Bankers Trust	457
First Chicago	347
Continental Bank	197
Bank of New York	44

Source: Keefe, Bruyette & Woods Inc.

Assurances Repeated

Brazilian officials have repeatedly affirmed their commitment to reaching an agreement with banks since a new government under President Fernando Collor de Mello took office in March.

Citing Economics Minister Zelia Cardoso de Mello and central bank president Ibrahim Eris, *The Wall Street Journal* last week reported that Brazilian officials hope to begin preliminary talks with banks on a debt reduction agreement at the International Monetary Fund-World Bank meeting in Washington early next month.

Payments Restricted

Brazil recently introduced a tough austerity program to put the brakes on runaway inflation but said it does not intend to make more than $5 billion in interest payments on its foreign debt.

Observers warned that negotiations between Brazil and its banks may well be as protracted as debt-reduction talks with Mexico, which took nearly a year to complete.

They predicted that banks may get only token interest payments and will probably not see the rest until after an agreement is concluded.

Pessimism Voiced

"I wouldn't be particularly hopeful about a glow of debt servicing coming," said Paul M. Sacks, president of Multinational Strategies Inc. a, New York-based international advisory firm.

A debt reduction agreement would be the fifth since Treasury Secretary Nicholas F. Brady called on banks last year to forgive a portion of their loans to heavily indebted nations.

Five deals struck so far have been with with Mexico, the Philippines, Costa Rica, Venezuela,and Morocco. □

Bundesbank Touting 2-1 Swap of Marks

By JANET GUTTSMAN
Reuters

FRANKFURT — As the debate heats up over terms of German monetary union, the Bundesbank has gone on the offensive to support its controversial proposal to swap eastern marks for western marks at a general rate of two for one.

Normally reticent central bank officials have appeared on national and regional television programs. Bundesbank board members have pleaded their case in a series of newspaper articles and interviews.

"The Bundesbank is arguing that it has been misunderstood," said Martin Wiedmann, a vice president of Citicorp's Citibank.

The West German central bank says a 2-to-1 swap rate is essential to allow East German firms to repay their massive debt and to prevent a sharp rise in monetary growth.

Exclusion for Personal Savings

The only exception to the rate would be the first 2,000 marks – about $1,200 – of personal savings, which should be swapped at par, it says.

East German leaders, including new Prime Minister Lothar de Maiziere, have turned down the idea. In a televised speech Thursday to East Germany's first freely elected parliament, Mr. de Maiziere said East Germans' dignity and property were at stake.

"We [the two Germanys] must reach an accord that will ensure East German citizens do not get the feeling they will become second-class citizens," the Christian Democratic leader said.

Bundesbank President Karl Otto Poehl said last Thursday that the Bundesbank plan had been misinterpreted. The proposals would not lead to a halving of East Germany's already low wages because wages would be raised before monetary union is set, Mr. Poehl said. □

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	4/20	4/19	4/13	4/20	4/19	4/13	4/20	4/19	4/13	4/20	4/19	4/13	4/20	4/19	4/13
United States	8.25	8.37	8.31	8.56	8.56	8.50	8.75	8.75	8.62	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.25	7.12	7.12	7.43	7.43	7.50	7.56	7.56	7.62	5.25	5.25	5.25	6.25	6.25	6.25
Canada	13.12	13.25	13.16	13.62	13.62	13.41	13.75	13.87	13.66	13.77	13.61	13.61	14.75	14.25	14.25
U.K.	15.00	15.00	14.85	15.18	15.18	15.29	15.56	15.56	15.54	14.58	14.61	14.61	15.00	15.00	15.00
West Germany	7.87	7.87	7.91	8.25	8.25	8.29	8.62	8.62	8.60	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	11.00	10.25	9.41	9.56	9.43	9.29	9.37	9.37	9.22	6.00	6.00	6.00	11.25	11.25	11.00
France	9.68	9.87	10.04	9.87	9.93	10.10	10.06	10.06	9.54	9.50	9.50	9.50	10.80	10.80	10.80
Italy	12.25	12.25	11.79	12.18	12.18	12.04	12.43	12.43	13.54	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.37	15.30	8.73	10.12	7.64
6 to 12 months	8.11	15.13	9.04	8.90	7.71
12 to 24 months	9.67	14.22	8.07	8.33	7.59

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 12, 16,

18

Cable Firms Losing Access to Bank Credit

The Top 10 Lenders to Cable TV
Outstanding loans, dollars in millions

Lender	December 1988	December 1989
1. Toronto Dominion	$1,800*	$2,000*
2. NCNB**	281	1,300
3. GECC Communications	1,216	1,279
4. Mellon Bank	925*	1,250*
5. Bank of New York	1,028	1,124
6. Prudential Insurance	354	1,076
7. First Chicago	877	981
8. Chase Manhattan	800*	950*
9. Bank of Boston	690	870
10. National Westminster	534	828

*Estimates
**Includes NCNB Texas (formerly First Republic BankCorp)
Source: Paul Kagan Associates

Continued from *page* **1**

Stephen Mcdonald, managing director of cable lending at Toronto Dominion Bank. The Canadian bank is the industry's leading lender, by a wide margin.

The numbers tell the story. Through the first quarter of 1990, just three loans to cable TV companies for $345 million were publicly reported, according to Loan Pricing Corp., which tracks the market. On an annualized basis that's 12 loans totaling about $1.4 billion.

In 1989, by contrast, 34 loans for a total of about $8.8 billion were disclosed, up from 23 loans for $5.6 billion in 1988.

And the pricing on the loans has jumped, too. From an average spread of 171 basis points over the London interbank offered rate in 1989, the handful of cable loans disclosed this year carried spreads of 246 basis points above Libor.

Quantifying Risk

The new HLT guidelines were mainly an attempt by regulators to set up uniform standards to give bankers and their examiners a handle on risk. They don't mandate any changes in lending policies. They do not require banks, for example, to restrict their lending to HLTs or reserve more heavily against the possibility of problems with them.

But because leveraged loans are considered riskier, investors and Wall Street analysts view high HLT exposure with a jaundiced eye, creating indirect pressure on management to reduce or minimize exposure.

That's bad news for many cable TV industry lenders. Under the February guidelines, American banks have to classify many of their cable TV loans as highly leveraged transactions.

No one is arguing that cable loans are not leveraged. Before February, though, some banks did not classify their cable and media loans as HLTs. Their reasoning was that the cable companies, unlike some leveraged buyouts that depend on asset sales for success, tend to throw off enormous amounts of cash – more than enough to cover interest costs.

Leveraged Loans Up Sharply

Some banks made the assumption that their cable loans would be included as HLTs, but adhering to the new guidelines has forced many banks to report substantial increases in HLT exposure. Many leading cable TV lenders reported sharp increases in their HLT loans, including Bank of Boston, Mellon Bank, Continental Bank, and NCNB.

Under the new guidelines, a loan is considered highly leveraged if the company's liabilities exceed 75% of its assets. A loan is also an HLT if a buyout, acquisition, or recapitalization causes the company's debt to double and results in liabilities exceeding 50% of assets.

The guidelines, unlike those used by some banks, do not address the borrowing company's ability to generate cash. Bank of Boston, for example, used criteria in which a loan was considered an HLT if the borrower's senior debt plus 25% of its subordinated debt exceeded its cash flow by a ratio of 7-to-1.

Some banks evidently took the changing environment to heart. Citibank reduced its exposure to cable lending to $710 million at yearend from $1.1 billion in June 1989, according to data compiled by Paul Kagan Associates. Citicorp officials were not available for comment.

Foreign Lenders Benefit

Bankers said that the new rules give an advantage to foreign banks and nonbank lenders, which are unaffected by the regulations.

Such competitors already have a strong grip on the market: 10 of the top 20 lenders to the cable TV industry at yearend 1989 were either foreign banks or nonbank lenders, according to data compiled by Paul Kagan Associates.

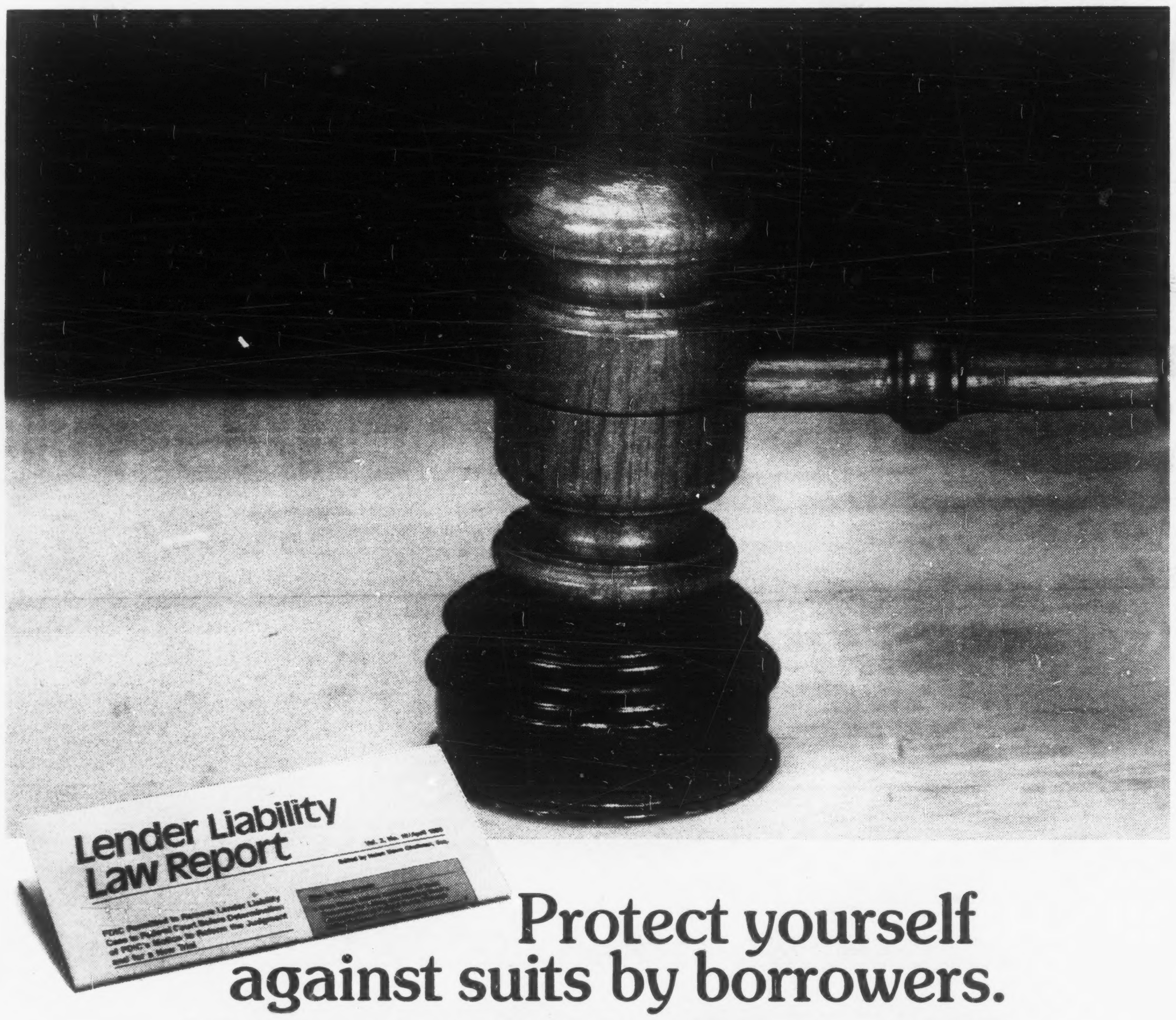
"I think we are seeing deals more quickly, and are seeing more attractive deals,' said Mr. Shink of General Electric Capital. "Since GE is a nonbank, we can be more creative."

Foreign banks have taken advantage of the situation, too. Canadian Imperial Bank of Commerce recently purchased $1 billion in cable TV loans from the Bank of New England in February.

Telecommunications Inc., the largest U.S. cable TV company, turned late last year to a syndicate of European banks late last year for a $500 million credit.

"We aren't unhappy with our domestic banks, said Gerald S

See **CABLE** *page* 1



Protect yourself against suits by borrowers.

With Lender Liability Law Report, edited by Helen Davis Chaitman.

Every year, the number of lawsuits by borrowers against lenders continues to grow. And many of those suits have led to multi-million dollar judgements *in favor of the borrower*! Now, there's an up-to-date report that can provide you with the information you need to avoid, and defend against, lawsuits brought by borrowers– **Lender Liability Law Report.**

Lender Liability Law Report is a one-of-a-kind newsletter that reports and analyzes recent cases, and offers advice and techniques for avoiding similar legal problems. **Lender Liability Law Report** also covers:

- Cases where lenders have filed counter-claim suits
- Environmental clean-up liability cases
- Consumer loans that go into default

Now more than ever, you need to know about developments in lender liability when they happen, not when it happens to you! But, **Lender Liability Law Report** can be on your desk every month, bringing you comprehensive reporting on lender liability developments ...and keeping you out of court!

With its easy-to-read format and expert editorial guidance, **Lender Liability Law Report** will become your first line of defense against unwelcome and unwarranted lawsuits. Without the information **Lender Liability Law Report** offers... without expert analysis and up-to-the-minute reports of current cases...without the latest techniques to avoid damaging lawsuits, you could be vulnerable to borrower-initiated lawsuits.

Don't leave yourself unprotected. Return the attached coupon today for your FREE trial copy of **Lender Liability Law Report.**

For more information call toll-free 1-800-950-1210

WG&L **Warren, Gorham & Lamont**
The Professional's Publisher®

FREE Trial Offer.
No Risk, and No Obligation!
Lender Liability Law Report

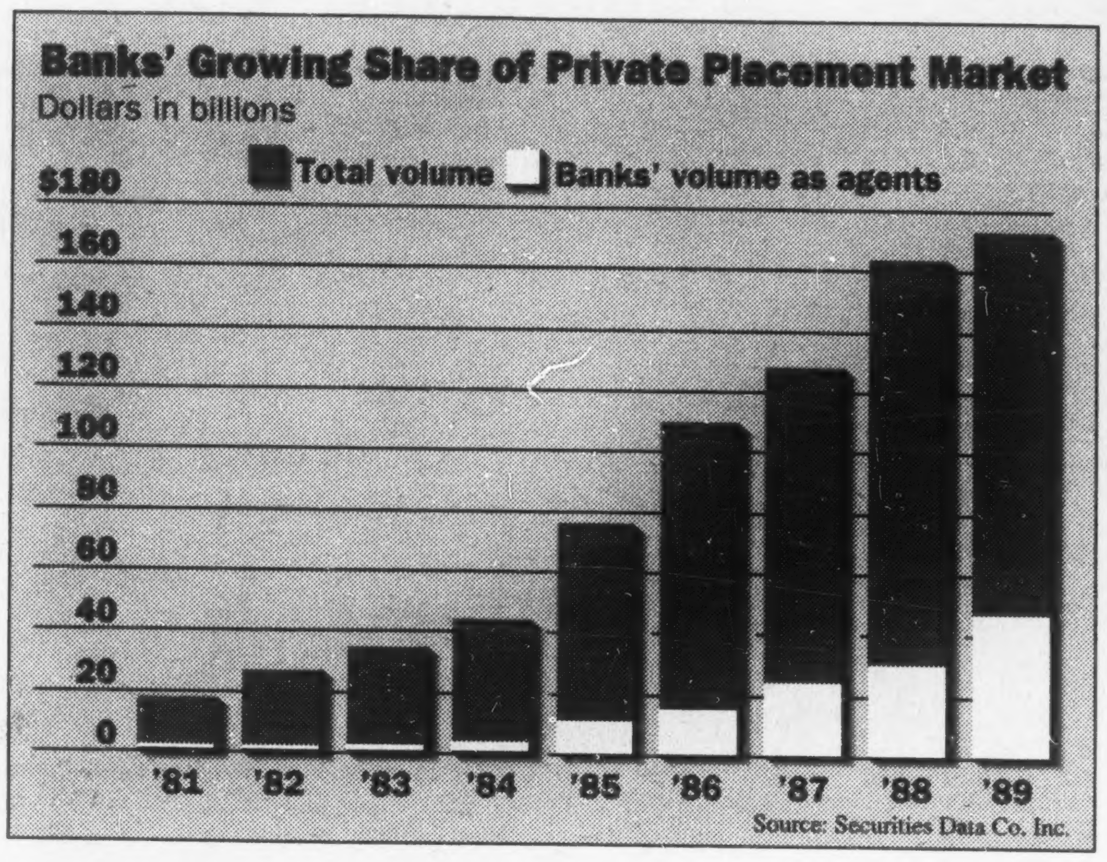
☐ YES! I want to protect myself against damaging and costly borrower lawsuits. Please send me my first issue of **Lender Liability Law Report** and start my one-year subscription. If I find the publication helpful, I will honor your invoice for $135 plus postage and handling. Otherwise I'll mark the invoice "cancel," return it to you within 30 days and owe nothing. The FREE issue is mine to keep in any case.

☐ Bill me.
☐ **SAVE!** WG&L pays postage and handling on prepaid orders. Check enclosed to Warren, Gorham & Lamont, Inc. (CT, FL, MA residents please add applicable sales tax on prepaid orders.)

Name ☐ Mr. ☐ Mrs. ____________ (Please print)
Title ____________
Firm ____________
Address ____________
City/State ____________ Zip ______
Telephone (   ) ____________ ☐ Office ☐ Home

Return to: **Warren, Gorham & Lamont, Inc.**
210 South Street
Boston, Massachusetts 02111

2922 AMBK 4/23/90 MU3715 LLLR/12



Banks' Growing Share of Private Placement Market

Source: Securities Data Co. Inc.

DEALS

SEC Rule on Debt Trading Hailed by Banks

Continued from *page* **1**

than $172 billion in private placements, exclusive of private certificates of deposit and deposit notes.

Even in its initial stages, "I think we're talking easily billions of dollars," said Maleyne Syracuse, vice president in charge of private placements at Bankers Trust Co., one of the most active commercial banks in the private-placement market.

"We're geared up to deal with the issues," she said.

Most 144A issues will be in the $100 million range, Ms. Syracuse predicted, adding that she expects more than 10 issues by the end of this year alone.

Foreign Issuers to Be Active

At least initially, the most active issuers in the new market spawned by the SEC rule are expected to be foreign companies and their U.S. subsidiaries.

Foreign issuers are discouraged from participating in the U.S. public debt markets because of the time and costs associated with registering their securities.

At the same time, foreign firms have not wanted to pay the premium necessary to attract investors in the private-placement market.

Investors demand the premium because of the illiquidity in the private-placement market.

With the advent of rule 144A, the premium issuers pay on their cost of funds in the new market could disappear by yearend, Ms. Syracuse said.

Optimism at Citibank

While some banks and brokerages may lose some existing business, the business generated at Citibank by the new 144A market will be all gravy, an official there said.

With much of the initial activity expected to come from the Eurobond market, there is no downside to the new 144A market for Citibank, since the bank is not active in that market, said Timothy Conway, vice president in charge of private placements at Citibank.

Issuers in the new 144A market will be looking for seven- to 10-year term financing, Ms. Syracuse predicted, and "banks are not competitive for that kind of money."

Many observers said they think commercial banks will be on an equal footing with investment banks in the 144A market.

"I think it's a level playing field," said Sara Hanks, a former SEC staffer who drafted much of the rule. She is now a lawyer in New York with Rogers & Wells.

However, the head of private placements at one bank said he thinks most commercial banks will be at a competitive disadvantage. He contended that the new 144A market will really be a "quasi-public market." ☐

Cable Industry Losing Access To Bank Credit

Continued from *page* **16**

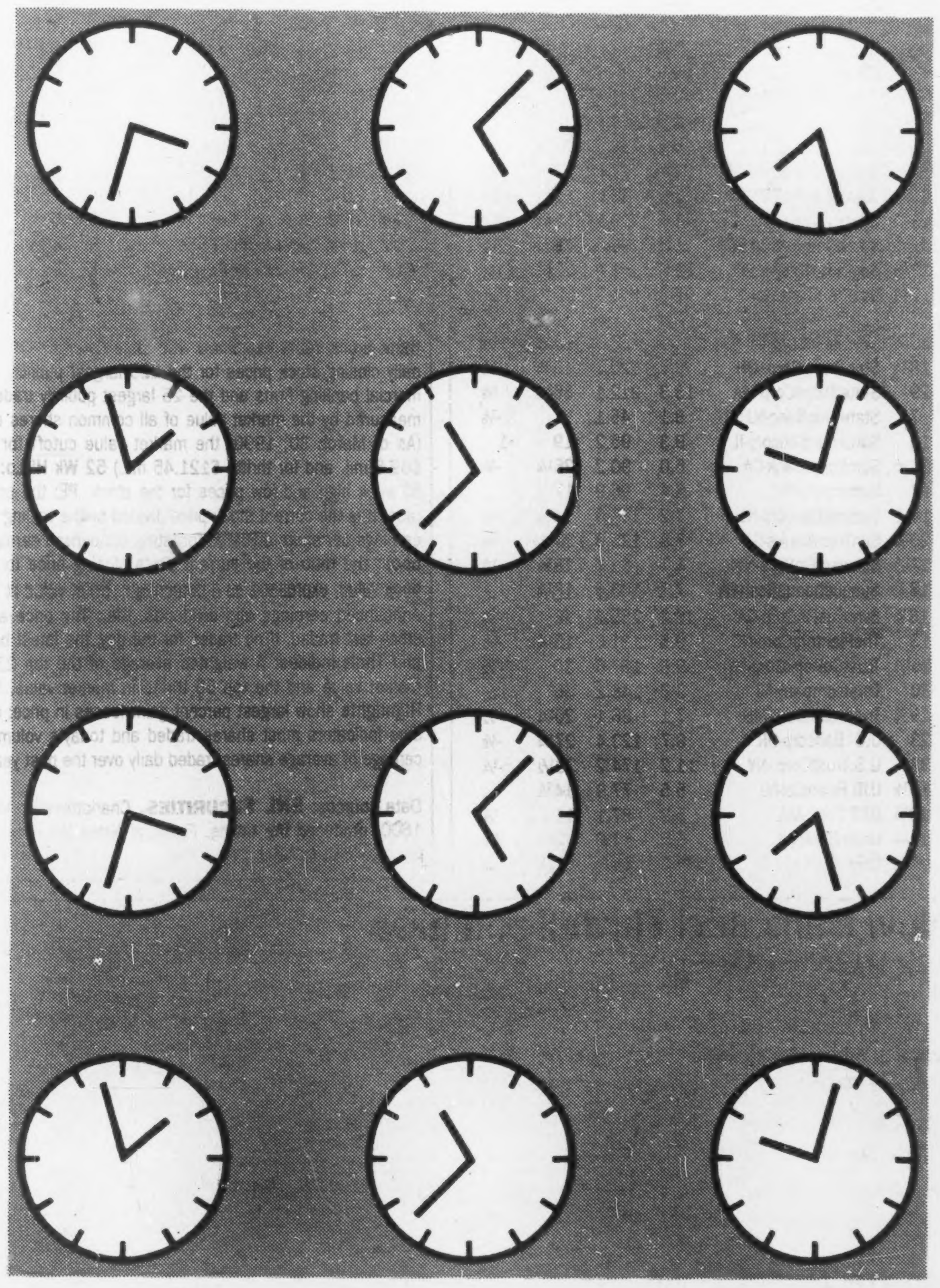
kol, a finance associate at Telecommunications, "but we are getting a better rate In Europe."

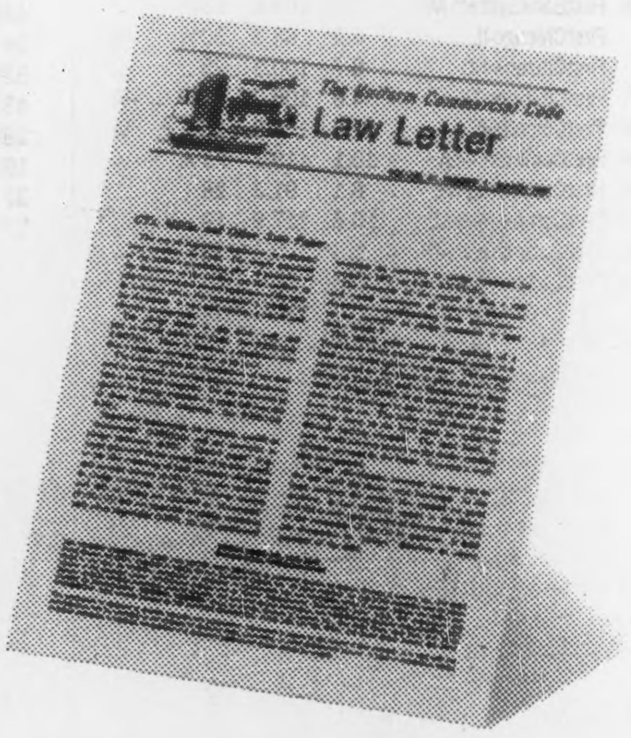
Junk Bond Fallout

The collapse of the junk bond market has thrown cold water on cable lending too. Fueled by a wave of of acquisitions, cable industry lending grew rapidly through the 1980s with outstanding loans more than tripling to $22.7 billion at yearend 1989 from $6.2 billion in 1983, according to Paul Kagan Associates.

"Until the uncertainty ends and alternative sources to mezzanine financing develop, I don't think there is going to be much activity," said Elizabeth Hope, senior vice president for communications lending as National Westminster Bank USA.

"Systems aren't moving as fast as they once were," said Juliette Turner, the cable industry analyst at Moody's Investor Service. "This is partly the result of the lack of financial players in the market." ☐





You can spend hundreds of hours keeping up with UCC legal developments.

Or you can subscribe now.

Hundreds of cases involving the Uniform Commercial Code are decided in the courts *every month*! Keeping up with on-going litigation requires hundreds of hours work…unless you have Quinn's monthly **Uniform Commercial Code Law Letter** at hand.

Each month, **Uniform Commercial Code Law Letter** reviews the state and federal cases with the greatest impact and the most far-reaching changes, covering *all* the important elements of each case. Giving you the information you–or your clients–need to stay on top of changing UCC law, the **Letter**'s comprehensive coverage includes:

- Analysis of the major points in each case, with clear definitions of positions and arguments of both sides
- Discussion of the factors that went into the decision and how it fits within the UCC framework
- Precise, practical commentary on a decision's impact on business governed by the Code and how you can adapt.

Written by Thomas M. Quinn, a nationally recognized authority on the UCC who is often cited in court opinions, **Uniform Commercial Code Law Letter** also contains a "Consumer Credit Report," which keeps you up-to-date on such critical issues as:

- Truth in Lending
- Fair Credit Billing Act
- Electronic Funds Transfer Act
- FTC Credit Practice Rules
- Fair Debt Collection Practices Act

With a subscription to **Uniform Commercial Code Law Letter**, you'll get monthly advice from a UCC expert who'll give you jargon-free analysis, useful planning guidance, and help you and your clients stay in compliance with the UCC. And you'll save a lot of valuable time. Subscribe now.

detach here and mail today

Quinn's
Uniform Commercial Code
Law Letter
FREE Trial Offer.
No Risk. No Obligation!

☐ YES! I want to stay on top of changing UCC law. Please send me the current issue of **Quinn's** ***Uniform Commercial Code Law Letter*** for a FREE trial examination and start my subscription for one year. If I find it helpful to me, I'll honor your invoice for $155 plus postage and handling. Otherwise I'll mark the invoice "cancel," return it to you and owe nothing. The FREE issue is mine to keep in any case.

☐ Bill me. ☐ SAVE! WG&L pays postage and handling on prepaid orders. Check enclosed to Warren, Gorham & Lamont, Inc. (CT, FL and MA residents please add applicable sales tax on prepaid orders.)

Name ☐ Mr. ☐ Ms. ____
Title ____
Firm ____
Address ____
City/State/Zip ____
Telephone ____ ☐ Office ☐ Home
Signature ____

Return to: WARREN, GORHAM & LAMONT, INC.
210 South Street
Boston, Massachusetts 02111

1801 AMBK 4/23/90 MU 6685 UCLL/12

For more information call toll free 1-800-950-1210

WG&L **Warren, Gorham & Lamont**
The Professional's Publisher®

800

C0175-1

AMERICAN B

VOL. CLV NO. 82 Friday, April 27, 1990 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Bank Earnings Still Vulnerable, Analysts Believe

By JED HOROWITZ

The first-quarter earnings reported by most of the money-center banks were in line with most analysts' expectations. And that was not good news, considering that the forecasts had been on the glum side.

Worse, the reasons for the declines in earnings are, for the most part, still present. They include:

- Deteriorating credit quality in real estate and highly leveraged transactions are the big topics of the day, and they are not fading. Many banks hinted in reporting their earnings that reserves and chargeoffs would get worse before they get better.

ANALYSIS: *Follow-up on the news*

- Pressures on net interest margin continue unabated at most money-center and regional holding companies, while demand for new loans remains anemic.
- Banks hoping to balance the loss of their traditional loan income with fee-based advisory and syndication activities offer little encouragement. Near-term relief in these areas is almost nonexistent because of the lull in the leveraged-buyout and real-estate construction markets.
- Income from trading – up at some banks and down at others in the quarter – remains an unpredictable factor on a quarter-by-quarter basis.

The big disappointments of the first quarter among money centers were Chase Manhattan Corp. and Citicorp, which declined 67% and 56% respectively from their 1989 first-quarter levels.

Better Results Expected

Both banks said large provisions for possible credit losses were a prime reason for the decline, and said certain provisions and expenses were shaping them for better results.

The banks offered little hope for a quick rebound, noting especially that real-estate values may continue to decline.

More than one analyst is worrying that Chase's dividend, in particular, could be in danger. Chase earned 20 cents a share, but needs the equivalent of 78 cents per quarter to cover its dividend, says Richard Fredericks, a securities analyst with Montgomery Securities, San Francisco.

"Chase, as well as other banks, will have to cover its dividends by earnings, not promises, going forward," he wrote in a recent report

See **EARNINGS** *back page*

INSIDE NEWS

INTERNATIONAL

THE LOW CREDIT RATINGS of U.S. banks could destabilize the international financial system and cost the banks market share, warned Robin Monro-Davies, managing director of IBCA Ltd. *Page 12*

FINANCE

CHEMICAL BANK agreed to provide the reorganizing Ames Department Stores with $250 million of debtor-in-possession financing. *Page 18*

CONSUMER

BANK MARKETERS tout quality, but experts accuse them of not defining it and not creating performance standards. *Page 6*

MORTGAGES

AN INTEREST RATE RISE is causing some disruption in the fixed-rate mortgage market. Adjustable-rate mortgages, out of favor for a year, are slowly becoming more popular. *Page 9*

TECHNOLOGY

THE RESIGNATION of a key marketing executive in Wang Laboratories' image processing business has heightened concerns among potential bank customers. *Page 3*

COMMENT

COMPETITION for high-quality managers will continue to increase, write Stanley M. Huggins and Mark D. Guthrie. *Page 4*

INDEX

People in the News 2
Company Index 2
Funny Money 4
Classified Advertising 14
Bank and Thrift Stocks 19

LATE NEWS

Citicorp Rating Cut

Standard & Poor's Corp. late Thursday afternoon downgraded the debt of Citicorp and several of its units, citing relatively low capital levels. The rating on Citicorp's senior debt was lowered to AA-minus from AA. Citicorp's subordinated debt was lowered to A-plus from AA-minus.

The downgradings affect about $30 billion in debt, the agency said. Commercial paper ratings were reaffirmed at A1-plus.

Electronic Tax Filing Soars As Banks See Its Advantages

By ELLEN MEMMELAAR

NEW YORK — With banks actively promoting the Internal Revenue Service's electronic tax-filing service for the first time, the agency reported a boom in such transactions this year.

The IRS said it received 4.2 million returns electronically, via telephone lines from banks and tax preparers. The volume, equaling almost 4% of all individual tax returns, quadrupled that of 1989 and doubled the IRS' 1990 projection.

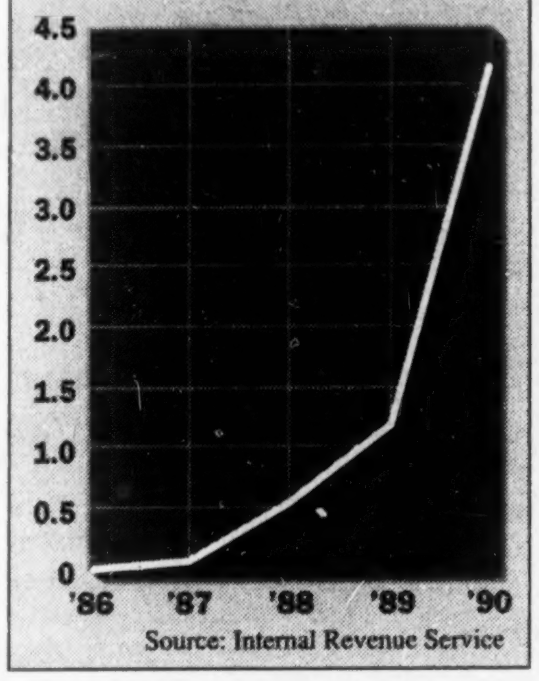
Speedier Refunds

The main selling point of electronic filing is that refunds are deposited directly into a designated bank account within two weeks instead of the usual six. Banks and other participants earned fees of $30 to $50 for transmitting each electronic return, and the faster turnaround meant an earlier-than-usual surge of refund deposits.

"It was an outstanding season," said Steven Guido, president of Electronic Filing Centers Inc., a company that banks and credit unions use to process electronic returns. "All of the banks exceeded their expectations."

Speedier Returns

Individual tax returns filed electronically, in millions



Source: Internal Revenue Service

Among Mr. Guido's customers, which include BankAmerica Corp. and Great Western Financial Corp., 60% of the tax refunds went into savings accounts. This money is likely to remain on deposit longer than would checking account deposits, he said.

Customers whose returns are filed electronically also get refunds greater than the average of

See **ELECTRONIC** *page* **8**

Large Banks Seek System To Minimize Check Risks

By KAREN GULLO

NEW YORK — Facing a September deadline to speed the availability of funds on deposited checks, several major banks may form a nationwide clearing house to help them guard against losses from checks that are not backed by sufficient funds.

Working with a consultant, First Interstate Bank of California, Wells Fargo Bank, and other large regional and money-center institutions are discussing the formation of an association that would process each other's checks using a technique known as electronic check presentment. The banks would begin the funds collection process by transmitting data from the magnetic-ink line on checks, rather than waiting for the checks themselves to be delivered via air and ground transportation.

The banks want to speed the delivery of transaction data to

See **BIG** *page* **3**

Real Estate Woes Cut Net at C&S, Bank of Boston

By TOM LEANDER
and KENNETH CLINE

Big increases in problem real estate loans forced Bank of Boston Corp. and Citizens and Southern Corp. to post sharp drops in earnings and Ameritrust Corp. to report a $51.6 million loss.

Meanwhile, Shawmut National Corp., Hartford, Conn., which was forced by regulators to restate its fourth-quarter earnings because of problem real estate loans, said its first-quarter profits fell 37%, to $40.6 million.

Share Prices Show Gains

Investors appeared to shrug off the results, which in some cases were not as bad as expected. Bank of Boston's stock closed at $12.125, down 12.5 cents. Atlanta-based Citizens and Southern rose 50 cents, to $23.875; Ameritrust climbed 12.5 cents, to $18.25; and Shawmut, 37.5 cents, to $14.25.

Bank of Boston said its first-quarter profits fell 49% to $44 million, from the $89 million earned in the period a year earlier. Without nonrecurring gains, Bank of Boston would not have posted a profit,

See **MORE** *page* **16**

The Bank Examiners' Timetable

Institutions under review or facing exams

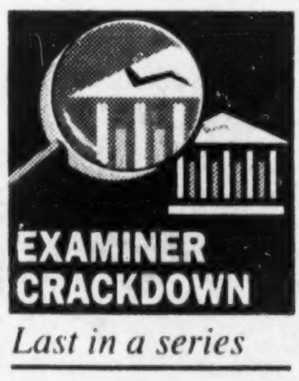
		Exam schedule
Chase Manhattan	New York	Now
Citicorp	New York	Summer
First Union	Charlotte, N.C.	Now
First Wachovia	Winston-Salem, N.C.	Now
Fleet/Norstar	Providence, R.I.	Now
MNC Financial	Baltimore	Summer/fall
Mellon Bank	Pittsburgh	Summer/fall
National City	Cleveland	Now
PNC Financial	Pittsburgh	Summer/fall
Sovran Financial	Norfolk, Va.	Summer
SunTrust Banks	Atlanta	Now

Source: Goldman, Sachs

Analysts Keep Ears to the Ground To Learn Next Target for Exams

By BILL ATKINSON

Ever since a troop of examiners swept into New England, zeroing in on real estate portfolios, bankers and stock analysts alike have been burning up phone lines to find out when and where the regulators will turn up next.



Last in a series

The huge losses posted by Bank of New England Corp. and Shawmut National Corp. following regulatory reviews have injected a huge dose of uncertainty into the examination process, leaving bankers in other regions wondering if the same medicine is in store for them.

And analysts, worried about the impact on stock prices, have set out to chronicle the examiners' every move.

"Anywhere they are, the stocks suffer," said Lacy Shockley, a vice president at Smith Barney, Harris Upham & Co.

So far, the Office of the Comptroller of the Currency has focused on the East Coast, including Florida, where units of Barnett Banks Inc. and Southeast Banking Corp. have been

See **ANALYSTS** *page* **16**

COMMENT/*By Stanley M. Huggins and Mark D. Guthrie*

Benefit Plans Help Conserve Scarce Resource: Managers

We have almost 40,000 providers of financial services in the United States, including about 14,000 commercial banks, 2,500 thrifts, more than 15,000 credit unions, and 3,000 to 4,000 in insurance, securities, and related industries.

Quite simply, with the increased complexity of the financial services industry, we do not have enough competent and qualified senior managers to operate this number of companies. Consequently, competition for high-quality management will continue to increase.

Determining appropriate compensation and benefits strategies is a major challenge for financial institutions. What follows are several major areas of concern, and practical points to help institutions deal with them:

Cost and Complexity. Be realistic about the cost and complexity of compensation plans. Many so-called experts tend to recommend the most complex and expensive plan for every institution regardless of its size or needs. Review carefully the cost of designing and administering the plan and the ability of employees to understand its complexity.

Do not forget to check how difficult it may be to terminate the plan if it proves unsuccessful or inefficient.

Tax Considerations. A thorough review of the tax implications must be made. The Tax Reform Act of 1986 substantially affected executive compensation and benefit planning. The new law discourages conversion of compensation into capital gains, compensation based on borrowing, and incentive stock options. It encourages cash bonuses.

Unfriendly Takeovers. Many executives are nervous in the current takeover environment. They may prefer short-term compensation rather than future compensation. As one observer recently stated, "the dollar bill is the ultimate flexible benefit," allowing executive to purchase whatever benefit they choose.

Market for Stock. Only a few hundred of the almost 17,000 banks and thrifts have an active market for their stock. In these cases, it may be necessary to create an artificial market for stock, or phantom stock in the form of stock appreciation rights, for executives.

Institutions may implement such a strategy by offering to buy back shares or paying an amount equal to the appreciation of phantom shares. The amount paid to the executive is based on a specific formula agreed to by the institution and the executive at the time of implementation. Obviously, such plans may use any formula that is appropriate, such as book value, a multiple of earnings, return on equity, return on assets, or other criteria.

Accounting Issues. Always be certain to review accounting considerations. In many instances, even though there is no immediate cash or tax effect, generally accepted accounting principles may require the company to take a hit on earnings immediately upon entering into the agreement or plan. Also, check the applicable regulatory accounting principles to determine whether they are different from GAAP.

Holding Company or Bank? Make sure you understand the differences between placing the executive compensation structure within the bank and placing it within theholding company.

Holding companies are generally not subject to restrictive regulation of employment contracts, benefit plans, and other elements of a compensation package, while banks and thrifts are directly regulated by the Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency, or the Office of Thrift Supervision. More flexibility is available in plans at the holding company level.

There may be considerations, however, that limit the funding of plans since many holding companies have no independent source of cash flow other than dividends from the subsidiary institution.

Nonqualified Benefit Plans. In many cases, qualified pension, profit sharing, and annuity plans cannot be used effectively to provide deferred compensation for executives and key employees because the benefits must be uniform, nondiscriminatory, and applicable to employees as a whole.

Since the Tax Reform Act of 1986, employers are discovering that new demands and constraints placed on qualified plans may outweigh the benefits.

Nonqualified plans may provide the flexibility needed to offset the impact of the 1986 Act without jeopardizing the balance between providing competitive incentives and holding down the costs of funding and administration.

> **'In many cases, qualified pension, profit sharing, and annuity plans cannot be used effectively because the benefits must be uniform, nondiscriminatory, and applicable to employees as a whole.'**

Several types of nonqualified plans that may assist an employer in the development of workable comprehensive compensation package are:

- Excess benefit plans.
- Insurance arrangements.
- Top hat plans.
- Golden parachute payments.
- Deferred bonuses.
- Nonqualified stock options.
- Rabbi trusts.
- Phantom or shadow stock plans.
- Secular trusts.
- Other nonqualified annuity arrangements.

Cash Availability. Perhaps the most obvious but often overlooked issue is the impact of the plan on cash flow. Plan ahead regarding when the institution will be required to fund its obligations. ☐

The authors are principals of Huggins & Associates, a consulting group based in Memphis, Tenn.

FUNNY MONEY/*By Tom Leander*

New England Town Puts Bear in Stocks

New England bank stock analysts may be falling prey to that old adage about killing the messenger who brings the bad news.

That, at least, was Gerard S. Cassidy's impression when a fellow employee at Tucker, Anthony & R.L. Day told him of his reputation at One Bancorp, a bank in Portland, Maine, that has been hard hit by real estate woes. Mr. Cassidy is well known in New England business circles for his gloomy prognosis about the area's bank stocks.

The employee – a salesman – had just returned from a meeting with a loan officer of Maine Savings Bank, a One Bancorp subsidiary, and retold this conversation.

"Are you a junior member of the staff at Tucker?" the loan officer reportedly had asked the salesman.

The salesman replied that he was.

"Then it must be your job to go out into the parking lot and turn on the ignition of Gerard Cassidy's car," said the loan officer.

"What do you mean?" asked the salesman.

"To see if it's been rigged with a bomb."

Mr. Cassidy, who takes such quips in stride, notes that the local press has taken to calling him the *Ursus Horribilis* – latin for Horrible Bear – of New England bank stock analysts.

* * *

Broken Point

Prosecutors sometimes reach for oratorical grandeur in a bank crime trial – and end up hitting the funny bone.

Such was the case on Monday when, in his final speech to the jury, assistant U.S. Attorney Daniel Clancy likened Rep. Harold Ford, D-Tenn., to a bank robber.

Mr. Ford is accused of taking $1.5 million in fraudulent loans, in 18 payments between 1976 and 1983, from banks controlled by brothers Jake and C.H. Butcher Jr.

"Congressman Ford makes $80,000 a year. Contrary to what politicians tell us, you can live on that," Mr. Clancy said in closing arguments. "But they got many, many hundreds of thousands of dollars, more than any bank robber ever got going in carrying a gun and holding up a bank. You might say they had a .38-caliber pencil."

Mr. Ford says he is not guilty of fraud and predicted a quick acquittal.

* * *

Plush Promotion

Is there no end to the California retail banking wars? First it was round-the-clock telephone access, then Saturday banking, then five-minute teller service guarantees.

Now Bank of America has raised the ante again. Any customer applying for a Visa or MasterCard at its main San Francisco office this month gets "a cuddly stuffed bunny" as a token of Bank of America's gratitude, a flier mailed by the branch announces. A bank spokeswoman said the promotional bunnies will be offered through next week.

Crosstown rival Wells Fargo Bank says it won't match the offer. "We're not into stuffed animals," a spokeswoman said.

— **Sam Zuckerman**

* * *

Fig Leaf Brigade

First Bank System Inc. launched a program last year to showcase its $9 million art collection and display its paintings in corridors and in a special gallery.

But when some paintings spurred protests from bank workers because of their subject matter, the bank organized a "feedback" forum to allow employees to vote on the merits of the work. Pieces that received a thumbs-down from more than six workers were consigned to a single hallway, which was dubbed Controversy Corridor.

But many employees were uncomfortable with the corridor and wanted to get rid of it, according to bank spokeswoman Christine Mahai. The bank canceled the feedback sessions and closed the corridor.

But it's still stirring controversy. Lynne Sowder, the bank's former art curator, and Nathan Braulick, former director of the communications/visual arts division, wrote a joint letter that appeared in the February issue of *Metropolitan Home* charging that the bank's management closed the corridor gallery because it was too provocative.

— **Stanley Holt**

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Letters may be edited for space.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service
For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 12

GLOBAL *dispatches...*

Morgan Guaranty Rallies In Municipal Guarantees

By KIMBERLY REIFEL
Global Guaranty

Morgan Guaranty Trust Co., ranked ninth last year among providers of letters of credit in the municipal securities industry, surged to the No. 2 position with $413.3 million in principal backed during the first quarter of 1990. The letters are bought by municipalities to enhance the credit rating and marketability of the securities they issue.

Morgan was second to only Fuji Bank, which continued to outpace all competitors by chalking up $545.2 million in new issues enhanced in the first three months of 1990. Morgan Guaranty's performance lifts it past its total volume last year of $341.7 million.

Letters of Credit Enhancement

LC Bank	Principal ($ in mil.)	No. of Issue
Fuji Bank Ltd.	$545.2	6
Morgan Guaranty	413.3	7
Sanwa Bank	304.5	2
Union Bank of Switzerland	261.4	2
Dai-Ichi Kangyo Bank	201.7	4
Union Bank of California	181.0	1
National Westminister	164.4	4
Marine Midland Bank	120.0	4
Swiss Bank Corp.	97.6	2
Chase Manhattan Bank	90.0	1
Top 10 Totals	2.4 Bil.	33

Source: Global Guaranty

Morgan Guaranty's rise was partially attributed to increasing concerns by municipal investors about exposure to Japanese banks' letters of credit enhancement, say market sources.

Moreover, Morgan Guaranty's total was increased by replacing the Industrial Bank of Japan as the letter provider on a $250 million Piedmont Municipal Power Authority transaction.

"This is the first time a bank from the U.S. has won over a highly rated Japanese bank," said a Japanese banker.

Fuji Bank, No. 1 last year, backed six deals during the first quarter of this year. Its largest deal was a $170 million issue for the Massachusetts Bay Transportation Authority.

Sanwa Bank, with $305 million in volume, lost its second-place position to Morgan Guaranty. However, Sanwa backed the largest deal of the first quarter – a $278.5 million offering by Chicago.

Two Swiss banks climbed into the top 10 during the first quarter. Union Bank of Switzerland finished fourth on the strength of its only large deal in the quarter, a $229 million offering by Massachusetts. Swiss Bank Corp. finished ninth with volume of $97.6 million on two deals.

***Global Guaranty* is an *American Banker* newsletter.**

... by country

THE NETHERLANDS

Amsterdam-Rotterdam NV and **Algemene Bank Nederland** NV said Thursday they had pledged to trades unions not to dismiss any workers with permanent job contracts because of the banks' planned merger.

The banks said they made the pledge to reassure those employees who had feared substantial layoffs.

ABN and Amro first announced merger plans in March. ABN's chairman, Robert Hazelhoff, said recently he would be disappointed if the talks could not enter their final stage before August.

— Reuters

JAPAN

Fuji Bank Ltd., responding to a decision by **Moody's Investors Service** to put the bank's credit rating under review, said Thursday that the basis for the review was not clear.

On April 24, Moody's said it might downgrade Fuji's senior AAA debt rating because of concerns about the bank's real estate-related exposure, interest rate risks, and high-leverage transactions in the United States.

Fuji said it believes it asset quality is one of the highest among the Japanese city banks and that its real estate financing is supervised with "extreme caution."

Fuji said it would discuss Moody's concerns with the rating agency after closely examining the contents of the review. The Japanese bank also said that its exposure in real estate was in line with that of other banks its size.

— Reuters

NEW ZEALAND

The **Bank of New Zealand** said Thursday it would lay off 216 people in an effort to improve its competitive position in the 1990s.

BNZ said the branch network would lose 130 people. It said a compensation package had been negotiated. BNZ now employees 6,250 in New Zealand.

In a statement, BNZ's chief executive, Lindsay Pyne, said the layoffs were needed.

"The reality is, the bank had allowed an imbalance to develop in its graded staff, where we had too many staff at certain levels in the bank and too few at others. This balance could only be restored through restructuring," he said. ☐

American Banks Seen Losing Edge

Credit Slide Threatens Market Share, U.K. Rater Says

By JAMES R. KRAUS

NEW YORK — U.S. banks' low credit ratings could destabilize the international financial system and cost the banks market share in this country and abroad, Robin Monro-Davies, managing director of IBCA Ltd., has warned.

London-basded IBCA is the largest credit-rating agency outside the United States.

Speaking Thursday at a Salomon Brothers seminar on international banking, Mr. Monro-Davies noted that in the past decade U.S. banks' credit ratings have sharply deteriorated – to the lowest level among major Western industrialized nations.

'Profoundly worrying'

'The differential is profoundly worrying. If [U.S.] banks, as financial intermediaries, become regarded as inferior credits, they will no longer be regarded as safe places to keep money – and the rationale for having them begins to disappear," the executive said.

Lower credit ratings, he said, are forcing U.S. banks to pay more for the funds they borrow, putting themselves at a competitive disadvantage with foreign banks.

According to an IBCA compilation, credit ratings for the top 11 U.S. banks now average between A and A-plus, while Switzerland's top banks average triple-A, Holland's double-A-plus, and Canadian and Australian banks double-A.

A Slide from Triple-A

Mr. Monro-Davies noted that barely a decade ago most top U.S. banks had a triple-A rating. He attributed the subsequent slide to a surfeit of banks in the United States, lack of loan diversity, and pressures on management to deliver ever-higher quarterly earnings.

U.S. banks' earnings are also coming under renewed pressure as regulators tighten reserve requirements against nonperforming real estate loans, he added.

"U.S. banks suffer far greater pressure on earnings than other banks," Mr. Monro-Davies said. No one can plan a business on a quarterly basis, he remarked.

"My profound hope is that we are near the bottom [in the credit-ratings slide], but I don't say that with tremendous confidence." Real estate loans "still give us grounds for further concern," he said. ☐

Barclays Negotiating to Buy French Bank

By JAMES R. KRAUS

NEW YORK — Barclays Bank PLC has made a bid for a French bank and is seeking an acquisition in West Germany as part of an expansion throughout Europe, according to a senior Barclays executive.

Jacques Rambosson, chairman of the bank's $5 billion French subsidiary Barclays Bank SA, declined to disclose the name of the bank Barclays is bidding for in France.

He said Barclays needs to make an acquisition in France to obtain a "critical mass" in the personal finance market that would allow it to double revenues controlling costs costs.

Concentration in Spain

Barclay's has 34 branches in France and 230 in allin 11 Continental European countries. The majority are in Spain. The European branches account for about 8% of Barclays' total worldwide assets of $190 billion.

Any expansion by Barclays' Spanish and Italian operations will come from internal growth, Mr. Rambosson said in an interview.

A Foothold in Europe

He added that the bank's second major objective in Europe is to acquire an investment banking operation in West Germany. Barclays has branches in Frankfurt, Dusseldorf, and Hamburg as well as leasing and finance offices in Munich, Stuttgart, and Frankfurt.

"You need to acquire a bank in order to penetrate the German market," said Mr. Rambosson. He cited close relations between West German corporations and banks as the main barrier to foreign banks that are seeking to enter the German market.

"Foreign intruders don't stand much of a chance in Germany," Mr. Rambosson said. He added that there was an unspoken agreement between banks and German companies not to deal with "intruders," especially when it comes to mergers and acqusitions.

According to Mr. Rambosson, Barclays intends to add further expand its European network as opportunities arise. He said the bank expected a fair amount of restructuring in European banking that would enable it to buy operating units. ☐

Tokai Adds Three U.S. Offices

Tokai Bank Ltd. opened representative offices in San Francisco, Minneapolis, and Columbus, Ohio, on Thursday, the bank announced.

The bank said that the move marked the largest expansion for Tokai Bank in the United States since it established operations here in 1954.

Yukio Sakai, deputy general manager of Tokai's regional planning and business development group in New York, said the offices have been opened in the three cities because of strong local economies and the presence of leading corporations.

Tokai already has branches in New York, Los Angeles, Chicago, Atlanta, and the Cayman Islands, as well as representative offices in Dallas, Lexington and Toronto.

The $245 billion-asset bank has headquarters in Nagoya, Japan, and is the world's eighth-largest bank.

— James R. Kraus

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	4/26	4/25	4/19	4/26	4/25	4/19	4/26	4/25	4/19	4/26	4/25	4/19	4/26	4/25	4/19
United States	8.18	8.25	8.37	8.68	8.68	8.56	8.93	8.87	8.75	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.25	7.12	7.12	7.37	7.43	7.43	7.56	7.62	7.56	5.25	5.25	5.25	6.25	6.25	6.25
Canada	13.00	13.00	13.25	13.62	13.62	13.62	13.62	13.62	13.87	13.77	13.77	13.61	14.75	14.75	14.25
U.K.	15.00	15.00	15.00	15.37	15.37	15.18	15.62	15.62	15.56	14.58	14.58	14.61	15.00	15.00	15.00
West Germany	7.37	7.50	7.87	8.37	8.43	8.25	8.75	8.81	8.62	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	8.75	9.62	10.25	9.31	9.62	9.43	9.37	9.43	9.37	6.00	6.00	6.00	11.50	11.50	11.25
France	9.75	9.68	9.87	9.68	9.81	9.93	9.87	9.93	10.06	9.50	9.50	9.50	10.80	10.80	10.80
Italy	10.50	12.00	12.25	11.75	12.00	12.18	12.12	12.25	12.43	13.50	13.50	13.50	14.00	14.00	14.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	9.01	15.40	8.86	10.15	7.61
6 to 12 months	9.40	15.30	9.28	8.99	7.66
12 to 24 months	9.89	14.47	8.35	8.25	7.52

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

CO175-1

800

TOP 100 CREDIT UNIONS *Table on page 23*

AMERICAN BANKER

VOL. CLV NO. 83 · *Monday, April 30, 19* · *155th year*

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Will Downgrade Force Citicorp To Pull Back?

By JED HOROWITZ

Although Citicorp's debt rating was lowered only a notch on Thursday, some observers are asking whether the nation's largest bank will have to curb its global game plan.

"They had been the last bank to think they could be all things to all people," said Raphael Soifer, an analyst at Brown Brothers Harriman & Co. "I think that even they are beginning to realize that they can't be."

Citicorp, indeed, ended its global merchant-banking ambitions last year when it closed its London brokerage operations. Also, it has made no commitment to middle-market lending and is selling some small retail branches in nonstrategic areas.

ANALYSIS: *Follow-up on the news*

"There is probably going to be a hard look at the strategies to see whether or not they are too encompassing," said James McDermott, head of research at Keefe, Bruyette & Woods. "I would think that with all the good things that go on in the retail bank, management would want to take a hard look at the wholesale side."

Action by S&P

Nancy Newcomb, senior corporate officer at Citicorp for finance and funding, said that Citicorp has no plans to scale back its global ambitions.

Touching off the question was the decision by Standard & Poor's Corp. on Thursday to lower the rating on Citi's long-term debt. Standard & Poor's said Citicorp's "aggressive capital philosophy leaves it diminished flexibility to face increased risks in the general business environment."

One week earlier, Moody's Investors Services put all Citicorp's securities under review for possible downgrade.

There is little argument that Citicorp's equity and reserve ratios are lower than its peers'. But analysts said the bank company should have no trouble meeting its goal of bringing its common equity-to-reserve ratio from 3.6% to 4% by year end.

Regulatory Pressure Unlikely

And few believe that regulators will force Citicorp to make debilitating additions to its loan-loss reserves or restrain its global ambitions.

On Friday, Citicorp officials backed off from providing a timetable for restoring their eq-

See **DOWNGRADE** *page* **16**

INSIDE NEWS

CONSUMER

THE FEDERAL HOME Loan banks are expected to choose from among hundreds of community proposals as they begin to hand out nearly $79 million in subsidies. *Page 6*

TECHNOLOGY

MAJOR PROVIDERS of global securities services are in a technological footrace. *Page 3*

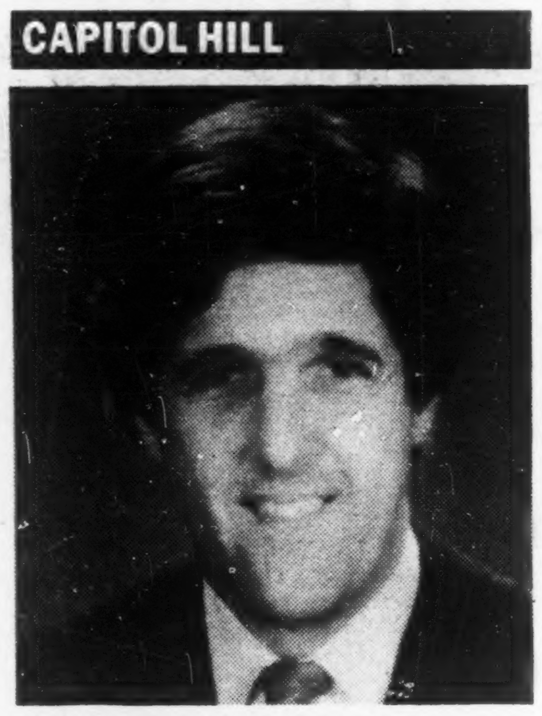
FINANCE

FIRST AMERICAN shares slumped after a federal regulatory examination led to fears of a dividend cut. *Page 32*

INTERNATIONAL

A MAJORITY of House and Senate banking committee members polled would oppose a foreign acquisition of a U.S. money-center bank, but not of a superregional or community bank. *Page 10*

CAPITOL HILL



SEN. JOHN F. KERRY, D-Mass., wants the Senate Banking Committee to probe the role of money laundering in the S&L fiasco. *Page 17*

WASHINGTON

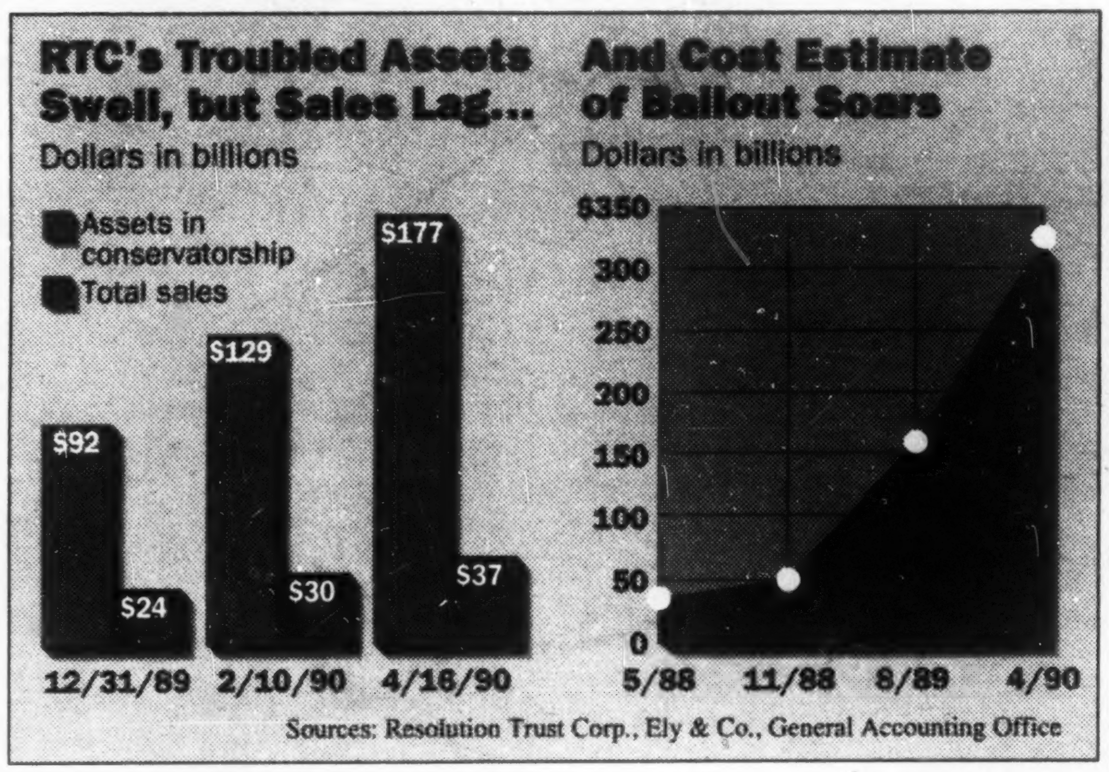
THE SENATE BANKING Committee's hearings on restructuring the financial services industry appear to many observers to be all political talk and no legislative action. *Page 8*

COMMENT

THE BORROWER is often seen as the poor little waif who must be protected, while the lender is a villain, writes Paul Nadler. *Page 4*

INDEX

People in the News 2
Company Index 2
Sound Off 4
Executive Changes 11
Weekly Index of Stories 14
Classified Advertising 26
Bank and Thrift Stocks 31



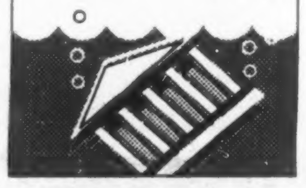
Sources: Resolution Trust Corp., Ely & Co., General Accounting Office

Thrift Fiasco Threatens to Soak Broad Segments of U.S. Economy

By JEFFREY MARSHALL

The thrift bailout, now concluding its ninth month, has evoked a lot of imagery about immensity: elephantine bureaucracy, a Grand Canyon-size fiscal hole, mountains of tainted assets. But perhaps no analogy is more frightening than L. William Seidman's.

THRIFTS: *The Crisis Worsens*



First in a series

"The bad news is that we've seen just the tip of the iceberg," the chairman of the Federal Deposit Insurance Corp. said not long ago. "The worst is yet to come."

In the face of what the General Accounting Office estimates is a $325 billion problem, Mr. Seidman's forecast is chilling. But his analogy strikes many observers as dead on. Unless the rescue gets under way in earnest soon, the government's flailing about, they say, seems more than anything like rearranging the deck chairs on the Titanic.

Launched with much fanfare in August, the Financial Institutions Reform, Recovery, and Enforcement Act has become a giant liner adrift in dangerous

See **ECONOMISTS** *page* **18**

Downgrade Of Citicorp Contributes To Gloom

By KELLEY HOLLAND
and JOHN EVANS

The downgrading of Citicorp's debt by Standard & Poor's Corp. deepened the gloom among some bankers and investors, who worried that the news could tarnish even further the sullied image of commercial banks in the credit markets.

"There is a herd mentality in the marketplace tending to tar all banks with the same brush," said Lawrence Rosencrantz, treasurer, U.S. Bancorp, Portland, Ore. "Citicorp is the leading bank in the country and what happens to them is a leading indicator for other banks. This is not a helpful occurrence."

A Silver Lining

But there was a silver lining to the news. The downgrade on $30 billion in long- and short-term debt was slight, with senior debt lowered from AA to AA-minus. for example. Michael DeStefano, a vice president at Stan-

See **CITICORP** *back page*

Troubled Bank of New England Out $46 Million

By TOM LEANDER

NEW YORK — Sapped by problem real estate loans, Bank of New England Corp. Friday announced it had lost $46.6 million in the first quarter.

The loss reflected a $151 million provision for possible loan losses, a newly created $48 million reserve for other real estate owned, and a $20 million loss from operations. Much of the red ink was offset by a one-time gain of $173 million related to the sale of assets.

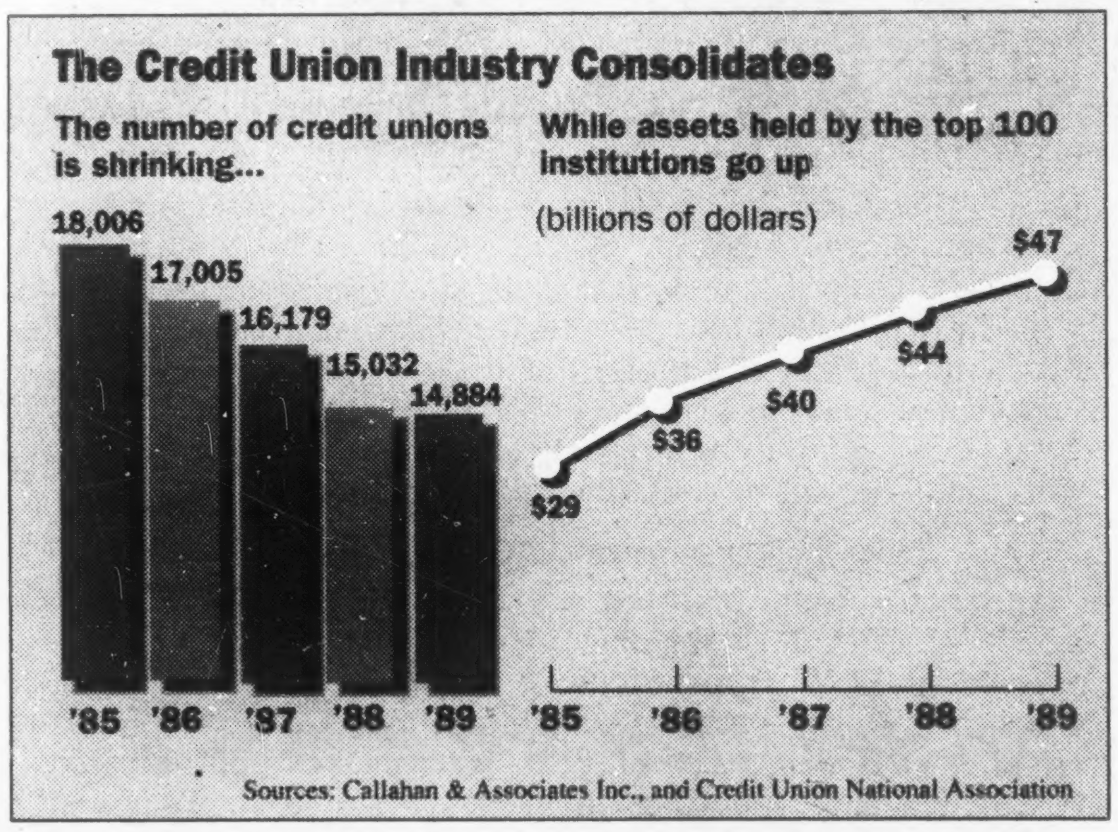
Losses Were Expected

The losses were in line with expectations, but analysts emphasized that the bank company is in precarious financial condition.

"It shows continuing deterioration, which is disturbing, not only for Bank of New England but for New England in general," said Gerard Cassidy, an analyst at Tucker, Anthony in Portland, Maine.

"They've instituted a hard-charging plan to survive," Mr. Cassidy said, "but even manage-

See **REGIONAL** *page* **16**



Sources: Callahan & Associates Inc., and Credit Union National Association

Number of Credit Unions Shrinks As Growth Slows and Profits Dip

By BILL ATKINSON

WASHINGTON — In the latest sign of consolidation of credit unions, the industry declined by 148 institutions last year while the assets of the 100 largest grew 7% to $47.1 billion, according to data compiled by the consulting firm Callahan & Associates.

The data also showed that the industry's overall growth has slowed dramatically, with profits down and capital up.

A rash of mergers and liquidations caused a 17% drop in the number of credit unions to 14,884 at yearend 1989, from 18,006 four years earlier, the Callahan data show.

Meanwhile, the 100 largest, listed in a table on page 23, increased their assets by 60% over that period. Those big credit unions are the principal targets of a lobbying campaign by the American Bankers Association, which contends that, as full-fledged banking competitors,

See **NUMBER** *page* **22**

COMMENT/*By Paul S. Nadler*

Why Is Bank the Bad Guy When Borrower Goes Bust?

"Thank God most people are honest, or we would all be out of business," a companion at a recent meeting of the New York Credit and Financial Management Association commented.

And all I could think is that if a student gets a 90 on my exam, he or she gets an A, but if a bank gets 97% of its loans paid off, it goes out of business. The 3% of defaults would far more than wipe out the profits even of an institution able to earn 1% on assets.

The amazing thing is that banks have been able to prosper for so long and that the present spate of loan losses and heavy chargeoffs is something most of us have never before witnessed.

Laws Favor Borrowers

Getting your money back in today's environment is not easy. The laws generally assume that the borrower is the poor little waif who must be protected, while the lender is a villain trying to take advantage of the debtor.

Look at the bankruptcy laws.

Having just had a speakers bureau that owed me money go bankrupt, I was amazed to read the form the court sent me, telling me not to dare try to collect from or harass this individual. To do so would violate the law.

The head of a major airline's credit union told me that a pilot can declare bankruptcy while earning well over $100,000 a year, yet the credit union is not allowed to place that information in the pilot's personnel file.

Going First-Class

Life goes on, and somehow most of those who have declared personal bankruptcy continue with their lives as if nothing had happened. Most of these people have lived with the attitude: "If first-class is sold out, I'll wait for tomorrow." And now, when this comes home to roost, it is the banks and the tradesmen who pay for those elaborate lifestyles.

I guess this is a lesson that every generation of bankers must learn for itself.

The "young Turks" come in with the feeling that banking is a new world, that computers and cash flow forecasts mean more than looking in the customer's eyes.

But now, as one of my retired friends at that credit management conference put it, "All of a sudden, they are coming back to me and asking for help now that they have troubles, when no one wanted my advice for years in the glory days."

And I remember when my father was asked by a major New York bank's chief executive officer: "Why do we do so poorly with the little merchants in New York City while the other banks make money doing business with them?"

My father's answer: "It seems to be because your officers feel that because a man's business is small, he is a crook, while the large borrowers are honorable and dependable.

"Yet it is often just the opposite: The big borrower doesn't care because he knows that if he doesn't pay, the bank is in more trouble than he is. But the little guy doesn't sleep at night until he has been able to repay his bank debt because he knows he needs the banker so badly."

And I saw this attitude reconfirmed at meetings of the board of the real estate investment trust with which I was connected for a decade – until it became the largest bankruptcy in the Southeast.

Whenever the topic of repaying the banks came up, the attitude of so many officers was, "Let them wait. We have their money. What are they so anxious about?"

The irony of all this is that we are a nation that complains about how few people save and how many borrow. Yet we do everything in our power to protect the borrower and punish the saver-lender. We act as if borrowers are all poor people who need the funds and as if lenders are "fat cats" who milk the borrower to build their up wealth even further.

In reality, it is often just the opposite: The saver is the worker who puts away $10 or $20 a week, and the borrower is financing a good home or an investment opportunity.

Deregulation Has Helped

At least, it is not as bad now as before deregulation, 7½ years ago, when interest rates were kept low to aid the borrower while the saver was denied a market return on his bank deposits to make this aid possible. But our laws and attitudes still make criminal the desire of a lender to get his money back.

I was recently asked by a public advocate on a television panel: "Why do the banks take advantage of people who just want to borrow money?" I tried my best to answer, "Lady, you have it backward."

But as long as the public thinks that banks are rich institutions with vaults filled with silver and gold, this will be a hard concept to get across, no matter how high the loan losses get in 1990 – the worst year banking has seen for half a century. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

For the better part of the last six months, bank stocks have been hammered by worries about rising interest rates, high-leverage loans, and reductions in debt ratings, while the overall stock market has at least held its own. Some analysts attach great importance to short-term blips in stock prices, while others say factors like earnings performance and sources of fee income are better indicators of a stock's quality. Financial writer Merri Rosenberg asked several people for their views.

Q ***Is too much attention paid to short-term price movements in bank stocks? What other factors should be considered?***

■ Gerald H. Lipkin
Chairman/chief executive officer
Valley National Bancorp

Every morning I check in on how we're doing, and I try to monitor our peers and competitors every day. I think our shareholders are concerned with the movement in stock prices day by day, but I don't think analysts pay as much attention to day-to-day stock prices as to quarterly earnings.

There's too much attention paid to short-term performance in general, and that makes it hard for a CEO to pursue strategic planning. People increasingly are focusing on short-term performance, and that's not good in the long term for the health of the country. In general, shareholders and analysts pay more attention to the short-term performance of the company.

But for a company to perform well in the long term, it may have to make decisions that will have an adverse effect on earnings in the near future.

■ Lacy Shockley
Vice president
Smith Barney, Harris Upham & Co.

It really depends. Every investor has a different time horizon, and some of them are virtually weekly or monthly. Bank stocks tend to trade in big cycles, relative to the economic cycle. They tend to do well when the relative earnings look good to the market. With long-term investment money, you can pick real high-quality banks and hold them for a long time. But you have to be very selective.

You can have large fluctuations in a short time. Right now, the banking group is so out of favor that none of the stocks are trading at high volume. That creates less efficient markets. In the last 10 to 15 years, banks have gone from being a relatively homogeneous group to a diverse group.

You have to look closely at the structure, and at the geographic area. For example, bank stocks do better if there are strong sources of fee income, and right now the Midwest might be doing better than the Northeast.

■ Fred Meinke
Vice president,
Senior bank analyst
Raymond James & Associates Inc.

I think it's important to stay in touch even with intraday changes in the stock. I look at the Quotron six to eight times a day, more if something's going on.

The key point is that this gives you some idea of what the investor thinking consensus is and can keep you alert to fundamental concerns as well. It can be an early warning of people's concerns about fundamental change. Changes in a bank's stock price can give a sense of the expectations regarding a particular bank's performance.

However, watching the price of a stock and translating that into investment value are related, but not necessarily the same thing. It's also important to watch longer-term trends. Long-term patterns are very important in determining whether or not a stock should be purchased. There's been tremendous pressure for investment performance coming out of a decade of very high growth, and we may be going into a period of slower growth – so fluctuations on the short-term front may not be as important.

■ Stephen Berman
Vice president/bank analyst
County NatWest Securities Corp.

I watch the short-term fluctuations very carefully. They indicate investors' reactions to perceptions, expectations, and rumors. Sometimes I agree with those movements, and it confirms what I think already; other times I have no idea why this happens. For example, I may see that a bank's earnings are terrific, but the stock is down. When I don't understand what's happening, I'll give the bank a call.

But stock price movements don't have much to do with the value of a stock. I find that investors don't distinguish among banks. The bank cycle is different from the business cycle, and behaves in a unique way. It can be hard to identify what stage we're in.

More and more investors are fairly hunch oriented; if the stock goes up a point or two, and begins to recover, they think it's now the time to buy. But this isn't a terribly efficient market.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 8, 22, 23

WASHINGTON *Monday*

A weekly feature

Despite Hearings, Restructuring Bill Probably Years Away

By LISA A. HAMMOND

WASHINGTON — To many observers, the Senate Banking Committee's current round of hearings on restructuring the financial-services industry is a lot like the proverbial bad watchdog — all political bark and no legislative bite.

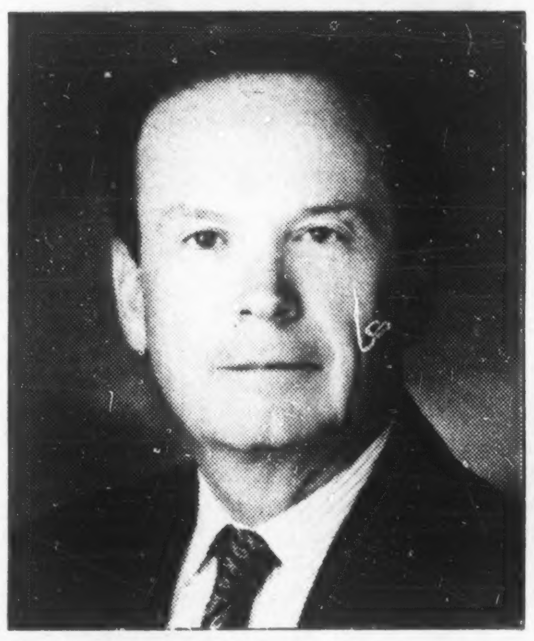
"We've certainly been around this track a large number of times, and there are probably no new facts to be brought to anyone's attention," said Allan Meltzer, an economics professor at Carnegie-Mellon University in Pittsburgh who heads the Shadow Regulatory Group, a panel of academics that monitors the economic soundness of regulatory actions.

Karen Shaw, executive vice president of the Institute for Strategy Development, said: "Nobody has any expectation that Congress will act on this in the near future — the next year or two."

Not Whether, but When

But the industry no longer wonders whether major legislation will come; the question is when. Ms. Shaw says, "The groundwork is being laid for the kind of financial industry change that happens only once every 20 to 25 years."

Industry groups differ on how much they want the change and how soon they expect it.


Kenneth Whipple
Ford Financial Services Group

Philip Vallandingham
Independent Bankers

Perhaps the boldest call for change came from Kenneth Whipple, president of the financial services group of Ford Motor Co. Last week Mr. Whipple, representing the Financial Services Council, a trade group, testified that its vision is to "create a legal structure that would permit any well-capitalized, well-managed company to enter any sector of the industry."

To the other extreme was Philip Vallandingham, president of the Independent Bankers Association of America, which represents community bankers. He told the committee that his group opposes deregulation proposals that would eliminate the separation between commercial and investment banking imposed by the Glass-Steagall Act of 1933, which bars commercial banks from securities underwriting.

Hearings Through July

Committee hearings are to continue through July.

Sources said the Senate panel won't propose expansive legislation before Treasury has finished its study on the deposit-insurance system. The study is due next February, though Treasury sources are now targeting completion by November.

At a hearing Thursday, Sen. Richard C. Shelby, D-Ala., said: "I think it's long past time that we come out with clear legislation to modernize the financial industry."

Lack of Direction?

But many experts doubt that legislative action will come out of this year's hearings, despite the continuing problems in the bank and thrift industry.

"We certainly don't seem to be heading anywhere, and I don't know why not," said a Republican staff aide on the committee. Its chairman, Sen. Donald Riegle, "just hasn't decided what he wants to do," the aide said.

Because the Michigan Democrat has no bill on the table, the hearings are merely for oversight, the aide said. "The chairman is not advocating anything, so that's the next step – and then they'd have to do legislative hearings all over again."

Indeed, the committee held similar hearings in 1988, under the chairmanship of then-Sen. William Proxmire, D-Wis. Since those hearings, few of the interested industries have changed their tunes on the fundamental questions relating to deposit-insurance reform, regulatory changes, and expanded bank powers, although their viewpoints vary widely.

A senior staff aide said Mr. Riegle has no timetable to introduce a bill but the committee will take the testimony "under advisement" to lay a foundation for possible 1991 legislation.

Support for Change

"Nobody is saying much that is new — the positions taken are consistent with what banking and securities firms have said for a while," said Kenneth McLean, the committee's staff director under Mr. Proxmire. "The one real change is that the SIA [Securities Industry Association] has come out for some kind of Glass-Steagall change, but it's a little ambiguous as to how much change they will allow."

SIA official Robert N. Downey told the committee this month that banks should be allowed into the securities business through subsidiaries isolated from their insured-deposit divisions.

In hearings last week, the Investment Company Institute, which represents the mutual-fund-industry, said that it, too, would support some securities powers for banks. But the institute, which traditionally opposed letting banks underwrite securities, said its support depends on permission for mutual-fund companies to engage in activities traditionally reserved for banks.

Ms. Hammond writes for the Medill News Service.

THE WEEK *ahead*

MONDAY, APRIL 30

The Federal Deposit Insurance Corp. holds an open meeting to consider proposed changes to deposit insurance coverage and amended rules affecting the Community Reinvestment Act. Also, the board will seek public comment on issues to be explored in its study of risk-based deposit insurance assessments. 202-898-3813.

SEC Commissioner Edward Fleischman addresses the annual conference of the Association of Publicly Traded Companies, formerly the National Association of OTC Companies, on the topic of current SEC initiatives affecting issuers.

Personal income and spending figures for March are released by the Commerce Department.

The Supreme Court hands down decisions and announces which cases it will hear in the future.

TUESDAY, MAY 1

State banking associations from Maine and Minnesota are in Washington for their spring lobbying visits. Later this week, associations from Rhode Island and Wyoming arrive.

Construction spending figures for March are announced by the Commerce Department.

WEDNESDAY, MAY 2

The Federal Reserve Board meets to consider proposed implementation of certain payment system risk-reduction policies and to consider amended rules affecting the Community Reinvestment Act. 202-452-3000.

The Federal Reserve Board releases the so-called beige book, which contains the Fed staffs' assessment of the economy.

Leading economic indicators for March are released by the Commerce Department.

Factory orders, shipments, and inventory figures for March are announced by the Commerce Department.

THURSDAY, MAY 3

Corporate income tax revenue declines are explored in a hearing of the Senate Finance Committee, chaired by Sen. Lloyd Bentsen, D-Tex.

FRIDAY, MAY 4

The Joint Economic Committee holds a hearing to receive the employment and unemployment statistics for April, released by the Labor Department.

INSIDE *congress*

Shaky Financial Services Industry Still Managed Big Contributions

While the financial services industry has stumbled upon hard times, that has not stopped it from funding the nation's political process.

In the six years through 1988, political action committees representing banks, thrifts, insurance, real estate, and other financial interests forked over $19.2 million to Senate candidates, according to Common Cause, which calls itself a citizens' lobby.

That amount is one-fifth of the $96.3 million raised by all political action committees during that period, according to Common Cause.

ABA Has Most Clout

Among the banking organizations, nobody has more muscle than the American Bankers Association, which expects to spend as much as $2 million in the current election cycle.

In the Senate, the ABA expects to contribute in virtually every election, and in most it will "max out" – give the $10,000 maximum permitted for an election cycle.

"In general, we do tend to be a maximum player in every Senate race," said Edward L. Yingling, the ABA's chief lobbyist. "On the House side, we are trying to reach out to committees other than banking."

The Independent Bankers Association of America, by contrast, tries to raise $135,000 a year, which would give it $270,000 for the two-year election cycle.

"We try to use our money to be visible," said Stephen Verdier, who lobbies the House of Representatives for the Independent Bankers.

Where larger trade groups might buy a dozen tickets for a fund-raising event and send two or three representatives, he said, "we buy one ticket and one of our staff goes. So I think that gives us good visibility for what we spend."

According to Common Cause, finance PACs – representing banks, thrifts, and other financial institutions – gave $8.5 million during the six-year cycle. Insurance PACs gave $5.8 milion, and real estate and construction PACs contributed $4.9 million.

The insurance industry, not surprisingly, put Sen. Lloyd Bentsen, D-Tex., at the top of its list, with contributions of $213,900. Mr. Bentsen chairs the Senate Finance Committee.

Sen. Phil Gramm, R-Tex., a member of the Senate Banking Committee, led the pack among recipients of dollars from real estate and construction PACs, with a total take of $193,875.

— Robert M. Garsson

Where The PAC Money Went

The 25 senators who received the most money from finance PACs from 1983 to 1988*

Senator	*Amount*
Donald Riegle**, D-Mich.	$344,133
Alfonse D'Amato**, R-N.Y.	309,433
Lloyd Bentsen, D-Tex.	307,272
Slade Gorton, R-Wash.	273,465
Daniel P. Moynihan, D-N.Y.	259,622
Terry Sanford**, D-N.C.	229,250
Pete Wilson, R-Calif.	223,147
James Sasser**, D-Tenn.	222,140
Alan Cranston**, D-Calif.	209,195
John Heinz**, R-Penn.	203,858
Jake Garn**, R-Utah	195,375
John Chafee, R-R.I.	190,157
Phil Gramm**, R-Tex.	184,328
Timothy Wirth**, D-Colo.	181,200
Alan Dixon**, D-Ill.	172,290
Robert Dole, R-Kan.	163,880
Bill Bradley, D-N.J.	162,695
Frank Lautenberg, D-N.J.	139,672
Christopher Bond**, R-Mo.	139,027
David Durenberger, R-Minn.	138,477
Richard Shelby**, D-Ala.	130,613
William Roth**, R-Del.	128,450
Christopher Dodd**, D-Conn.	121,494
Bob Graham**, D-Fla.	120,229
Arlen Specter, R-Penn.	116,130

*From PACs representing banks, S&Ls, other financial institutions.
**Current members of Senate Banking Committee.

Source: Common Cause

Number of Credit Unions Shrinks as Profits Drop Sharply

Continued from *page* **1**

they should have their tax-exempt status revoked.

The biggest credit union – Merrifield, Va.-based Navy Federal Credit Union – had $3.9 billion in assets at yearend, about the same as the 139th-largest commercial bank. Five credit unions had more than $1 billion in assets, two more than at yearend 1988, and the portion of industry assets controlled by the top 100 rose by a percentage point in 1989, to 23%.

Trend Held Durable

The consolidation has been apparent for several years, and industry observers expect it to continue. John T. Roycroft, a vice president at Washington-based Callahan, said he expected to see only about 12,000 surviving credit unions by 1995.

"The trend has been pretty solid for years now, and it is not particularly bad," Mr. Roycroft said. Mr. Roycroft said another reason the number of credit unions will continue to fall is that fewer are being chartered in a less hospitable regulatory climate. The ABA and other banking lobbyists have warned that credit unions could become "the next thrift crisis" – a charge that credit union regulators and trade groups vehemently deny.

> **'The whole regulatory atmosphere has become combative under the fear of another financial crisis.'**
>
> **John T. Roycroft**
> *Callahan & Associates*

Rough Atmosphere Noted

"The whole regulatory atmosphere has become combative under the fear of another financial crisis," Mr. Roycroft said.

In that light, credit unions have shifted their emphasis from growth to capital. The impetus for the slowdown has come, in part, from the federal regulator, the National Credit Union Administration.

Credit union observers say the slower growth will insulate their industry from the bankers' anti-credit union campaign.

Assets for all credit unions last year grew just 2.42% – well below the top 100's 7% – while capital increased 13.21%. The asset gain of the top 100 was the smallest since the 6% of 1981

Some Big Gains

Assets rocketed at several credit unions. San Diego, Calif.-based Mission Federal Credit Union's assets jumped 26% to $411.2 million; Reynolds Carolina Credit Union of Winston-Salem, N.C., 24% to $303.8 million; and Security Service Federal Credit Union of San Antonio, Tex., 23% to $557.1 million.

There were big decliners, too. Assets at American First Federal Credit Union, La Habra, Calif., dove 48% to $228.3 million.

American was followed by Eastern Financial Federal Credit Union of Miami, where assets dipped 14.58% to $729.9 million. Eastern Financial Federal was organized originally to serve employees of Eastern Airlines, which has gone bankrupt.

Capital Strengthened

Capital rose more than twice as fast as assets at the top 100. TRW Systems Federal, Manhattan Beach, Calif., led the way with a jump of 45% to $19.6 million, raising its capital-to-assets ratio 224 basis points, to 8.03%

TRW Systems was followed by Lockheed Federal Credit Union, Burbank, Calif., with a 44% rise to $41.8 million, and a 176 basis-points increase in the ratio to 7.47%.

Alaska USA Federal Credit Union, Anchorage, however, saw its capital fall 29.29% to $14.2 million. The institution's ratio at yearend was 1.61%, compared with a ratio of 2.43% the year before.

Only one of the top 100 reported negative capital: San Antonio Federal Credit Union, Tex., with a negative $19.6 million last year, compared with negative $21.1 million at yearend 1988.

Melrose Credit Union, Woodside, N.Y., had the best capital ratio, 19.18%, with capital of $48.3 million and assets of $251.7 million at yearend. It was followed by 12th-ranked Orange County Teachers Federal, Santa Ana, Calif. with a ratio of 13.61%.

San Antonio Federal had a the worst capital ratio – negative 3.57%.

Net Income Declines

Net income was down 35% for the industry and almost 40% for the top 100, most likely due to an emphasis on building reserves.

Among the top 100, 14 lost money last year and two reported zero income, compared with two that lost money in 1988 and 11 reporting zero income.

Zero net income indicates that all net income has been transferred to statutory reserves, a component of capital.

The biggest money losers included Alaska Federal, which lost $18.8 million; Finance Center Federal Credit Union, Indianapolis, $10.7 million; and Eastern Financial, $7.7 million.

Membership at the top 100 was up 5.6%, while membership for all credit unions was up 3.93% to $58.48 million, from 56.27 million in 1988.

San Antonio Federal had the largest gain in membership, 73.8% to 234,953. The Central Intelligence Agency, Northwest Federal Credit Union of Herndon, Va., had the largest decline with its membership falling 89.7% to 10,001. □

To Place a Classified Advertisement
Call 212/943-5824 or 800/221-1910

You're Using More Than One Provider For Mortgage Credit, Appraisals, Title Insurance, Loan Documents And Escrow/Closing Services.

Why?

One call can provide all the services and information you need. TRW offers everything you need to close a loan, including credit evaluation, property appraisal, title underwriting, loan documents and escrow/closing.

We offer a unique combination of local expertise — 70 offices in 33 states — plus the resources and financial stability available only with a nationwide company. And each of our residential mortgage lending services is backed by TRW's commitment to quality.

We provide all of our services in a variety of ways, including hardcopy, on line or computer-to-computer. And, of course, we provide them with the quality and personalized service you expect from TRW. For more information, *call the single source* . . . your local TRW office, or 1-800-321-1890.

505 City Parkway West
Marketing & Communications, 500-1E
Orange, CA 92668

TRW

TRW Real Estate
Loan Services

Top 100 Credit Unions in the U.S.

In order of total assets on December 31, 1989, compared with December 31, 1988 (dollar amounts in thousands)

Rank 12/89		Total Assets 12/31/89	Total Assets 12/31/88	% Chg.	Capital 12/31/89	Capital 12/31/88	% Chg.	Cap. Ratio 12/31/89	Net Income 1989	Net Income 1988	% Chg.	Members 12/31/89	% Chg.
1	**Navy Federal Credit Union, Merrifield, Va.**	3,913,682	3,509,615	11.51	306,550	263,221	16.46	7.83	11,059	27,707	-60.09	1,017,400	10.57
2	**State Employees Credit Union, Raleigh, N.C.**	2,090,418	2,010,187	3.99	105,616	94,036	12.31	5.05	5,502	3,076	78.85	296,961	8.36
3	**United Air Lines Employees Credit Union, Chicago**	1,727,926	1,803,636	-4.20	59,062	50,701	16.49	3.42	8,136	8,976	-9.36	87,278	4.94
4	**Pentagon Federal Credit Union, Alexandria, Va.**	1,239,005	1,214,217	2.04	98,004	91,250	7.40	7.91	(2,639)	8,292	-131.83	385,214	3.46
5	**Boeing Employees Credit Union, Seattle, Wash.**	1,148,394	975,366	17.74	89,657	76,626	17.01	7.81	7,339	12,228	-39.99	158,713	19.78
6	**Hughes Aircraft Emp. Federal CU, Manhattan Beach, Calif.**	1,001,169	880,950	13.65	53,987	48,905	10.39	5.39	3,451	7,847	-56.02	127,183	3.77
7	**Alaska USA Federal Credit Union, Anchorage**	882,862	826,546	6.81	14,204	20,089	-29.29	1.61	(18,832)	(10,380)	-81.43	183,640	0.35
8	**American Airlines Emp. Federal CU, DFW Airport, Tex.**	841,982	768,197	9.60	60,743	53,175	14.23	7.21	2,368	0	......	85,584	12.81
9	**The Golden 1 Credit Union, Sacramento, Calif.**	740,386	644,853	14.81	55,104	45,552	20.97	7.44	5,778	8,492	-31.96	172,380	18.89
10	**Eastern Financial Federal Credit Union, Miami**	729,872	854,452	-14.58	83,208	82,741	0.56	11.40	(7,662)	7,213	-206.23	132,769	4.86
11	**LMSC Federal Credit Union, Sunnyvale, Calif.**	693,652	646,052	7.37	75,636	63,268	19.55	10.90	8,931	8,617	3.64	48,362	0.98
12	**Orange County Teachers Federal CU, Santa Ana, Calif.**	673,726	629,725	6.99	91,678	83,530	9.75	13.61	8,408	9,144	-8.05	74,820	11.66
13	**IBM Poughkeepsie Federal Credit Union, Poughkeepsie, N.Y.**	662,425	611,349	8.35	36,531	32,588	12.10	5.51	343	2,636	-86.99	95,504	-1.11
14	**Telephone Employees' Credit Union, Pasadena, Calif.**	654,863	600,616	9.03	55,832	50,455	10.66	8.53	2,318	3,899	-40.54	90,052	0.14
15	**Construction Equipment Federal CU, Peoria, Ill.**	610,448	546,556	11.69	35,381	28,541	23.97	5.80	1,449	5,390	-73.12	135,725	6.54
16	**Tinker Credit Union, Tinker AFB, Okla.**	595,228	583,404	2.03	32,037	28,266	13.34	5.38	2,955	2,547	15.99	135,033	4.81
17	**Lockheed Federal Credit Union, Burbank, Calif.**	559,922	507,492	10.33	41,829	28,989	44.29	7.47	4,117	2,818	46.10	81,985	9.50
18	**America First Credit Union, Riverdale, Utah**	557,853	536,463	3.99	56,434	49,911	13.07	10.12	(473)	4,765	-109.93	149,861	3.83
19	**Security Service Federal CU, San Antonio, Tex.**	557,075	453,032	22.97	25,812	24,007	7.52	4.63	(1,840)	0	......	144,493	32.20
20	**Delta Employees Credit Union, Atlanta, Ga.**	549,268	514,089	6.84	47,038	39,509	19.05	8.56	7,639	4,321	76.80	74,768	13.00
21	**San Antonio Federal Credit Union, Tex.**	548,541	529,372	3.62	(19,573)	(21,123)	7.34	-3.57	2,882	0	......	234,953	73.83
22	**Redstone Federal Credit Union, Huntsville, Ala.**	526,777	503,767	4.57	29,028	23,963	21.14	5.51	168	1,121	-85.03	147,741	7.97
23	**Suncoast Schools Federal Credit Union, Tampa, Fla.**	518,981	466,246	11.31	37,724	32,416	16.37	7.27	2,349	4,333	-45.78	97,754	6.81
24	**TWA Credit Union, Kansas City, Mo.**	510,533	548,505	-6.92	22,654	18,967	19.44	4.44	2,101	1,899	10.63	50,643	6.88
25	**Provident Central Credit Union, Burlingame, Calif.**	506,624	433,421	16.89	47,439	40,842	16.15	9.36	3,950	4,055	-2.60	90,887	9.37
26	**State Emp. Credit Union of Maryland, Inc., Towson**	492,668	471,683	4.45	30,306	24,000	26.27	6.15	909	2,858	-68.18	122,124	4.14
27	**ENT Federal Credit Union, Colorado Springs, Colo.**	491,451	450,734	9.03	26,902	25,064	7.33	5.47	1,502	1,351	11.16	102,605	12.41
28	**Pennsylvania State Emp. Credit Union, Harrisburg**	486,686	446,644	8.97	21,442	16,383	30.88	4.41	1,512	1,250	20.95	134,115	12.00
29	**IBM Endicott/Owego Emp. Federal CU, Endicott, N.Y.**	471,787	418,627	12.70	38,905	32,071	21.31	8.25	4,081	4,310	-5.30	68,901	1.05
30	**Teachers Credit Union, South Bend, Ind.**	460,430	424,776	8.39	25,908	23,746	9.10	5.63	466	2,133	-78.15	104,332	9.64
31	**Bethpage Federal Credit Union, Bethpage, N.Y.**	456,553	426,110	7.14	39,376	33,523	17.46	8.62	2,143	2,968	-27.80	62,107	0.48
32	**Texins Credit Union, Dallas**	450,516	405,255	11.17	32,539	27,156	19.82	7.22	4,185	0	......	85,245	1.79
33	**Georgia Telco Credit Union, Atlanta**	424,557	403,091	5.33	30,015	24,717	21.44	7.07	2,844	8	......	55,581	3.79
34	**North Island Federal Credit Union, San Diego, Calif.**	423,970	354,345	19.65	33,019	27,799	18.78	7.79	1,927	3,150	-38.81	108,830	1.42
35	**Progressive Consumers Federal CU, Saugus, Mass.**	422,399	380,199	11.10	20,558	19,809	3.78	4.87	(5,097)	3,515	-244.99	41,748	3.61
36	**Dearborn Federal Credit Union, Dearborn, Mich.**	418,772	398,195	5.17	27,704	22,911	20.92	6.62	4,894	2,178	124.71	115,996	3.64
37	**JAX Navy Federal Credit Union, Jacksonville, Fla.**	413,013	373,813	10.49	32,190	27,438	17.32	7.79	4,740	5,293	-10.43	101,017	2.39
38	**Tower Federal Credit Union, Ft. Meade, Md.**	411,532	382,595	7.56	23,529	20,961	12.25	5.72	1,155	1,743	-33.75	75,057	3.85
39	**Mission Federal Credit Union, San Diego, Calif.**	411,189	326,167	26.07	31,089	25,537	21.74	7.56	4,802	2,695	78.17	73,335	10.12
40	**Police & Fire Federal Credit Union, Philadelphia**	400,083	397,032	0.77	20,006	16,043	24.70	5.00	1,761	2,183	-19.34	62,316	4.84
41	**Patelco Federal Credit Union, San Francisco**	384,759	314,159	22.47	26,933	20,795	29.52	7.00	2,452	4,083	-39.94	76,449	9.12
42	**Atlanta Postal Credit Union**	376,000	363,499	3.44	33,654	26,653	26.26	8.95	5,351	27	......	54,221	3.83
43	**Dallas Teachers Credit Union**	372,597	348,989	6.76	22,129	19,476	13.62	5.94	2,051	0	......	103,057	5.26
44	**Randolf-Brooks Federal CU, Universal City, Tex.**	367,913	323,516	13.72	38,577	33,267	15.96	10.49	5,081	0	......	72,699	7.38
45	**McDonnell Douglas West Federal CU, Torrance, Calif.**	357,173	352,435	1.34	34,226	29,309	16.78	9.58	4,709	4,212	11.81	69,909	10.67
46	**Charleston Naval Shipyard Federal CU, S.C.**	351,571	316,082	11.23	27,480	25,120	9.39	7.82	568	934	-39.17	115,207	-9.97
47	**Bank Fund Staff Federal CU, Washington D.C.**	350,976	300,340	16.86	27,175	21,116	28.70	7.74	4,708	2,962	58.96	21,226	8.56
48	**Municipal Credit Union, New York**	349,664	330,357	5.84	18,905	17,056	10.84	5.41	1,919	2,453	-21.80	195,526	3.76
49	**Northwest Federal Credit Union, Herndon, Va.**	347,873	333,985	4.16	22,070	18,340	20.33	6.34	1,117	1,703	-34.40	10,001	-89.70
50	**Marquette Credit Union, Woonsocket, R.I.**	341,499	308,871	10.56	27,220	22,176	22.74	7.97	0	3,626	-100.00	36,559	-0.30
51	**Government Employees Credit Union of El Paso, Tex.**	339,265	310,915	9.12	17,437	15,174	14.91	5.14	1,760	0	......	126,479	5.40
52	**Digital Employees Federal CU, Maynard, Mass.**	328,194	292,204	12.32	17,111	13,676	25.12	5.21	1,700	1,848	-7.98	86,261	4.84
53	**Travis Federal Credit Union, Vacaville, Calif.**	328,147	325,712	0.75	33,830	30,305	11.63	10.31	1,932	4,469	-56.77	73,060	0.77
54	**Langley Federal Credit Union, Hampton, Va.**	328,127	310,096	5.81	31,478	28,310	11.19	9.59	816	1,183	-30.99	81,992	5.11
55	**Los Angeles Teachers Credit Union**	324,330	303,293	6.94	34,864	28,247	23.42	10.75	5,110	5,214	-1.98	59,673	2.20
56	**Newport News Shipbuilding Employees CU, Va.**	305,131	289,082	5.55	35,478	29,970	18.38	11.63	4,794	5,335	-10.15	46,452	0.49
57	**Reynolds Carolina Credit Union, Winston-Salem, N.C.**	303,752	244,318	24.33	17,681	14,448	22.38	5.82	1,892	1,138	66.25	26,127	14.51
58	**NWA Federal Credit Union, Bloomington, Minn.**	303,677	252,312	20.36	23,981	21,120	13.54	7.90	718	1,748	-58.95	50,657	14.31
59	**Bellco Credit Union, Denver**	301,130	297,977	1.06	22,622	21,978	2.93	7.51	(661)	2,187	-130.24	70,619	4.29
60	**Desert Schools Federal Credit Union, Pheonix**	300,601	270,005	11.33	24,877	20,813	19.53	8.28	2,588	2,473	4.63	98,743	8.28
61	**San Diego County Credit Union, San Diego, Calif.**	299,852	266,281	12.61	22,880	18,841	21.44	7.63	3,146	2,921	7.70	68,971	10.08
62	**St. Mary's Bank Credit Union, Manchester, N.H.**	298,877	277,643	7.65	14,016	12,973	8.04	4.69	(1,784)	(407)	-338.64	41,372	11.07
63	**Eastman Credit Union, Kingsport, Tenn.**	296,680	261,100	13.63	27,240	23,953	13.72	9.18	0	0	......	26,631	5.75
64	**IBM Interstate Employees Federal CU, Rye, N.Y.**	293,264	301,663	-2.78	17,964	15,175	18.37	6.13	32	2,562	-98.74	45,005	-2.86
65	**Electric Boat Community Federal CU, Groton, Conn.**	291,416	277,295	5.09	11,789	10,326	14.17	4.05	252	122	106.72	65,818	1.86
66	**Rockland Federal Credit Union, Rockland, Mass.**	290,533	267,749	8.51	11,664	9,851	18.41	4.01	(418)	1,029	-140.65	56,931	5.69
67	**Portland Teachers Credit Union, Ore.**	286,403	255,219	12.22	21,755	19,986	8.85	7.60	809	3,530	-77.09	73,542	9.36
68	**Max Federal Credit Union, Montgomery, Ala.**	283,357	287,060	-1.29	19,995	18,089	10.53	7.06	1,543	863	78.80	93,327	1.63
69	**Robins Federal Credit Union, Warner Robins, Ga.**	280,981	263,651	6.57	33,831	30,776	9.93	12.04	1,649	2,737	-39.75	74,770	4.58
70	**IBM Mid America Emp. Federal CU, Rochester, Minn.**	278,361	253,574	9.78	22,502	19,204	17.18	8.08	1,946	2,707	-28.12	52,512	6.24
71	**Andrews Federal Credit Union, Suitland, Md.**	277,505	269,406	3.01	21,402	18,835	13.63	7.71	889	2,570	-65.40	108,450	7.03
72	**Mountain America Credit Union, Salt Lake City, Utah**	277,022	283,626	-2.33	15,522	17,406	-10.82	5.60	(4,096)	2,616	-256.60	91,947	1.43
73	**MacDill Federal Credit Union, Tampa, Fla.**	276,757	280,605	-1.37	10,781	10,488	2.80	3.90	(668)	659	-201.40	62,043	3.39
74	**American Electronics Assoc. CU, Sunnyvale, Calif.**	275,672	235,211	17.20	10,239	9,477	8.05	3.71	(2,408)	468	-614.67	95,500	9.55
75	**Teachers Federal Credit Union, Farmingville, N.Y.**	271,466	252,291	7.60	14,049	10,107	39.00	5.18	2,023	924	119.00	72,764	0.81
76	**Educational Employees Credit Union, Fresno, Calif.**	270,912	261,814	3.47	17,460	15,960	9.40	6.45	335	1,484	-77.44	53,661	14.62
77	**East Hartford Aircraft Federal CU, Conn.**	269,988	309,910	-12.88	22,506	18,831	19.51	8.34	1,881	1,084	73.46	91,089	2.45
78	**Litton Federal Credit Union, Chatsworth, Calif.**	268,531	248,989	7.85	19,710	15,725	25.34	7.34	3,445	1,880	83.23	54,236	-11.76
79	**Kern Schools Federal CU, Bakersfield, Calif.**	266,926	248,886	7.25	23,708	21,449	10.54	8.88	2,107	3,020	-30.24	59,354	6.73
80	**Wright-Patt Credit Union, Fairborn, Ohio**	264,270	259,125	1.99	20,832	18,449	12.92	7.88	(691)	1,144	-160.42	128,643	4.34
81	**Dow Chemical Employee CU, Midland, Mich.**	264,179	253,828	4.08	27,335	25,352	7.82	10.35	1,158	1,927	-39.88	28,258	7.60
82	**Brockton Credit Union, Mass.**	262,752	245,885	6.86	24,272	25,626	-5.28	9.24	2,209	N.A.	N.A.	N.A.	N.A.
83	**Pacific Service Employees CU, Concord, Calif.**	260,899	265,883	-1.87	21,777	17,823	22.19	8.35	3,035	3,987	-23.87	35,623	1.02
84	**Rhode Island Central Credit Union, Warwick, R.I.**	260,857	229,163	13.83	24,761	18,381	34.71	9.49	5,235	0	......	22,154	9.41
85	**Eglin Federal Credit Union, Ft. Walton Beach, Fla.**	256,837	235,019	9.28	20,712	15,853	30.65	8.06	3,530	3,431	2.90	79,558	3.83
86	**Schools Federal Credit Union, Sacramento, Calif.**	256,737	235,726	8.91	18,702	16,225	15.26	7.28	1,029	2,017	-48.99	66,636	4.47
87	**Springmaid Federal Credit Union, Lancaster, S.C.**	255,379	217,321	17.51	22,029	17,962	22.65	8.63	1,967	1,467	34.08	47,518	9.69
88	**United Nations Federal Credit Union, New York, N.Y.**	255,055	224,317	13.70	21,572	17,852	20.84	8.46	3,552	3,720	-4.52	16,710	4.92
89	**Washington State Employees Credit Union, Olympia**	254,409	221,093	15.07	17,000	14,433	17.79	6.68	1,090	1,997	-45.44	59,175	7.52
90	**Operating Engineers Local Union #3 Federal CU, Dublin, Calif.**	254,074	233,333	8.89	21,106	17,714	19.15	8.31	2,111	1,399	50.87	31,489	11.74
91	**Texas Dow Employees CU, Lake Jackson, Tex.**	253,854	234,131	8.42	20,466	16,760	22.11	8.06	2,585	0	......	35,114	5.92
92	**IBM Coastal Employees Federal CU, Raleigh, N.C.**	252,420	219,715	14.89	19,678	16,491	19.33	7.80	3,199	3,415	-6.32	45,888	5.70
93	**Melrose Credit Union, Woodside, N.Y.**	251,671	258,217	-2.53	48,271	50,843	-5.06	19.18	3,797	27,580	-86.23	17,393	17.72
94	**America's First Credit Union, Birmingham, Ala.**	249,844	243,522	2.60	17,215	16,337	5.38	6.89	1,340	1,677	-20.11	85,130	-1.39
95	**Nevada Federal Credit Union, Las Vegas**	249,388	243,492	2.42	14,759	13,103	12.64	5.92	(200)	1,419	-114.10	62,582	0.61
96	**Long Beach School Employees Federal CU, Calif.**	245,880	238,603	3.05	16,767	15,577	7.63	6.82	235	319	-26.30	42,481	9.37
97	**LTV Federal Credit Union, Grand Prairie, Tex.**	245,867	226,232	8.68	14,193	11,805	20.23	5.77	1,862	0	......	42,368	2.03
98	**Finance Center Federal CU, Indianapolis, Ind.**	245,546	240,288	2.19	14,441	13,007	11.02	5.88	(10,660)	3,209	-432.14	83,522	7.44
99	**Municipal Employees Credit Union of Baltimore**	244,277	235,085	3.91	23,010	20,534	12.06	9.42	1,609	1,456	10.49	50,307	2.23
100	**TRW Systems Federal CU, Manhattan Beach, Calif.**	244,097	234,055	4.29	19,608	13,549	44.72	8.03	4,729	3,494	35.35	43,907	-1.59
	Totals for the Top 100 ($ million)	**47,122.4**	**43,941.5**	**7.24**	**3,320.4**	**2,886.1**	**15.05**	**7.05**	**183.6**	**304.7**	**-39.72**	**9,400,308**	**5.58**
	Totals for all credit unions[1] ($ million)	**203,300**	**198,500**	**2.42**	**15,800**	**13,956**	**13.21**	**7.77**	**839.4**	**1,289.2**	**-34.89**	**58,482,657**	**3.93**

Data Source: The data were provided by **Callahan & Associates, Inc.,** Washington, D.C., (1-800-446-7453) from its credit union data base, which includes both state- and federally-insured credit unions. **Capital:** The sum of statutory reserves for loan losses, other reserves and undivided earnings. **Cap. Ratio:** The ratio of capital to total assets. **Net Income:** Income from operations net of cost of funds and statutory reserve transfers. **Zero** net income indicates that all net income has been transfered to statutory reserves. **([1])**— At yearend 1989, there were 14,884 active credit unions, down from 15,032, at yearend 1988. **N.A.**— not available.

Copyright American Banker, 1990

C01751

TOP 100 BANKS IN ACH TRANSACTIONS
Table on page 6

AMERICAN BANKER

VOL. CLV NO. 84
Tuesday, May
155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Lenient View Of Owning Bank Gains Support

By YVETTE D. KANTROW

ANALYSIS: *Follow-up on the news*

NEW YORK — Samuel J. Baptista, president of the Financial Services Council, remembers the time three years ago when people hooted at him as a Don Quixote for suggesting that just about anybody should be able to own a bank. Now, he maintains, such an idea is no longer so far-fetched and is, in fact, gaining momentum in Washington.

Indeed, Mr. Baptista's proposal serves as the cornerstone of the Depository Institution Affiliation Act, a bill introduced by Rep. Doug Barnard, D-Ga., last spring. But whether it will be the ultimate answer to such a complex question as the restructuring of the financial services industry is by no means certain. Many other bills are in the development stages and have yet to be heard from.

Rep. Barnard's bill would allow banks, insurance companies, securities brokers, and all other commercial companies to enter one another's businesses.

At the least, it has the attention of all the constituent groups affected. And, as Mr. Baptista boasts, it has focused the issue on restructuring the financial services industry as a whole, rather than on the more limited issue of additional powers of banks, which had been the debate for years.

Battle for Position

"There's a growing desire to want to do something major instead of just something around the edges," said Edward L. Yingling, executive director of the American Bankers Association. But while they favor a major industry restructuring, most banking groups are unwilling to cross a line that would allow industrial and commercial companies to own banks.

Indeed, the jockeying for position has just begun. Trade associations, regulators, and the Bush administration are all busy preparing trial balloons, taking positions, and forming alliances, in the hope of protecting their interests when the country's financial services industry undergoes an overhaul.

. "This is a year of groundwork laying," said Joe Belew, president of the Consumer Bankers Association. "Everyone is spending their time building their cases so they have a strategy next January. It's going to be quite a show."

While it is unlikely that Con-

See **BROADER** *page* **17**

INSIDE NEWS

FINANCE

NORTHEAST BANCORP shares plunged on new worries that Bank of New York may not acquire it, while the stock of Baltimore Bancorp rose on word of an unsolicited bid from First Maryland Bancorp, a unit of Allied Irish Banks. *Page 20*

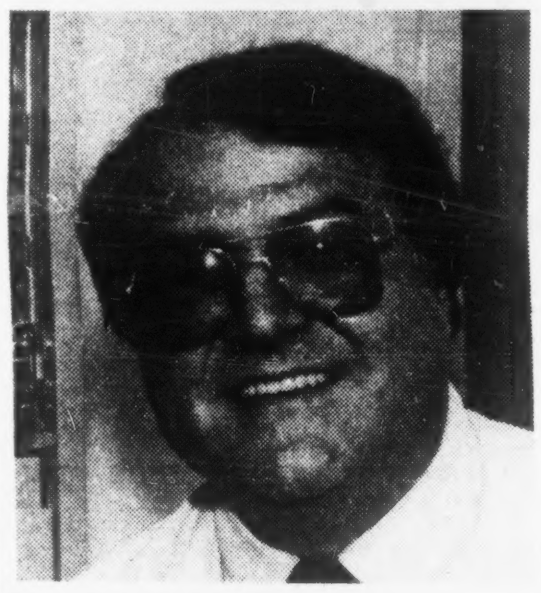
INTERNATIONAL

MITSUBISHI BANK is shifting to more profitable areas of lending in Japan, such as the consumer sector and the middle market. *Page 12*

REAL ESTATE

A MIXED REVIEW from the FDIC and turmoil in the Japanese financial markets have raised questions about the Honolulu market. *Page 8*

PEOPLE



GEORGE M. SALEM, a Prudential-Bache analyst and renowned basher of U.S. bank stocks, has written a report bolstering his poor prognosis for the industry. *Page 2*

CONSUMER

THE NATIONAL CREDIT Union Administration is finding that a heavy dose of regulatory medicine can work wonders for sick credit unions. *Page 10*

TECHNOLOGY

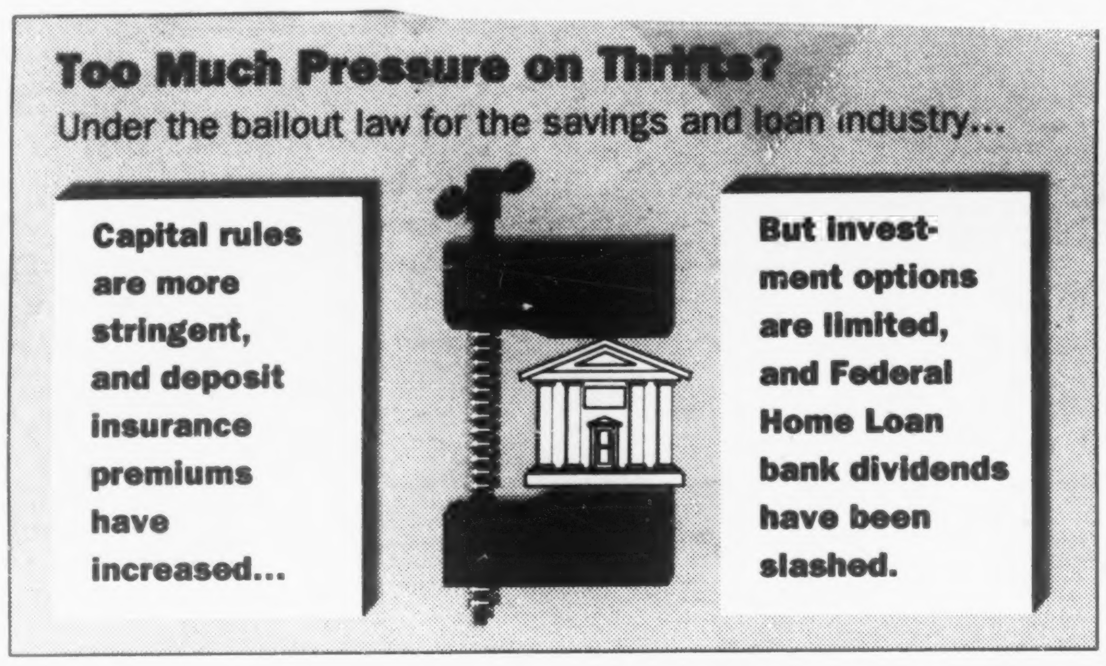
LOCKBOX SERVICES differ only slightly from one bank to the next, and pricing provides a way for a bank to differentiate its products, according to a survey. *Page 3*

COMMENT

WELLS FARGO makes its money as much or more on cheap liabilities as on high-priced assets, writes Sanford Rose. *Page 4*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Classified Advertising 16
Bank and Thrift Stocks 19


Too Much Pressure on Thrifts?
Under the bailout law for the savings and loan industry...
Capital rules are more stringent, and deposit insurance premiums have increased...
But investment options are limited, and Federal Home Loan bank dividends have been slashed.

Thrift Law, Restricting S&L Loans To Low Margins, Impedes Rescue

By PHIL ROOSEVELT

THRIFTS: *The Crisis Worsens*

Second in a series

NEW YORK — The massive effort to rescue the thrift industry is being hobbled by the very law that set it in motion.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 was designed to guide the largest-ever federal rescue and prevent another crisis. But a growing number of experts say that provisions in the law also created one of the cleanup's biggest obstacles: a fundamental reduction in the profit potential of thrifts.

Now, scores of marginal S&Ls that otherwise might have improved are headed toward failure, industry executives and analysts say. And investors are showing little interest in the government's burgeoning warehouse of seized thrifts.

"At a time when the government is trying to attract capital to the industry, they've done about everything they can to decrease investor interest in thrifts," asserts Thomas J. Owen, chief executive of Perpetual Savings Bank, a $6.3 billion-asset thrift based in Vienna, Va.

Mr. Owen and others say the law has reduced the appeal of thrifts by:

- Requiring thrifts to increase

See **THRIFT** *page* **13**

Allied Irish Bids for U.S. Bank, Gets Chilly Reply

By JOHN EVANS

LONDON — An unsolicited offer Monday by the U.S. unit of Allied Irish Banks PLC to acquire Baltimore Bancorp. may turn into the first hostile attempt by a foreign bank to acquire a U.S. banking company.

The $17-a-share offer by First Maryland Bancorp was pitched at a hefty 66% premium above Baltimore Bancorp.'s closing price Friday. Dublin-based Allied Irish maintained that the $217 million cash bid, though unsolicited, was "friendly."

A Bitter Reaction

Baltimore Bancorp. reacted bitterly to the unsolicited offer, saying the way it was revealed created "a hostile atmosphere." Allied Irish said its offer remains on the table despite the Maryland company's response.

Baltimore Bancorp.'s stock rallied on news of the bid. Its shares traded at $14.875 Monday afternoon, up $3.125 from Friday's close.

See *page* **12**

FDIC Extends Its Coverage Of '457' Plans

By BARBARA A. REHM

WASHINGTON — The Federal Deposit Insurance Corp. board voted unanimously Monday to extend for 21 months its insurance coverage on $4 billion in thrift deposits held by deferred-compensation plans.

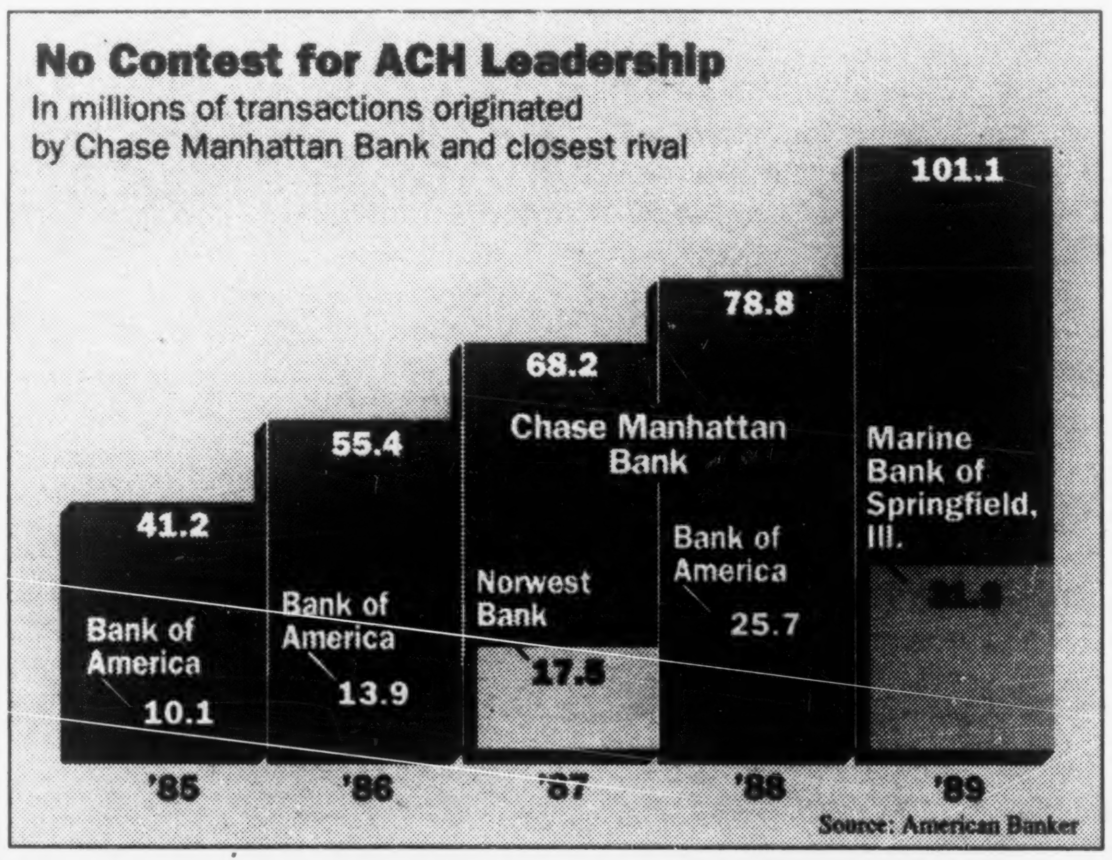
The extension gives Congress until January 1992 to enact permanent insurance coverage for participants in those employee-benefit plans, known as "457" plans. Each member is currently insured up to $100,000, but the FDIC had proposed curtailing that coverage to limit its exposure to $100,000 per group plan.

It's Up to Congress

In its action Monday, the FDIC board left it up to Congress to keep the current policy in effect beyond next year.

The board also agreed to provide the $100,000 insurance to anyone who joins a 457 plan before October 1991. The FDIC staff wanted only to "grandfather" people already contributing as of July 29, 1990, but was overruled by Chairman L. Wil-

See **FDIC** *page* **9**



Chase Sets Clearing-House Record With Over 100 Million Transactions

By JEFFREY KUTLER

NEW YORK — Continuing its supremacy in the automated clearing house business, Chase Manhattan Bank in 1989 became the first to initiate more than 100 million transactions through that paperless payment system.

The *American Banker*'s annual automated clearing house survey shows that Chase in 1989 originated 101.1 million debit and credit entries, or 12% of the 844 million ACH payments in the private sector. (The ranking of the top 100 appears on page 6.) Chase's volume equaled that of Nos. 2, 3, and 4 on the list combined, plus half that of No. 5.

Several other banks made impressive gains last year, though without cutting into Chase's lead. Chase's 28% growth in 1989 exceeded the 26% for private-sector ACH activity as a whole, which includes direct payroll deposits and consumer

See **CHASE** *page* **6**

COMMENT/*By Sanford Rose*

A Balanced Bank

The dominant industry view of Wells Fargo Bank is that of a high-flying lender and a penny-pinching cost controller. Fixated on the lush yields in the bank's book of leveraged buyout loans and on stories about CEO Carl Reichardt's parsimony, the average analyst tends to overlook the bank's strength as a funder.

That this neglect is unfortunate is clear from an analysis just done by the First Manhattan Consulting Group. The analysis reveals that most of Wells' earnings gain during the 1983-1988 period – relative, that is, to the average large bank – was traceable to a dramatic improvement in its funding position.

In 1983, Wells' pretax interest expenses per dollar of assets were 80 basis point higher than that of the average banking company among the top 250 in the country. That is, its interest expenses would have been this much higher had the bank operated with the same ratio of equity to assets as the typical top-250 bank.

By 1988, however, Wells' leverage-adjusted interest expenses were 40 basis points lower than the average. Other things being equal, this astonishing turnaround in pretax interest costs would have accounted for about a 12-percentage-point aftertax improvement in the bank's relative return on equity.

Significantly, although there was some improvement in interest expenses before Wells' 1986 acquisition of Crocker Bank, most of the gain occurred after. Crocker provided Wells with oodles of cheap money, helping the bank to raise the proportion of assets funded with core deposits from about 60% in the mid-'80s to around 70% in the late '80s. In fact, Crocker gave Wells so many rate-insensitive core monies that management, fearful of excess exposure to declining rates, found it necessary to buy a wad of long-term bonds, which, unhappily, have not performed especially well.

Wells' mix of funds is now much more attractive than that of the run-of-the-mill top-250 bank. To be sure, its hoard of demand deposits and NOWs is only marginally higher. But in 1988 it funded about 27% of its assets with money market deposit accounts, a figure some 7 percentage points above that of the typical top-250 bank. And, as is well known, MMDA rates in California have for the last few years been appreciably lower than the national average.

Because Wells has so many cheap MMDAs, it has little need of the more expensive jumbo CDs. In 1988, the proportion of its assets funded with jumbos amounted to 3.8 percentage points less than the large-bank norm.

Wells Fargo is without doubt a penny pincher.

The data also tend to belie Wells' reputation as a super-aggressive loan-yield generator and, by contrast, an indifferent producer of fee revenue. Some 30 basis points of commitment and other fees that were reported as interest income from 1983 through 1987 should more properly be classified as noninterest revenue, says First Manhattan Consulting. When this is done, the bank's relative yield advantage, of course, diminishes, while its relative fee position improves.

In 1988, Wells' gross interest income as a percent of assets was 20 basis points higher than the average of the 250 banks. But this was down from a 50-basis-point advantage held in 1985. In contrast, its ratio of fee income to assets was 35 basis points above average in 1988, whereas a few years earlier it had been 5 basis points below average.

In one respect at least, the conventional wisdom regarding Wells seems well-founded. The bank is without doubt a penny pincher. Once again, it went from being a below-average performer in 1983 to a position of manifest superiority in expense control. The bank's 1988 expenses as a percent of assets were 40 basis points lower than those recorded by the typical top-250 bank with a comparable business mix.

Cooking on All Cylinders

The picture that emerges from this brief analysis is that of a well-balanced bank. Bank earnings performance can be viewed as an engine powered by four cylinders: the asset yield, the liability yield, fee income, and expense productivity. According to First Manhattan Consulting, a bank with average power in each of these four cylinders can look forward to a return on equity of around 16%, which, given today's interest rates, is probably sufficient to elevate its stock price to a premium over book value.

Some banks, however, generate better-than-average power from one or more cylinders. And a very few institutions, like Wells, seem to be cooking on all cylinders. Such strongly balanced banks boast ROEs in the 20%-plus range.

First Manhattan Consulting identifies at least seven large banks that currently qualify as strongly balanced. Besides Wells, they are: Fifth Third of Ohio, CoreStates, Banc One, Indiana National, SunTrust, and Sovran. □

CRIME BLOTTER/*By Tom Leander*

Thift Fraud Ranked On Top Crimes List

U.S. Attorney General Dick Thornburgh listed thrift fraud among seven major types of white-collar crime in this country, estimating last week that up to 30% of S&L failures can be attributed to criminals.

Dick Thornburgh

"Twenty-five to 30%, conservatively, of these 'thrift failures' can be laid to actual wrongdoing by miscreant bank officials," the head of the Justice Department said in a address to the Dallas Friday Group, an organization of senior executives and government relations officers in Dallas-area businesses. Mr. Thornburgh praised the Dallas Bank Fraud Task Force for its role in obtaining 66 indictments and 49 convictions.

After his speech, the nation's top prosecutor said he sees little hope of making any substantial recovery of money looted from the thrifts.

"Those who prosecuted these crimes are pessimistic to effect any substantial recovery.

"Some of them have dissipated, some are beyond our reach, and a lot of them are collaterals which were vastly overvalued. I have said at the outset that we have to be realistic about recovery," he said.

* * *

Tellers to Watch Out For Bilking of Elderly

Illinois Attorney General Neil Hartigan is enlisting the aid of bank tellers to help prevent fraud against the elderly.

Beginning June 1, officials from Mr. Hartigan's office will instruct tellers and police officers in ways to derail confidence schemes aimed at separating the elderly from their money. The Senior Cash Alert Monitoring System, or Scam, was announced last week by Mr. Hartigan.

If tellers think they are witnessing a fraud, they will be instructed to activate a surveillance camera and inform bank executives and the police, according to Ernest Slottag, a spokesman for the Illinois attorney general's office.

Many fraudulent schemes to victimize the elderly are perpetrated through banks, Mr. Slottag said. In one common example, he said, a confidence man – posing as a banker – approaches a senior citizen. He asks the senior citizen to withdraw all the cash from his or her account and hand it over.

The confidence man says the withdrawal is necessary to monitor the bank's record-keeping efficiency. He promises to return the money the next day.

Tellers will be taught to watch for any unusual signs when senior citizens withdraw large sums from their accounts.

The effort is supported by the Illinois Bankers Association, the Community Bankers Association of Illinois, Illinois League of Savings Institutions, and the Illinois Credit Union League.

* * *

Conterfeiting Case Nets 3 Indictments

A federal grand jury has indicted two men from Canada and one from Oregon on 29 counts involving $4.7 million in counterfeit U.S. Treasury checks.

Harvey To-Kong Wong, 41, and Siu-San Lam, 30, both of Vancouver, British Columbia, and Michael Busher, 38, of West Linn, Ore., were arrested in Everett, Wash, in early March, when they attempted to cash a counterfeit Treasury check for more than $1.47 million.

They are charged with money laundering and conspiracy to deliver and pass bogus Treasury checks, U.S. Attorney Mike McKay said. The three allegedly passed eight counterfeit U.S. Treasury checks totaling $14.5 million at a Vancouver, Wash., branch of Seattle-First National Bank, according to Mr. McKay.

In its quarterly report, Seattle First said it had set aside a $5 million reserve in connection with deposits of counterfeit government checks. The checks were counterfeited in Hong Kong and sent to British Columbia, then brought to the United States to be cashed, according to the indictment.

The operation was uncovered in January when Mr. Wong and Mr. Lam contacted a man in Vancouver, B.C., and asked him to cash counterfeit checks. The man notified Canadian authorities, who called the FBI.

All three suspects were in custody in the Puget Sound area, said John Carver, assistant U.S. attorney. The scheme resulted in a loss of about $4.7 million, Mr. Carver said.

* * *

Legal Onslaught Proceeds Against Texas Bank Fraud

In a continuing crackdown on bank and thrift fraud in south Texas, the U.S. attorney's office in San Antonio released a dozen indictments last week charging employees and customers of nine banks and thrifts with fraud and embezzlement.

All 12 indictments were for unrelated cases, prosecutors said. The indictments alleged crimes against Frost National Bank, NCNB Texas National Bank, the San Antonio Federal Credit Union, San Antonio Savings Association, Gil Savings Association, La Hacienda Savings Association, Medcentre Bank, and Union Bank, all in San Antonio. One indictment involved Mason National Bank in Mason, Tex.

According to U.S. Attorney Ronald Ederer, the alleged crimes involved sums ranging from $100 to $400,000. Investigations by the U.S. attorney's office in San Antonio have resulted in about 100 indictments of bank and thrift crimes. □

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-441-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top Originators of ACH Payments

Rank 1989	Rank 1988*		Debit Transactions	Credit Transactions	Total Transactions	Annual Growth
1	1	Chase Manhattan Bank NA, New York	87,514,513	13,563,892	101,078,405	28%
2	4	Marine Bank of Springfield, Ill.	30,254,747	1,075,216	31,293,963	38
3	2	Bank of America NT&SA, San Francisco	13,622,673	16,605,890	30,228,563	17
4	3	Norwest Bank Minnesota NA, Minneapolis	24,171,126	4,806,909	28,976,035	28
5	5	Northern Trust Co., Chicago	6,230,905	13,044,943	19,275,848	22
6	6	Mellon Bank NA, Pittsburgh	6,432,545	9,835,409	16,267,954	6
7	8	First National Bank of Atlanta	2,773,524	11,791,221	14,564,745	41
8	9	Bank One Columbus NA, Ohio	9,565,033	3,501,898	13,066,931	34
9	7	First National Bank of Boston	3,218,366	7,642,117	10,860,483	4
10	16	NCNB Texas National Bank, Dallas	NA	NA	10,101,948	47
11	10	First Bank NA, Minneapolis	5,067,448	4,829,832	9,897,280	9
12	12	Harris Trust & Savings Bank, Chicago	6,318,417	3,558,152	9,876,569	29
13	14	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	5,983,789	3,261,900	9,245,689	22
14	13	Security Pacific National Bank, Los Angeles	3,717,876	5,022,415	8,740,291	15
15	15	Chemical Bank, New York	3,042,801	5,095,059	8,137,860	13
16	18	Connecticut National Bank, Hartford	3,612,571	4,369,910	7,982,481	21
17	11	M&I Marshall & Ilsley Bank, Milwaukee	NA	NA	7,421,945	(9)
18	23	Citibank NA, New York	NA	NA	7,400,000*	39
19	43	Texas Commerce Bank NA, Houston	NA	NA	7,232,460	118
20	26	National Bank of Detroit	2,666,835	4,355,176	7,022,011	44
21	20	Citizens & Southern National Bank, Atlanta	2,293,248	4,318,569	6,611,817	13
22	44	First City, Texas-Houston NA	NA	NA	6,597,624	100
23	17	Wells Fargo Bank NA, San Francisco	1,104,169	5,444,008	6,548,177	(1)
24	21	CoreStates Financial Corp., Philadelphia	NA	NA	6,544,153	18
25	28	Manufacturers Hanover Trust Co., New York	2,155,678	4,306,558	6,462,236	36
26	34	First National Bank of Omaha	5,354,540	1,077,540	6,432,080	60
27	27	First Union National Bank, Charlotte, N.C.	3,429,987	2,953,138	6,383,125	33
28	24	Shawmut Bank NA, Boston	1,378,839	4,868,248	6,247,087	19
29	30	First National Bank of Chicago	3,539,661	2,542,884	6,082,545	40
30	19	Trust Company Bank, Atlanta	4,443,848	1,543,032	5,986,880	0
31	25	Boatmen's First National Bank, Kansas City, Mo.	5,539,973	418,774	5,958,747	17
32	22	AmSouth Bank NA, Birmingham, Ala.	5,389,219	432,937	5,822,156	6
33	29	First National Bank of Maryland, Baltimore	1,969,000	3,807,000	5,776,000	30
34	32	First Interstate Bank of California, Los Angeles	2,242,270	3,321,954	5,564,224	37
35	31	National City Bank, Cleveland	3,410,850	1,883,497	5,294,347	24
36	38	Valley National Bank, Phoenix	NA	NA	5,169,287	32
37	35	Norwest Bank Des Moines NA	3,006,468	1,935,251	4,941,719	23
38	45	Continental Bank NA, Chicago	2,512,762	2,356,224	4,868,986	49
39	36	United Bank of Denver NA	2,215,317	2,593,076	4,808,393	22
40	39	Boatmen's National Bank, St. Louis	3,109,835	1,593,753	4,703,588	25
41	53	Citizens Fidelity Bank & Trust Co., Louisville	1,589,625	3,033,310	4,622,935	69
42	33	Ameritrust Co. NA, Cleveland	2,405,973	1,897,853	4,303,826	6
43	37	Connecticut Bank & Trust Co. NA, Hartford	2,431,135	1,814,549	4,245,684	8
44	-	Central National Bank, Waco, Tex.	NA	NA	3,994,872	-
45	47	NCNB National Bank of North Carolina, Charlotte	1,338,177	2,565,627	3,903,804	25
46	41	First Interstate Bank of Denver NA	2,729,046	1,162,843	3,891,889	11
47	42	Fifth Third Bank, Cincinnati	536,575	3,223,183	3,759,758	11
48	55	Banc One Texas NA, Dallas	NA	NA	3,704,772	39
49	59	Chase Lincoln First Bank NA, Rochester, N.Y.	419,442	3,186,176	3,605,618	53
50	49	United Jersey Bank, Hackensack	1,599,956	1,934,086	3,534,042	24
51	52	Sovran Bank NA, Richmond	987,709	2,333,474	3,321,183	20
52	60	First Wisconsin National Bank, Milwaukee	1,268,897	2,039,811	3,308,708	40
53	40	First Interstate Bank of Oklahoma, Oklahoma City	2,793,289	514,660	3,307,949	(10)
54	48	Commerce Bank of Kansas City NA	2,722,686	551,743	3,274,429	5
55	97	Deposit Guaranty National Bank, Jackson, Miss.	NA	NA	3,119,155	150
56	80	Riggs National Bank, Washington	256,000	2,618,000	2,874,000	84
57	50	Bank of New England NA, Boston	338,251	2,526,463	2,864,714	1
58	65	Pittsburgh National Bank	587,672	2,210,886	2,798,558	31
59	67	Bank of Hawaii, Honolulu	1,085,205	1,709,068	2,794,273	34
60	68	Seattle-First National Bank	1,631,963	1,144,705	2,776,668	37
61	58	Bank One Dayton NA, Ohio	459,808	2,264,002	2,723,810	15
62	54	Norwest Bank Nebraska NA, Omaha	2,364,792	324,594	2,689,386	0
63	56	Union Bank, San Francisco	1,601,945	1,045,624	2,647,569	3
64	46	First Interstate Bank of Arizona NA, Phoenix	NA	NA	2,619,205	(19)
65	62	Society National Bank, Cleveland	836,409	1,714,592	2,551,001	14
66	86	INB National Bank, Indianapolis	1,469,178	1,017,444	2,486,622	73
67	57	First Security Bank of Utah NA, Salt Lake City	1,432,473	1,053,274	2,485,747	2
68	63	Mercantile Bank NA, Clayton, Mo.	2,058,726	411,258	2,469,984	11
69	61	Bank South NA, Atlanta	1,433,368	995,554	2,428,922	7
70	-	Citibank (Delaware), New Castle	NA	NA	2,402,187	-
71	72	NCNB National Bank of Florida, Tampa	623,953	1,675,150	2,299,103	32
72	93	First American National Bank, Nashville	1,131,980	1,122,715	2,254,695	70
73	89	First Tennessee Bank NA, Memphis	NA	NA	2,236,409	65
74	76	Huntington National Bank, Columbus, Ohio	1,039,849	1,172,549	2,212,398	36
75	69	First National Bank of Louisville	1,205,099	973,420	2,178,519	11
76	66	Southeast Bank NA, Miami	1,240,225	891,564	2,131,789	2
77	64	Bankers Trust Co., New York	NA	NA	2,100,000	0
78	79	Star Bank NA, Cincinnati	1,254,415	823,564	2,077,979	31
79	71	Security Pacific Bank Washington, Seattle	375,551	1,665,512	2,041,063	15
80	88	State Street Bank & Trust Co., Boston	1,016,881	987,587	2,004,468	43
81	78	Citizens & Southern National Bank, Charleston, S.C.	NA	NA	1,968,936	24
82	77	First Interstate Bank of Oregon NA, Portland	342,813	1,570,731	1,913,544	19
83	90	Crestar Bank, Richmond	616,517	1,261,768	1,878,285	39
84	83	Liberty National Bank & Trust Co., Louisville	744,000	1,116,000	1,860,000	25
85	-	Signet Bank/Maryland	1,544,000	295,000	1,839,000	-
86	74	Maryland National Bank, Baltimore	587,000	1,248,000	1,835,000	6
87	85	Boston Safe Deposit & Trust Co.	34,022	1,795,839	1,829,861	24
88	73	United States National Bank, Portland, Ore.	1,102,192	714,607	1,816,799	4
89	81	United Missouri Bank of Kansas City NA	1,066,444	672,615	1,739,059	13
90	94	Western Bank, Sioux Falls, S.D.	1,680,938	37,715	1,718,653	33
91	95	American Security Bank NA, Washington	896,000	763,000	1,659,000	29
92	104	First Fidelity Bank NA, Newark, NJ.	314,276	1,283,190	1,597,466	46
93	82	Commonwealth National Bank, Harrisburg, Pa.	NA	NA	1,580,370	6
94	87	First Pennsylvania Bank NA, Philadelphia	NA	NA	1,578,360	11
95	-	Michigan National Bank, Farmington Hills	506,615	1,066,805	1,573,420	-
96	96	Union National Bank, Little Rock, Ark.	649,617	885,810	1,535,427	23
97	107	Security Pacific Bank Arizona, Phoenix	NA	NA	1,508,696	44
98	70	BancOhio National Bank, Columbus	316,123	1,154,266	1,470,389	(19)
99	98	Sun Bank NA, Orlando	171,082	1,252,964	1,424,046	15
100	-	FirsTier Bank NA, Omaha	776,393	622,522	1,398,945	-

Most data obtained from regional automated clearing houses. Some were confirmed by, or obtained directly from, the originating banks.

*Estimate. Citibank was the largest of several New York banks for which exact numbers were unavailable.

NA-Not available.

Chase Sets Clearing-House Record With Over 100 Million Transactions

Continued from *page* **1**

and corporate bill payments.

"They are a real success story," said an executive at a competing bank in the Northeast. "They've made the ACH business their own, and the rest of us are left fighting for a limited piece of the pie."

"We like to think we are pretty successful in our markets, but every year our realistic goal has only been second place," conceded Carol Daniels, ACH product manager at Norwest Bank Minneapolis, which matched Chase's 28% growth last year and ranked fourth in payments sent into the ACH system.

Small Regional Is No. 1

Most notable among the other gainers was Marine Bank of Springfield, Ill. Its $1 billion in assets may be dwarfed by the nation's largest banks, but its commitment to the ACH business is not: Last year it vaulted past Norwest and Bank of America to rank second only to Chase in total originations.

Marine Bank's 31.3 million items exceeded Bank of America's by 1.1 million and Norwest's by 2.4 million, and its 38% growth rate was the best in the top 10, except for NCNB Texas National Bank's 47%, which lifted the NCNB Corp. unit to No. 10 from No. 16 the year before.

Two other Texas banks – First City Bancorp.'s Houston affiliate and Texas Commerce Bank, the Houston outpost of Chemical Banking Corp. – doubled their clearing house volumes last year, in part due to consolidation of the operations of affiliates. Each now ranks among the 25 largest ACH originators, but below the top 50 according to deposit size.

They are among many banks that perform in the ACH business out of proportion to their size: No. 4 Norwest ranks 67th by deposits; No. 5 Northern Trust Co., Chicago, is 76th; No. 7 First National Bank of Atlanta is 57th. The Atlanta bank's ACH volume exceeds that of its First Wachovia Corp. sibling, Wachovia Bank & Trust Co., which is the 23d-largest bank.

The $150 million-asset Central National Bank of Waco, Tex., became the smallest institution to make the top 100 in the five years that the *American Banker* has been compiling it. The Texas bank ranked 44th in 1989, with almost four million ACH items, as new management introduced practices they learned at larger banks where they previously worked.

A Start in Insurance

Even as banks of all sizes accelerated their promotions of payment services that were mired in slow growth until a few years ago, the flagship of Chase Manhattan Corp. kept the stranglehold on the top spot it has held since the formation of the national payment network in the mid-1970s.

As has been true since the beginning, the vast majority of Chase's items are debits such as insurance-premium payments. On an agreed-upon schedule, the bank automatically moves money from a policyholder's checking account to an insurer's account, eliminating the need for a paper check or draft.

The life insurance industry has been the source of most of the debit volume that brought other banks well up on the ACH-originations list – including Marine Bank, Norwest, and Central National of Waco – but Chase remains in a class by itself.

Chase's dominance was already pronounced by 1984, the year of the first *American Banker* survey of the paperless payment system, when Chase's 41.2 million transactions exceeded runner-up Bank of America's by a factor of four.

By 1988, the New York bank's margin had shrunk to 3.26 times the volume of its closest competitor, which again was BankAmerica Corp.'s Bank of America. In 1989, as Bank of America slipped from second to third with a 17% growth rate, Marine Bank edged into the No. 2 spot. But Chase widened its margin over the runner-up to a factor of 3.24.

No Gloating at Chase

Chase was reeling from a 16% growth rate in 1988, which was 11 percentage points less than the gain in all banks' originations that year, according to aggregate data from the National Automated Clearing House Association. The association also said that of 1.3 billion ACH payments last year, 844 million were in the private sector, and 487 were federal government payments like Social Security disbursements.

James J. Hopes, a Chase vice president, said the bank entered 1989 resolved to do better, and no single company or market inroad brought its growth back above the private-sector norm of 26%.

"We're trying harder; we'd like to get more than our share," said Mr. Hopes, who is also president of Chase ACH Inc., the only automated clearing house in the country operated for a single banking organization.

"The insurance-debit field is still growing," he added. "We have not tapped into the whole property-casualty area, and we expect to see significant new growth there."

POS Volume Lagging

Chase is also poised to take advantage of transactions initiated at retail points of sale, where several large merchants, including Exxon Co. USA and Mobil Oil Corp., allow customers to pay with debit cards and have the funds transferred within a day or two via the automated clearing house. ACH marketers tout this system as less costly than the more immediate, online electronic networks operated by regional automated teller machine cooperatives, but consumer usage has been meager except in Arizona and California.

The major Arizona banks, in a system called the Cactus Switch, have built their consumer transaction network around the automated clearing house rather than an on-line system like Interlink, which dominates the California POS market.

"We are doing one million POS debits a month, and when you consider there are only three

See **NORWEST** *next page*

Norwest and Illinois' Marine Made Gains in 1989 ACH Transactions

Continued from *page* **6**

million people in the state, that's pretty phenomenal," said Paul W. Finch, president of the Arizona Clearing House Association. The largest ACH originator there, Valley National Bank, ranked 36th on the 1989 *American Banker* list with 5.2 million transactions.

"We know of some service stations that are doing 50% of their transactions in ACH debits," Mr. Finch said. "Some supermarkets do 10% of their volume on debit cards on peak days, and that compares with only 20% [on] checks."

Elsewhere, "POS has not made a significant dent in ACH volume – yet," said Mr. Hopes of Chase. "We are hoping some POS tests we are in will show up in this year's volume. We see supermarkets coming along faster than oil companies because it is an easier sell. They can advertise debit as an electronic check, and people use checks at supermarkets all the time."

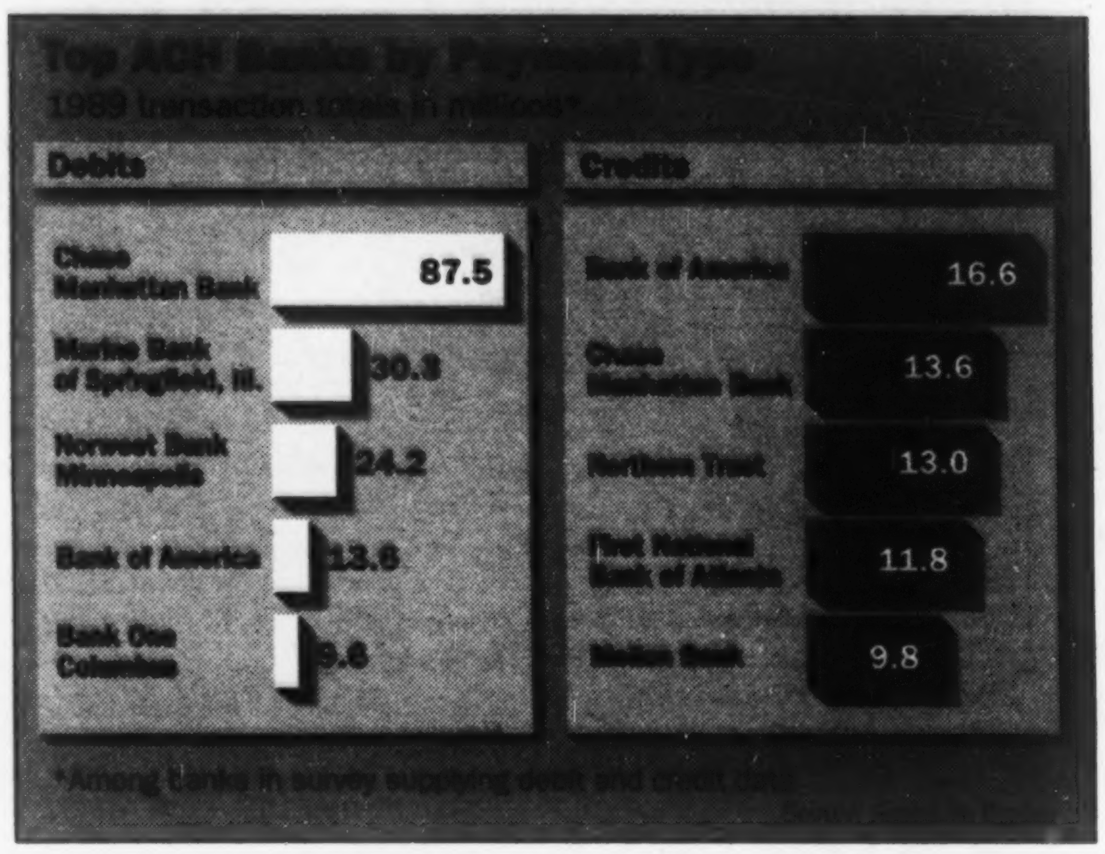
Shuffling Customers

While banks wait for several new payment types to materialize – including point-of-sale transactions and corporate trade payments associated with electronic data interchange systems – the ACH stakes remain highest where the volumes are greatest, in insurance-company debits and direct-payroll credits.

Marine Bank of Springfield, which hovered around the No. 4 and No. 5 rank for four years, jumped to No. 2 in 1989 on the strength of an increase in the number of insurance companies it serves, to 51 from 38 a year earlier. The insurance-debit specialist's biggest coup was the signing of Northwestern Mutual Life Insurance Co., Milwaukee, which Marine lured away from M&I Marshall & Ilsley Bank, also of Milwaukee. The M&I Corp. unit dropped six places to No. 17 as a result.

The task of absorbing Northwestern Mutual's considerable business forced Marine to curtail marketing efforts for six months last year, but now it is back on the growth track, said Robert J. DalSanto, vice presi-

See **CHASE** *page* **11**



Another View Of the Data

The leaders in the automated clearing house system would rank somewhat differently if the activity of holding companies were consolidated.

But because of Chase Manhattan Bank's dominance, Chase Manhattan Corp. would rank No. 1 among holding companies, too. The 3.6 million ACH transactions of its affiliate, Chase Lincoln First Bank, Rochester, N.Y., would give it an unneeded boost to 104.7 million.

Norwest Corp., Minneapolis, would rank second. Its three affiliates among the top 100 initiated 36.6 million payments last year.

Two BankAmerica Units

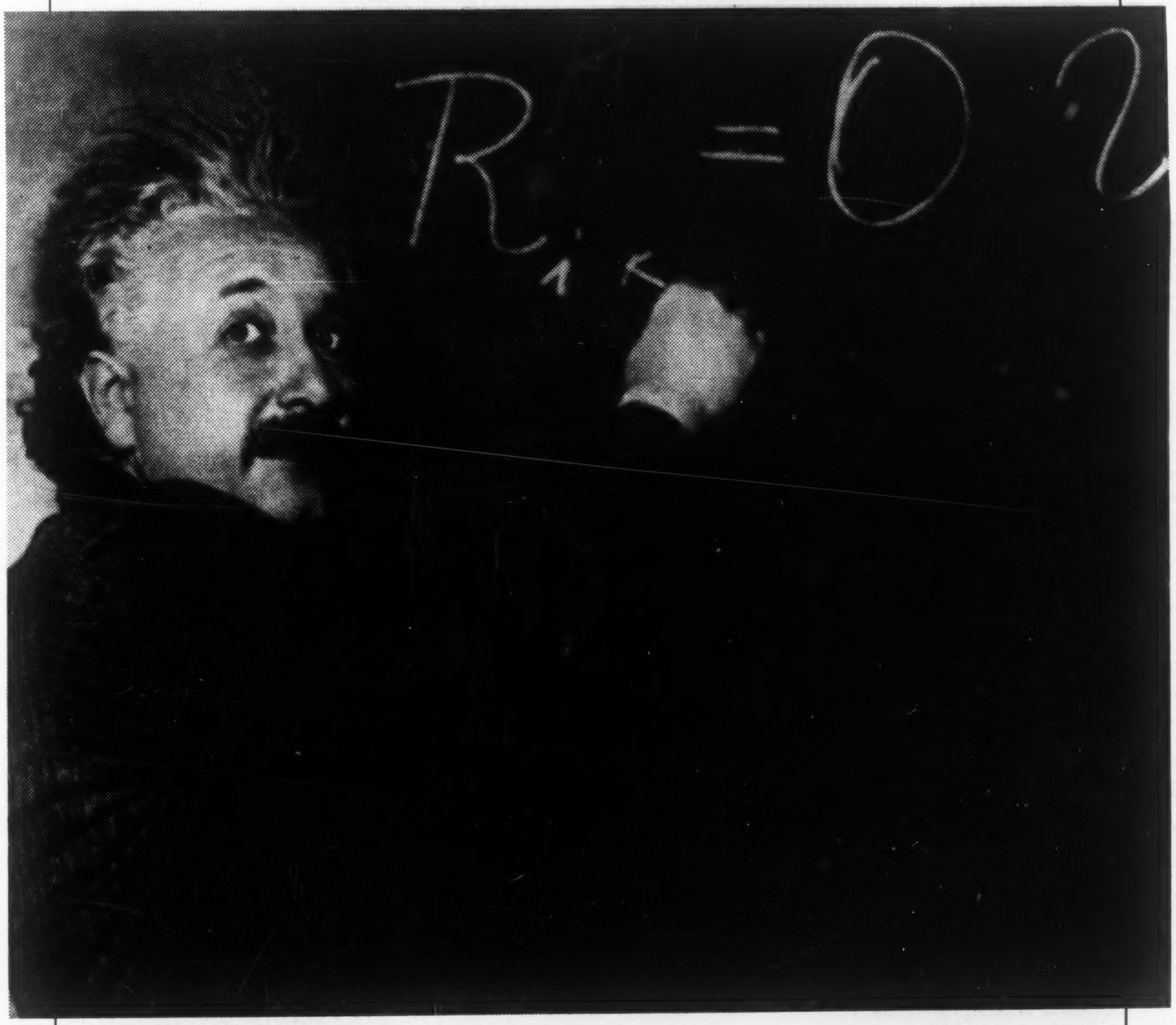
BankAmerica Corp.'s Bank of America and Seattle-First National Bank would come next, with 36.6 million. The 31.3 million originations of Marine Bank of Springfield, Ill., would place its parent, Marine Corp., fourth.

Other holding companies, most with multiple banks active in the ACH system, would follow in this order: First Wachovia Corp. (23.8 million items), Banc One Corp. (20.5 million), Northern Trust Corp. (19.3 million), First Interstate Bancorp (18.5 million), Mellon Bank Corp. (17.9 million), NCNB Corp. (16.3 million), Chemical Banking Corp. (15.3 million), Shawmut Corp. (14.2 million), Security Pacific Corp. (12.2 million), and Bank of Boston Corp. (10.9 million).

But the ACH network remains decentralized, with each member of multibank holding companies entering payments into its own local or regional clearing house. Since most data for the *American Banker* survey come from the clearing houses, banks are listed individually in the top 100 table. (There are minor exceptions, such as No. 24 CoreStates Financial Corp., which has consolidated ACH operations in one place.)

— Jeffrey Kutler

When no formula fits,
you have to know how to create your own.
It's the same in thrift M&A.



By thinking beyond existing formulas, Einstein was able to find solutions where no one else could. The same holds true for Merrill Lynch in thrift M&A.

We start with ideas. How to solve asset problems, help raise capital, or design a unique strategy. Then we apply our creativity to tailoring a structure to your specific needs.

Of course, creativity isn't the only ingredient of our success. We have years of experience serving thrifts. And as the leader in thrift M&A today, we're on top of industry trends and developments.

In addition, as a global firm we bring extraordinary resources to the task, including the ability to provide capital if necessary.

For creativity and expertise in arranging your thrift merger or acquisition, come to Merrill Lynch. Because we structure deals from ideas, not formulas.

Merrill Lynch
A tradition of trust.

©1990 Merrill Lynch Capital Markets

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 6, 7, 10,

11

CREDIT UNIONS

Regulators Say Their Rx Is Proving to Be the Cure

By BILL ATKINSON

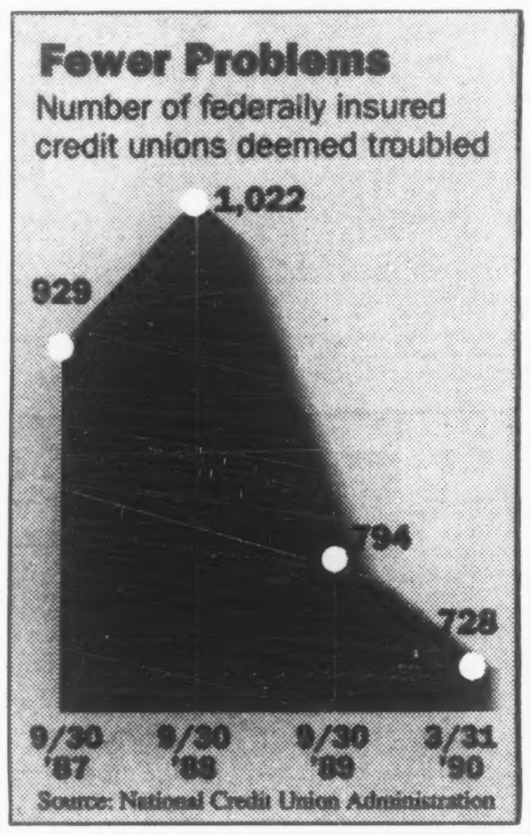
WASHINGTON — The National Credit Union Administration is finding that a heavy dose of regulatory medicine can work wonders for sick credit unions.

Since September 1988, the NCUA has designated a team of examiners to put insolvent credit unions or those headed for insolvency into an intensive-care program.

Sign a Letter of Agreement

Under the program, the regulatory agency requires management to sign a letter of agreement outlining the institution's problems and detailing how they will be cured. Thereafter, examiners visit the institution quarterly – and expect to see improvement with a year.

The effort paying off. The number of federally insured credit unions in trouble declined to 728 in March, from 1,022 when the program began.



Fewer Problems
Number of federally insured credit unions deemed troubled

Source: National Credit Union Administration

The aggressive handling of troubled credit unions may be partly responsible for the slight rise in failures last year. Credit-union failures have generally been declining since 1981, when 349 collapsed. But in 1989 failures rose to 114, from 85 in 1988.

"The percentage of credit unions that have improved is much greater than the number of credit unions that have failed," said Robert E. Loftus, director of public and congressional affairs for the credit-union regulator. Since the program's inception, about 70% of the troubled institutions have improved their ratings and the remaining 30% have been merged or liquidated, Mr. Loftus said.

"We think [the program] has been a big success," he said. "What is important here is taking care of problems before they become overwhelming."

The NCUA is trying to make sure it steers clear of any crisis comparable to that of the S&L industry – a crisis that would call into question its ability to insure and regulate credit unions.

John T. Roycroft, vice president of Washington-based Callahan and Associates, a credit-union consulting and publishing firm, acknowledges that making sure credit unions are healthy is a good way to fight off challenges from bankers and others. As not-for-profit institutions, credit unions are exempt from paying tax on their income, a sore point with bankers.

"Credit unions have their own interest in keeping safe," Mr. Roycroft said. "Credit unions never have and hopefully never will go to the federal trough to find themselves rescued."

Credit Unions Rated on a Scale of 1 to 5

Like bank examiners, NCUA field agents rate credit unions on their credit, assets, management, equity, and liquidity. The ratings are from 1 to 5; 1 is best.

The 580 examiners on the NCUA staff look at each of the 14,000 federally insured credit unions at least once a year. Bank examiners concentrate on unhealthy institutions, and may not visit healthy ones annually.

If a credit union receives a rating of 4, the examiners take immediate action by requiring management to sign the letter of agreement.

> **'What we have done . . . is put our resources where we have to.'**
>
> **Gerard M. McClernon**
> *National Credit Union Administration*

When a rating slips to a 4, the institution is "going to get tremendous supervision," said Gerard M. McClernon, NCUA's director of risk management "What we have done . . . is put our resources where we have to." Mr. McClernon is expected to be named this month as executive director of the agency.

Up to 10 Examiners Enter Institutions

How many examiners the NCUA sends into an institution depends on its size; it may be just one or as many as 10. If the problems are large and complex, examiners from the NCUA's special-actions division are dispatched. The agency has six special-action teams always on call, Mr. McClernon said.

The examiners look at the expense ratio, problem loans, cost of funds, yield on assets, and operating expenses.

Typically, credit unions that sign the agreement don't have capital, or their capital is declining fast. If a credit union receives a 5 rating, it usually is merged into another institution or liquidated.

"Once the problem is recognized, it doesn't take very long," Mr. McClernon said. "It sounds like pie in the sky, but it works." □

Northeast Marketing Data Grow

Two Companies Offer Extensive Reports to Banks

By ELLEN MEMMELAAR

NEW YORK — In response to a highly competitive environment in the Northeast, two companies that sell marketing-oriented data bases are gearing up to help banks increase their market share at low cost.

The possibility of increased competition looms particularly heavy in Connecticut, which is opening its borders to banks from other states.

But sagging real estate prices, increased out-of-state competition, and an already cut-throat environment are forcing financial institutions throughout New England to seek low-cost ways to sharpen their marketing strategies.

Cost Said to Be Low

Smith & Co., a Connecticut market research company, is targeting these institutions with a data base that it says provides information on consumers at one-fifth the cost of its competitors. The service, called New England Databank, will deliver a quarterly report on consumer banking trends across Connecticut, Maine, Massachusetts, and New Hampshire.

Because the service is shared by many institutions, a 10-minute customer interview is sold for $5, against $25 for the same data on a proprietary basis, said Stephen Smith, president of the company bearing his name.

"I always tell our clients that Databank is like a party line. Everyone else is going to know your market share, so you may as well know it, too," he said.

Also citing the competitive nature of the New England market, Harte-Hanks Data Technologies is launching a marketing data base management system this month that will allow financial institutions to segment consumer lists by customer, branch, and product profitability.

Borders Are Opened

The fall of interstate banking barriers in Connecticut means banks from other states with reciprocal agreements can merge or acquire banks in the state. And out-of-state banks will be able to branch directly into Connecticut in February 1992.

While a weak New England real estate market is expected to deter some banks from entering Connectiuct, many New York banks are poised for action, said Mr. Smith. A financial institution such as Citicorp is almost certain to want to become a player, he said, increasing the already heavy competition.

The information on the New England Databank is broken out by towns, and it can be further sliced to reveal market share, advertising awareness, demographic profiles, media usage, and other statistics.

Interviews Are Extensive

The Databank is based on more than 50,000 consumer interviews conducted over the last four years. The file, which is given to participants on computer disc, is assembled from 6,500 telephone interviews each quarter.

The Harte-Hanks software package, called Profit, runs on the company's PC/CIS product and is designed to be used in tandem with its Predict software. Data can be accessed and analyzed directly from a personal computer.

Harte-Hanks, which was founded in 1968, counts half of the nation's top 100 largest commercial banks and thrift institutions among its clients. □

Chemical Bets on Neighborhood's Renewal

By ELLEN MEMMELAAR

NEW YORK — Sensing an opportunity in a neighborhood revitalization, Chemical Bank on Monday opened a branch in the Hell's Kitchen area of Manhattan.

The neighborhood received a shot in the arm from the giant real estate developer Zeckendorf Co., which built a 49-story office tower and a 39-story condominimum complex there.

After years of neglect, the area is on its way up, according to a spokesman for Chemical Bank.

Regentrification

"It is an ambitious undertaking by the Zeckendorf Co. which may well herald the regentrification of the middle West Side," said the bank spokesman. The advertising firm Ogilvy & Mather and a prominent law firm have moved into the office complex, which is said to be 90% leased. The condominiums are 65% full.

Chemical's office, at 49th Street and Ninth Avenue, will handle commercial and retail accounts. It is next to an electronic banking installation that was completed in March. The installation houses automated teller machines and customer information centers that print out statements, balance receipts, interest rates, monthly credit payments, and other information.

Free Movie Tickets

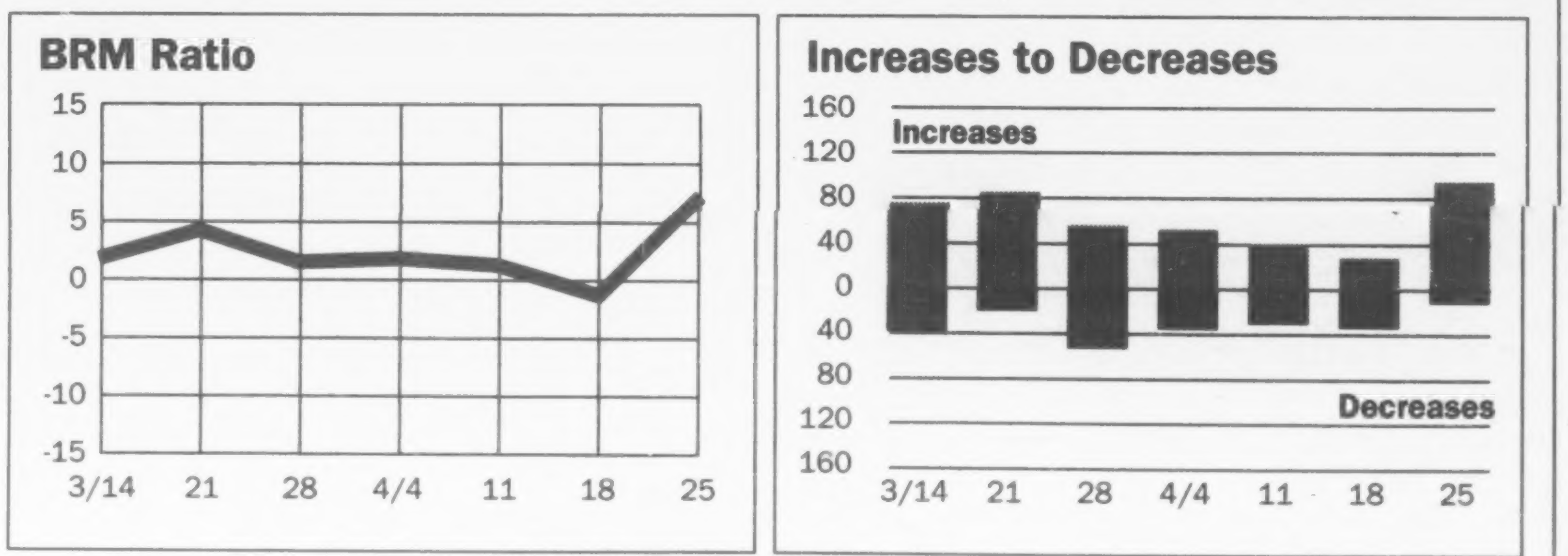
To promote the branch, Chemical is giving away movie tickets to customers who open a ChemPlus or a Select Banking account at the location. The tickets are good in the underground theater in the complex.

The unit of Chemical Banking Corp. recently agreed to purchase another Manhattan branch from Greater New York Savings Bank. The branch has $118 million in deposits. Chemical needs to obtain regulatory approval and conduct due dilligence before the sale can be completed. □

AMERICAN BANKER */Bank Rate Monitor's™*

Consumer Money Index

Latest rate trend: Ratio shoots higher



BRM Ratio

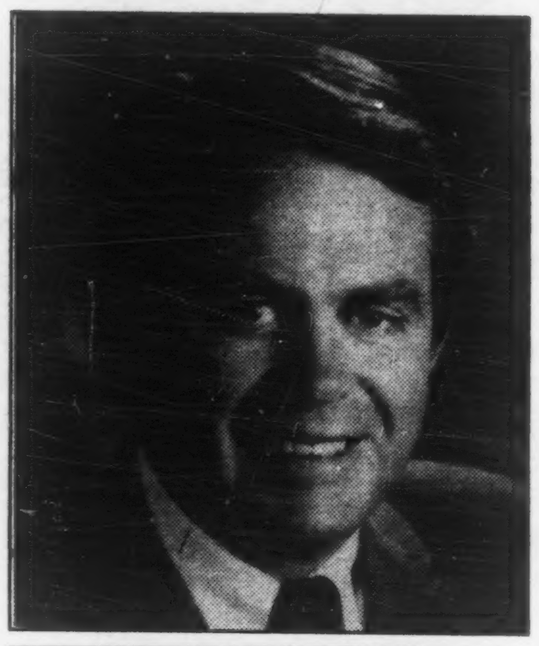
Increases to Decreases

Bank Rate Monitor's ratio indicates the probable direction of retail interest rates over the next several weeks. The ratio is computed by dividing the total number of rate decreases into the number of increases or vice-versa on six types of accounts offered by the 10 largest banks and thrifts in each of the nation's 10 largest markets. Example: 100 rate increases and 25 decreases would make a 4-to-1 "Plus" ratio. Or, 100 decreases and 25 increases would make a 4-to-1 "Minus" ratio. Over time, the longer and farther the ratio moves on the Plus or Minus side, the more sustained the current rate cycle is likely to be. When the ratio suddenly moves strongly in an opposite direction, it usually signals the beginning of the end of a cycle. The graph shows how the ratio has moved over the past 8 weeks, and the bar chart shows the actual number of rate increases to decreases used to calculate the ratio. The greater the number of ups and downs, the longer the cycle probably will last.

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Small Bank Aims to Rule Technology Niche

By SAM ZUCKERMAN



'We want to dominate the lower end of the [technology] marketplace.'

Roger V. Smith
Silicon Valley Bank

SAN FRANCISCO — It's rare for a small bank to leap the continent to open a loan office. And it's even more unusual for such a bank to declare that it aims to become the national leader in a particular lending market.

But that is what $456 million-asset Silicon Valley Bank of Santa Clara, Calif., did last month when it announced plans to open a technology loan office near Boston.

'A Global Marketplace'

"We do not think the technology marketplace is a local marketplace," said Roger V. Smith, Silicon's president and chief executive. "It's a global marketplace."

This latest move by Mr. Smith, who has made Silicon one of the top performers in the country, represents much more than a simple effort to tap into the rich high-tech market in the Boston area.

To Open Orange County Office

"We want to dominate the lower end of the [technology] marketplace," said Harry W. Kellogg Jr., chief of Silicon's technology lending division. This summer, he said, in the bank's second foray outside the San Jose-Silicon Valley area, it will open a technology loan office in Orange County, Calif.

Mr. Smith founded Silicon in 1983, after 14 years with Wells Fargo Bank, including a stint as head of its technology lending unit. Since then, Silicon's assets have grown 13-fold while producing a 23% compound annual return to investors.

Last year the company posted an impressive 2.17% return on assets and a 28.4% return on equity while ranking consistently among banks its size as a national leader in productivity and cost control.

Known as Technology Lender

The bank's customers include small and middle-market businesses as well as local real estate developers. But Silicon, as its name suggests, is best known for its prowess as a technology lender.

With thorough knowledge of the technology business, an ability to tailor loan products, and special relationships with the venture capitalists who finance young companies, Silicon has become the dominant lender to maturing high-tech companies in Northern California.

Mr. Smith "is very aggressive," said a rival banker. "He goes after deals in an assertive way."

No Past-Due Loans in 1989

Silicon achieved its status while maintaining tough underwriting standards. In 1989 the bank had no nonperforming loans, no past-due loans, and no charge-offs in its technology portfolio.

Mr. Kellogg said, however, that a few credits were saved only after venture capitalists with stakes in the borrowers stepped in. "We dodged a few bullets," he acknowledged.

Some bankers are skeptical about Silicon's plan to venture so far from home. They suggest that the move could jeopardize the bank's sterling record for credit quality.

Beating the Odds

Small banks, they noted, often get burned outside their home markets because they don't know faraway borrowers and lack the controls to monitor a distant outpost.

"I would be very nervous," one banker said.

But analysts said Mr. Smith makes a strong case that Silicon may be the institution to beat the odds.

High-Technology Loans Only

"I don't think it has ever been done the way Silicon is doing it," said Murray G. Bodine, an investment banker with Hoefer & Arnett, San Francisco. "We needed to be convinced, but it's a natural extension of their existing business."

Mr. Smith stressed that the bank will make only technology loans. And long-distance technology lending, he argued, is less risky than long-distance real estate lending, for example.

Silicon's technique is to build relationships with the venture capitalists who provide start-up financing to technology companies.

"We know what we're doing in this marketplace," Mr. Smith said. "Many of the venture firms [that the bank deals with in the Silicon Valley] also invest in the Route 128 area," Boston's technology zone.

What persuaded Mr. Smith to open the Boston-area office, he said, was the availability of three members of the high-tech lending team at Bank of New England's after the troubled Massachusetts bank was forced to cut back credits.

The team includes Allyn C. Woodward Jr., group manager. Mr. Smith said he has known Mr. Woodward for years, ever since Silicon began selling loan participations to The Bank of New England.

"The guys they hired were the premiere tech lenders in New England," said Mark T. Boyer, an investment manager with Volpe, Covington & Welty, a San Francisco brokerage house.

Chase Was First In '89 ACH Deals

Continued from *page* **7**

dent for corporate cash management.

"Our May 1990 transaction volume will exceed 3.3 million items," he said. "We expect to process approximately 40 million debit transactions during 1990," which would yield a 28% increase for the year.

The originator among the top 100 with the biggest percentage gain, Deposit Guaranty National Bank, Jackson, Miss., rose 150% last year to 3.1 million items after converting the state's largest insurance company, Southern Farm Bureau Life Insurance Co., to a direct-debit premium system from paper drafts.

"We had a relationship with them, but [the ACH business] wasn't automatic," said John Fraiser, assistant vice president at the $4.5 billion-asset Deposit Guaranty. "Regional banks call on the company all the time. We were in direct competition with Wachovia on that contract."

Deposit Guaranty now faces a test: Can it hold onto a large customer with a service that can easily be switched to a competitor? ☐

ALCO ALERT

WE CAN RAISE 1 YEAR DEPOSITS FOR YOUR INSTITUTION AT A COST OF ONLY 25 BASIS POINTS OVER TREASURY.

Now is the time for you to look at a brokered deposit program offered by The Exchange National Bank of Chicago.

Never before have funds been available at such attractive levels in the brokered deposit market.

Let us show you our flexible approach to tapping the national market for deposits.

For Information Contact:
Bill Miller
1st Vice President
Manager, CD Originations
Phone: 1-800-327-1546

THE EXCHANGE
National Bank of Chicago
Broker-Dealer Services Division
1920 E. Hallandale Beach Blvd.
Hallandale, Florida 33009

CORPORATE TRUST SERVICE
TRADITION

M&T's tradition as a trustee bank goes back to June, 1893, when we accepted the *Administration of the Estate of Helen McClaskey*. ▪ In 1901, we became registrar of our first corporate trust account, the $150,000 stock issue of the E.R. Thomas Motor Company. ▪ *Eighty-eight years* after that, thanks to our New York City Securities Processing Office and state-of-the-art computer system, we can offer a combination of experience, presence, and power that allows us to handle virtually any deal. ▪ Call us and see how a century of tradition can work for you.

M&T Bank
Corporate Trust & Agency Services
654 Madison Ave. ▪ New York, N.Y. 10021
(800) 336-6332
Ask for Deborah Fritz, Vice President

800

C0175-1

TOP 300 THRIFTS IN THE U.S.
Tables begin on page 12

AMERICAN BA

VOL. CLV NO. 97 *Friday, May 18, 1990* *155th year*

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

German Banks Poised to Play Dominant Role

By JOHN EVANS

LONDON — The European Community is stimulating a merry-go-round of competition in financial services, and West Germany's biggest banks are in the best position to grab the brass rings.

Bankers and analysts say that Germany, which already has more big banks than any other country in Europe, has several advantages in developing the large banking conglomerates that many observers believe are destined to dominate financial services across the European Community.

On the front lines for this turf war are Germany's universal banks such as Deutsche Bank AG. Such institutions combine retail and wholesale banking, merchant banking, and related securities and investment functions.

ANALYSIS: *Follow-up on the news*

German bankers talk about evolving this powerful combination even further through the "allfinanz" bank, which will take on additional powers such as insurance, thereby establishing giants to provide virtually any financial service.

In addition, German banking can spread through the European Community from a highly protected home base, analysts say. Germany's tight-knit domestic financial services system makes the country almost as difficult to break into for foreign banks as Japan, which is frequently accused of running a closed shop as far as overseas financial companies are concerned.

States Control Banks

More than half of the German market consists of savings and regional banks, many of which are owned or controlled by the various states that make up the Federal Republic.

These institutions, with the backing of local governments and municipalities, dominate the nation's retail banking sector and make it virtually impossible for a foreigner to get a foothold, analysts say.

"I can't see foreign banks making much progress in trying to break into Germany's retail banking markets, although banks like Citicorp have built up a decent-size business," said Thomas Albrecht, an analyst with the brokerage firm UBS Phillips & Drew.

Citicorp's Frankfurt-based Kunden Kredit Bank unit, which operates some 700 con-

See **GERMAN** *page* **10**

INSIDE NEWS

CONSUMER

FIRST NATIONAL Bank of Chicago is adding debit capabilities to its ATM cards. *Page 6*

INTERNATIONAL

MEXICO PLANS to sell state-owned banks to free capital, but so far has given only a sketch of the plan. *Page 10*

TECHNOLOGY

FOUR SOUTHERN BANKS and a vendor are developing software to give corporations greater control over direct electronic payments to suppliers. *Page 3*

MORTGAGES

AMERICAN RESIDENTIAL Mortgage Corp. plans to sharply increase its servicing portfolio under new ownership. *Page 8*

FINANCE

DAVID B. PAYNE, chief financial officer of the Bank of New England, says the institution is on the road to recovery. *Page 32*

PEOPLE

DAVID W. MULLINS' arrival at the Fed gives the board a full complement. *Page 2*

INDEX

Company Index **2**
Comment **4**
Funny Money **4**
Letters to the Editor **5**
Book Review **7**
Executive Changes **17**
Classified Advertising **28**
Bank and Thrift Stocks **31**

LATE NEWS

Delaware Set to Vote On Insurance Bill

The Delaware Senate was moving toward a vote late Thursday afternoon on legislation that would allow banks with operations in the state to underwrite and sell insurance nationwide.

Banking and insurance industry officials expected the the bill to pass. The measure has already cleared the House of Representatives. Lobbyists said Gov. Michael Castle has indicated that he would sign the legislation, which would significantly expand bank insurance powers.

First Fidelity Chops Payout As Its Credit Deteriorates

By GORDON MATTHEWS

NEW YORK — First Fidelity Bancorp. said Thursday that it is slashing its stock dividend nearly in half because of worsening credit quality that could send nonperforming assets up as much as 40% this quarter.

The annual dividend of the New Jersey superregional banking company was cut to $1.20 from $2 per share of common stock.

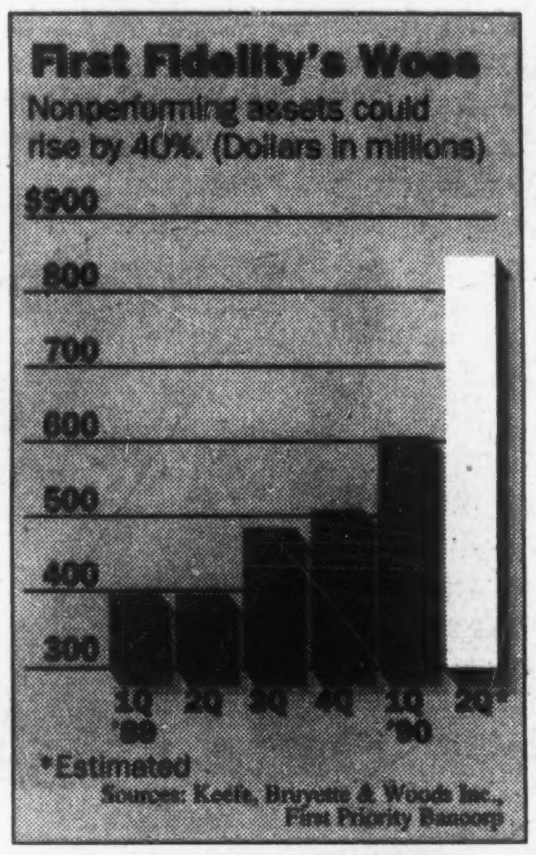
The move reflects "deterioration in the real estate market and a general softening of the regional economy, as well as a change in the regulatory environment," said Anthony P. Terracciano, First Fidelity's chairman and chief executive officer.

Dividend Brought 'In Line'

The dividend cut would "bring First Fidelity's payout ratio in line with its peers," Mr. Terracciano said, and would increase its ability to generate capital internally for future growth.

The news sent First Fidelity's stock soaring $1.875 a share, to $19.50 at the close on the New York Stock Exchange.

The surge surprised analysts. They speculated that investors believe the new management, under Mr. Terracciano, was moving aggressively to restructure the company and that its stock has hit its bottom.



Shares Were at a Low

Wednesday, the day before the announcement, First Fidelity's shares had hit a 52-week low of $17.625.

First Fidelity also announced Thursday that it had put up for sale both its Fidelcor Business Credit Corp., an asset-based lending company in New York, and Latimer & Buck Inc., its commercial mortgage banking firm in Philadelphia.

See **FIRST** *back page*

D.C. Bank Borrowing From Fed, Sources Say

By BILL ATKINSON

WASHINGTON — National Bank of Washington is borrowing from the Federal Reserve System's discount window because some banks are refusing to lend it overnight deposits, according to sources close to the troubled bank.

The principal subsidiary of the $2 billion-assetWashington Bancorp. is borrowing about $130 million daily, in part to cover $25.8 million in maturing, unsecured commercial paper on which five banks recently withdrew backup lines of credit, a source said.

A spokeswoman for Washington Bancorp. denied that sources of overnight interbank loans, known as federal funds, have dried up. But she declined to specify the amount of federal funds available. She also would not comment on the nature or amount of borrowings from the discount window, which is a short-term, backup source of liquidity. The Federal Reserve

See **D.C. BANK** *page* **26**

S&L Asks to Exit The Home Loan Bank System

By BARBARA A. REHM

WASHINGTON — A $2 billion-asset thrift in Wisconsin is seeking to leave the Federal Home Loan Bank System, intensifying regulators' fears of a stampede out of the system by healthy thrifts.

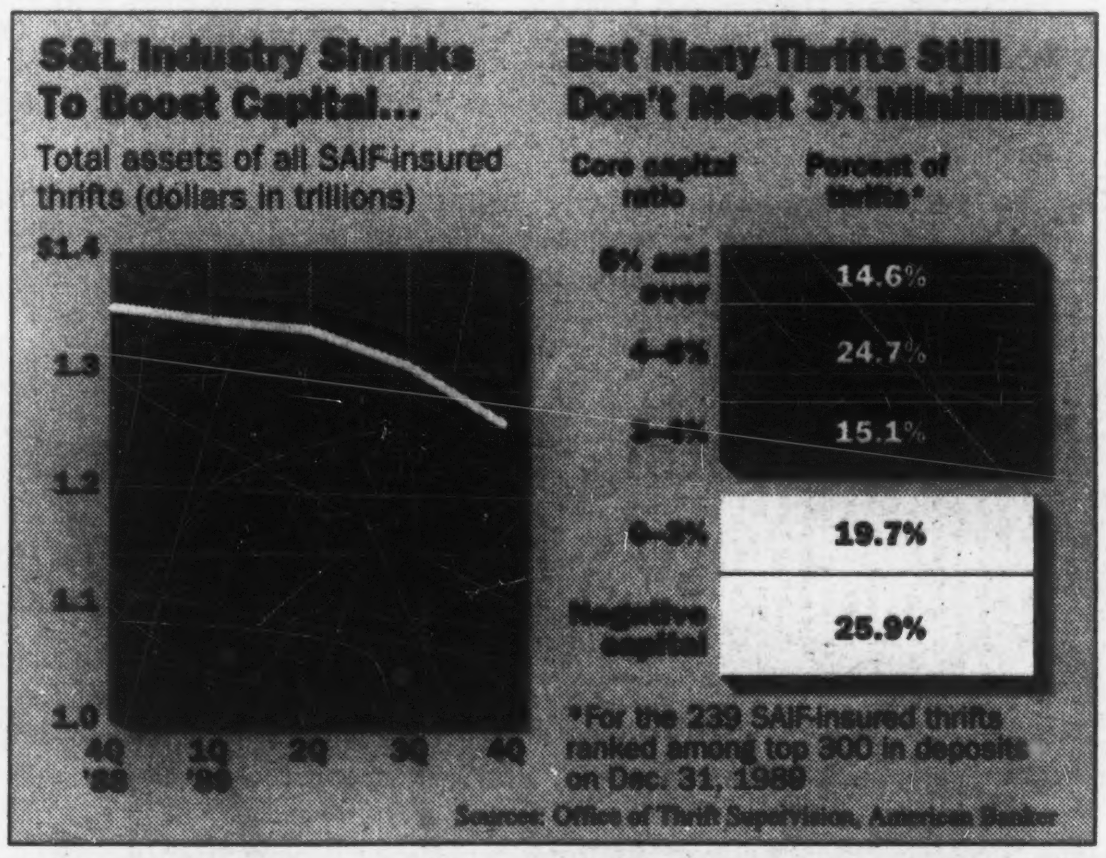
Security Bank, Milwaukee, has become the second thrift to notify the Federal Housing Finance Board that it plans to withdraw from the Home Loan Bank System, which provides low-cost loans to members. (Some regulators are searching for ways to reduce the system's dependence on members' participation. See page 8.)

Security said it wants to redeem its $14 million of stock in the Federal Home Loan Bank of Chicago and seek a higher yield on the funds.

A Line at the Exit Door

The action follows a decision last fall by the $250 million-asset Wauwatosa Savings and Loan Association, also of Wisconsin, to withdraw from the Chicago Home Loan Bank. The Wauwa-

See **WISCONSIN** *page* **13**



Many Thrifts Are Still on the Brink As Capital Strength Proves Elusive

By TERESA CARSON
and L. MICHAEL CACACE

Almost 40% of the country's 300 largest thrifts failed to meet minimum regulatory capital limits at the end of last year, an *American Banker* survey shows. Industry experts say this means the thrift industry is still a long way from returning to health.

"The rich will get richer and everyone is scheduled for euthanasia – with pain," said Richard T. Pratt, chairman of Merrill Lynch Mortgage Capital and a former chairman of the Federal Home Loan Bank Board.

The survey found that 239 of the top 300 thrifts at yearend 1989 were members of the Savings Association Insurance Fund (SAIF). Almost half of these institutions did not meet the regulatory minimum of 3% core capital to assets. In fact, 62 had negative core capital.

See page **26**

COMMENT/ By Michael S. Gambro and Sally S. Hamilton

Exchange Offers Can Help Ailing Thrifts

Thrifts that are struggling to meet the stiff new capital requirements of the bailout law should consider whether a successful exchange offer might boost tangible capital and core earnings.

Restructuring the balance sheet through exchange offers can help an institution achieve capital compliance in two ways.

First, many instruments (such as subordinated debt and cumulative preferred stock) that had qualified as regulatory capital under prior capital regulations do not qualify as "tangible capital" for purposes of meeting the new requirements. The debt service or dividend payment requirements on these instruments also detract from the institution's ability to build capital through retained earnings.

On the other hand, common stock that may be exchanged for preferred stock or subordinated debt generally carries no fixed costs. The result is increased tangible capital and better earnings potential.

An exchange offer can be substantially dilutive, but this may be outweighed by incentives to raise tangible capital. These include growth restrictions for thrifts that fail to meet their capital requirements; possible suspension of Federal Deposit Insurance Corp. coverage for institutions with no tangible capital, and an expected "early intervention" regulation for thrifts whose tangible capital is below 1% of total assets.

However, for severely undercapitalized thrifts without core earnings, even a successful offer may provide no more than "Band-Aid" treatment. A case in point is Financial Corporation of Santa Barbara, parent of Santa Barbara Savings.

This company recently concluded an exchange offer that substantially boosted its thrift's tangible capital on a pro forma basis. Nevertheless, the Office of Thrift Supervision hit Santa Barbara the following month with a capital directive that imposed crippling operating restrictions.

Legal Considerations

In an exchange offer, existing security holders of the thrift or its holding company are invited to accept cash, newly issued securities, or some combination of the two in exchange for securities currently outstanding. The offer of new securities and the invitation to tender existing securities are each subject to regulation and trigger separate filing requirements.

Newly issued securities of a holding company must generally be registered with the Securities and Exchange Commission, while the offering of new securities by a thrift would require a similar filing with the OTS. An exemption from these requirements may be available when the offer comes from the issuer of both the outstanding securities and the securities to be issued in the exchange offer.

Whether or not an exemption applies, an offering document must be prepared that describes in great detail the terms of the offer, the outstanding and new securities, and the issuer. This will involve the participation of key thrift employees, lawyers, and accountants; it can be expected to consume substantial time and effort.

An exchange offer also subjects the offerer's conduct during the offer to various other securities regulations. These prescribe how long an exchange offer must remain open and the notification procedure for extending offers. The regulations also stipulate that consideration be paid "promptly" upon acceptance of tenders at the expiration of the offer.

Shareholder Approval

If the offerer must amend its charter to increase the number of authorized shares, state or federal law requires shareholder approval. In addition, stock exchange rules may require shareholder approval for increases in the number of shares outstanding. If shareholder approval is needed, solicitation of such holders may require compliance with federal proxy rules.

Issuers should also carefully review all outstanding agreements to determine whether the issuance of additional stock or the redemption of outstanding securities pursuant to the exchange offer requires consent the of lenders, holders of specific classes of securities, or others.

> "An exchange offer can be substantially dilutive, but this may be outweighed by incentives to raise tangible capital."

Even when shareholder approval of the exchange offer is not required, the issuer's board of directors may wish to seek such approval because of the offer's expected substantial dilutive effect on earnings per share and control.

Shareholder ratification could provide the board with some protection from lawsuits challenging these effects. The board may also find it worth the added expense of obtaining an opinion from an independent financial adviser that the offer is fair to the holders of common stock from a financial point of view.

When the Terms Change

The pendency of an exchange offer is a period of often tacit negotiation with the holders of the target securities. Any extension, waiver of condition, or change in the terms of the offer will require appropriate disclosure.

Procedures for disclosure vary according to the nature of the development, the degree to which the initial offering documents contemplated the development, and whether or not the offering is subject to certain tender offer rules.

Also, material changes relating to the thrift or holding company or external developments that might affect the security holder's decision to tender may require the updating and recirculation of the prospectus.

Even with full disclosure, the offerer is not totally free to change the offer. Special deals with substantial holders may not be possible if the tender-offer rules apply to the offer.

Moreover, although many investors may seek some combination of cash and securities in exchange for their tendered securities, applicable law or regulations may limit the sources from which cash consideration can be paid or preclude such payments altogether.

Overall Effects

The impact of a successful exchange offer on the thrift and its shareholders involves the interplay of many variables – an increase in tangible capital and improved core earnings due to reduced debt service versus the dilution of earnings per share and voting control.

Although the issuance of additional shares may also have a depressing effect on the market price of the common shares, this negative effect may be offset by the improved viability of the institution resulting from the capital infusion and prospects of improved earnings.

Weighing the effects of the exchange offer on the institution's tax position will require a careful analysis of such factors as:

- Its existing tax attributes (such as net operating losses and built-in losses).
- The possible increase in the institution's regular or alternative minimum taxable income (to the extent the discharge from indebtedness exceeds any mar-

See COMMENT page 29

Mr. Gambro and Ms. Hamilton are lawyers with the firm Cadwalader, Wickersham & Taft in New York City.

FUNNY MONEY/ By Tom Leander

One COLA with a Twist

Apparently, the Federal Deposit Insurance Corp. has to try a little harder to get good help these days.

The federal regulator has been running an advertisement in financial newspapers seeking "highly skilled professionals for three key positions" in the mortgage-backed securities, interest rate risk, and futures and options areas.

The ad said the jobs pay $55,375 to $84,675 a year and include a unique perk – a "cost-of-living deferential."

* * *

Unreasonable Facsimile

A recent advisory letter from the Office of the Comptroller of the Currency to U.S. banking leaders leaves nothing to the imagination.

Addressed to "Chief executive officers and directors of all national banks," the April 26 letter warns that the Comptroller's office has received a series of prank facsimiles about transactions relating to a fictitious account at Continental Bank in Chicago.

"To date, the amounts referred to have been extremely large," ranging from $728 million to $1.76 trillion, says the memo.

And in case the CEOs did not grasp the message, the memo dutifully added: "Such facsimiles are not credible."

* * *

Tweaking a Card Giant

In this age of proliferating plastic, it's sometimes hard to tell an honest credit card from funny money.

So Much Fun Inc., a Concord, Mass., toy and gift company, has complicated the situation by issuing an entire line of bogus credit cards – and three of their lookalikes have irked American Express.

The "Russian Express Card," the "Ecumenical Express Card," and "The Bank of Poland Card" play off the American Express name and sport similar logos. The cards are recognizably different at second glance.

But American Express is not amused. The company has written a letter of complaint to So Much Fun's president, Steven Lishansky. The credit card giant asked his company to stop issuing the three cards because because of their similarity to American Express products.

A spokeswoman for American Express confirmed the letter and added that the company is negotiating a settlement with So Much Fun.

"We have no intention of ceasing and desisting," stated Mr. Lishansky, who also confirmed the negotiations.

He said, however, that his attorneys had advised him to change the "Neiman Mark-Up Card" – another So Much Fun product. "We're thinking of changing the name to 'Needless Mark-Up,' " he said.

* * *

Fannie Mae Begs to Differ

Fannie Mae, the mortgage agency, has been working hard to build overseas interest in mortgage-backed securities – and is reporting considerable purchasing by foreigners. But this week, at a conference sponsored by Fannie Mae, mortgage securities pioneer Lewis S. Ranieri dismissed the overseas buying as "a pimple on an elephant's back."

Fannie Mae executives were clearly taken aback. Vice President Robert Sahadi, fresh from a trip to Japan, declared, "We talked to some of the biggies, and they're buying."

— Phil Roosevelt

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 300 U.S. Thrift Institutions

In Order of Deposits, December 31, 1989, Compared with December 31, 1988

Rank 12/31/89		Deposits 12/31/89	Deposits 12/31/88	Rank 1988	Gain	Assets 12/31/89	Assets 12/31/88	Capital 12/31/89	Capital/ Assets(%)	Chart. Type	Insur. Type
1	**Home Savings of America, FA, Irwindale, Calif.**	33,100,655,000	29,568,816,000	1		44,924,933,000	40,917,353,000	2,108,781,000	4.69	4	2
2	**Great Western Bank, FSB, Beverly Hills**	23,117,689,000	21,664,188,000	2		34,949,576,000	30,837,077,000	1,852,755,000	5.30	2	2
3	**Glendale Federal Bank, FSB, Calif.**	15,869,180,000	15,300,883,000	4	+1	24,043,905,000	24,313,386,000	932,816,000	3.88	2	2
4	**California Federal Bank, FSB, Los Angeles**	15,194,340,000	18,787,200,000	3		23,269,859,000	25,857,500,000	1,047,889,000	4.50	2	2
5	**American Savings Bank, FA, Irvine, Calif.**	13,639,461,000	13,401,466,000	6	+1	16,290,515,000	15,409,744,000	489,833,000	3.01	4	2
6	**Homefed Bank, FSB, San Diego, Calif.**	13,034,251,000	11,558,328,000	8	+2	17,752,680,000	16,261,058,000	1,041,157,000	5.86	2	2
7	**First Nationwide Bank, FSB, San Francisco**	11,925,000,000	14,787,467,000	5		22,088,000,000	26,130,421,000	978,048,000	4.43	2	2
8	**World Savings, FS&LA, Oakland, Calif.**	11,457,331,000	10,141,780,000	11	+3	19,263,899,000	16,352,299,000	1,118,280,000	5.81	4	2
9	**Great American Bank, SSB, San Diego, Calif.**	11,419,312,000	10,799,471,000	9		15,898,585,000	16,084,341,000	373,520,000	2.35	4	2
10	**Meritor Savings Bank, Philadelphia (a)**	10,503,153,000	12,209,344,000	7		12,639,807,000	17,172,011,000	303,694,000	2.40	2	1
11	**Dime Savings Bank of New York FSB, Garden City**	9,759,151,000	8,652,658,000	14	+3	11,652,230,000	12,007,151,000	631,852,000	5.42	2	1
12	**Goldome, Buffalo, N.Y.**	9,375,653,000	10,529,276,000	10		12,999,150,000	14,962,534,000	(326,391,000)	(2.51)	2	1
13	**CrossLand Savings FSB, Brooklyn, New York**	8,994,087,000	8,791,305,000	13		14,102,367,000	15,143,802,000	229,061,000	1.62	2	2
14	**Coast Savings & Loan Assn., Los Angeles**	8,904,590,000	8,803,298,000	12		11,293,189,000	12,898,630,000	372,833,000	3.30	4	2
15	**Empire of America Federal Savings Bank, Buffalo, N.Y.★**	7,947,151,000	8,325,671,000	17	+2	8,142,100,000	11,281,412,000	(978,007,000)	(12.01)	2	2
16	**Columbia Savings & Loan Assn., Beverly Hills**	7,828,652,784	8,089,177,000	18	+2	9,334,522,079	11,752,238,000	140,740,000	1.51	4	2
17	**First Gibraltar Bank, FSB, Dallas**	7,555,575,000	8,484,642,000	15		9,774,756,000	12,497,352,000	487,036,000	4.98	4	2
18	**Anchor Savings Bank, FSB, Northport, N.Y.**	7,027,918,000	6,734,031,000	21	+3	8,938,276,000	8,401,707,000	(119,600,000)	(1.34)	2	2
19	**Gibraltar Savings FA, Simi Valley, Calif.★ (b)**	6,989,625,000	7,573,847,000	19		8,622,088,000	13,436,242,000	(50,733,000)	(0.59)	3	2
20	**Imperial Savings Assn., San Diego, Calif.★**	6,624,900,000	8,329,541,000	16		9,581,584,000	12,349,537,000	(23,091,000)	(0.24)	4	2
21	**City Savings Bank, FSB, Somerset, N.J.★**	6,305,261,000	7,365,181,000	20		8,582,471,000	10,552,806,000	(805,137,000)	(9.38)	1	2
22	**Standard Federal Bank, Troy, Mich.**	6,167,305,000	5,272,603,000	24	+2	9,638,381,000	9,803,376,000	440,383,000	4.57	2	2
23	**CenTrust Bank, SSB, Miami★**	5,922,475,000	6,297,378,000	22		8,217,563,000	10,103,877,000	(199,875,000)	(2.43)	4	2
24	**People's Bank, Bridgeport, Conn.**	5,576,065,000	5,065,375,000	25	+1	7,037,923,000	6,294,349,000	478,884,000	6.80	2	1
25	**Citicorp Savings, FS&LA, San Francisco**	4,906,184,000	4,677,832,000	30	+5	7,393,077,000	6,943,066,000	832,316,000	11.26	4	2
26	**Atlantic Financial Savings, FA, Bala Cynwyd, Pa.★**	4,876,399,000	4,963,062,000	27	+1	6,873,268,000	7,939,932,000	(362,625,000)	(5.28)	3	2
27	**MeraBank, FSB, Phoenix, Ariz.★**	4,746,485,000	5,019,493,000	26		6,381,942,000	8,348,139,000	(407,903,000)	(6.39)	4	2
28	**Howard Savings Bank, Newark, N.J.**	4,648,228,000	4,484,040,000	32	+4	5,081,374,000	5,174,232,000	287,873,000	5.67	2	1
29	**Talman Home Federal Savings & Loan Assn., Chicago**	4,403,945,000	4,653,301,000	31	+2	6,072,659,000	6,336,137,000	(126,782,000)	(2.09)	4	2
30	**Dollar Dry Dock Bank, White Plains, N.Y.**	4,396,064,000	4,186,767,000	37	+7	5,020,009,000	5,024,098,000	75,092,000	1.50	2	1
31	**Long Island Savings Bank FSB, Melville, N.Y. (c)**	4,388,823,000	4,239,942,000	35	+4	5,374,389,000	5,263,080,000	18,361,000	0.34	1	2
32	**Franklin Savings Assn., Ottawa, Kan.★**	4,377,876,000	3,309,257,000	53	+ 21	11,427,820,000	13,266,390,000	387,432,000	3.39	4	2
33	**Chevy Chase Savings Bank, FSB, Md.**	4,360,201,000	3,988,537,000	40	+7	4,713,146,000	4,987,740,000	148,760,000	3.16	2	2
34	**Perpetual Savings Bank, FSB, McLean, Va.**	4,353,178,000	4,123,773,000	39	+5	5,993,718,000	5,954,533,000	280,572,000	4.68	2	2
35	**First Federal of Michigan, Detroit**	4,347,180,000	4,911,700,862	28		11,088,251,000	11,941,524,520	384,330,000	3.47	4	2
36	**Carteret Savings Bank, FA, Morristown, N.J.**	4,272,447,000	4,355,013,000	34		6,132,423,000	6,682,279,000	209,685,000	3.42	2	2
37	**Western Savings & Loan Assn., FA, Phoenix★**	4,164,489,000	4,229,348,000	36		4,221,276,000	5,649,853,000	(1,412,566,000)	(33.46)	3	2
38	**Green Point Savings Bank, Brooklyn, New York**	4,071,846,000	3,622,622,000	45	+7	4,614,000,000	4,073,207,000	517,950,000	11.23	1	1
39	**Southwest Savings Assn., Dallas**	3,901,861,000	4,166,953,000	38		5,520,886,000	6,820,473,000	(189,037,000)	(3.42)	4	2
40	**Northeast Savings, FA, Hartford, Conn.**	3,847,120,000	4,906,967,000	29		5,413,470,000	8,214,776,000	54,374,000	1.00	4	2
41	**First Federal Savings & Loan Assn., Rochester, N.Y.**	3,830,525,000	3,740,514,000	41		5,640,253,000	5,370,632,000	89,204,000	1.58	3	2
42	**Sunbelt Savings, FSB, Dallas**	3,718,284,000	5,712,208,000	23		9,108,052,000	9,387,162,000	1,013,000	0.01	1	2
43	**Citicorp Savings of Illinois, FS&LA, Chicago**	3,713,444,000	3,632,476,000	43		5,476,808,000	5,436,158,000	853,362,000	15.58	4	2
44	**Transohio Savings Bank, Cleveland**	3,633,227,000	3,624,443,000	44		5,399,077,000	6,246,622,000	213,156,000	3.95	4	2
45	**Western Fed. Savings & Loan Assn., Marina Del Rey, Calif.**	3,562,843,000	3,109,333,000	63	+ 18	4,808,685,000	4,477,033,000	145,319,000	3.02	4	2
46	**Apple Bank For Savings, New York**	3,484,459,000	2,841,763,000	73	+ 27	3,849,429,000	3,336,563,000	238,456,000	6.19	2	1
47	**Washington Mutual Savings Bank, Seattle**	3,479,335,000	3,270,016,000	54	+7	6,060,902,000	5,796,614,000	401,245,000	6.62	2	1
48	**FarWest Savings & Loan Assn., Newport Beach, Calif.**	3,468,330,000	3,320,020,000	52	+4	4,354,699,000	4,760,091,000	87,335,000	2.01	4	2
49	**Household Bank FSB, Newport Beach, Calif.**	3,454,676,000	2,371,308,000	89	+ 40	7,051,505,000	4,971,387,000	311,032,000	4.41	2	2
50	**American Savings Bank, FSB, White Plains, N.Y.**	3,451,664,000	3,464,404,000	46		4,430,202,000	4,356,374,000	172,290,000	3.89	2	1
51	**Columbia Savings, FS&LA, Englewood, Colo.**	3,389,404,000	3,152,924,000	60	+9	4,844,902,000	5,395,729,000	147,893,000	3.05	4	2
52	**American Savings & Loan Assn. of Florida, Miami**	3,357,691,000	3,166,289,000	58	+6	4,929,398,000	5,310,804,000	146,496,000	2.97	4	2
53	**Fidelity Federal Bank, FSB, Glendale, Calif.**	3,327,214,000	3,106,235,000	64	+ 11	4,971,885,000	4,649,396,000	213,598,000	4.30	2	2
54	**TCF Bank Savings, FSB, Minneapolis**	3,322,514,000	3,440,381,000	48		4,658,239,000	5,296,127,000	159,511,000	3.42	2	2
55	**Emigrant Savings Bank, New York**	3,269,328,640	3,154,645,224	59	+4	3,571,954,772	3,657,085,241	197,828,000	5.54	2	1
56	**Benjamin Franklin Federal S & L Assn., Portland, Ore.★**	3,213,813,000	3,252,732,000	55		4,968,142,000	5,505,188,000	(57,256,000)	(1.15)	4	2
57	**Downey Savings & Loan Assn., Newport Beach, Calif.**	3,192,465,000	2,962,843,000	67	+ 10	3,774,336,000	3,818,223,000	219,368,000	5.81	4	2
58	**AmeriFirst Bank, FSB, Miami**	3,183,573,000	3,458,105,000	47		4,116,403,000	4,546,645,000	71,745,000	1.74	2	2
59	**Pacific First Federal Savings Bank, Seattle**	3,177,204,000	2,955,150,000	68	+9	5,667,474,000	5,844,695,000	271,666,000	4.79	2	2
60	**Citizens Federal Bank, FSB, Miami**	2,989,776,000	2,952,907,000	69	+9	4,257,056,000	4,558,978,000	147,011,000	3.45	2	2
61	**Lincoln Savings & Loan Assn., FA, Los Angeles★**	2,907,620,000	4,409,061,000	33		2,906,307,000	5,458,712,000	(1,285,607,000)	(44.24)	3	2
62	**San Jacinto Savings Assn., Houston**	2,905,465,000	3,113,201,000	62		3,319,866,000	3,808,757,000	16,427,000	0.49	4	2
63	**Hudson City Savings Bank, Paramus, N.J.**	2,870,671,981	2,732,766,251	78	+ 15	3,219,534,598	3,033,489,207	225,390,847	7.00	1	1
64	**Society for Savings, Hartford, Conn.**	2,831,844,000	2,794,232,000	74	+ 10	4,422,091,000	3,747,941,000	259,104,000	5.86	2	1
65	**Home Savings Assn. of Kansas City, FA, Mo.**	2,827,758,000	2,857,614,000	72	+7	3,264,012,000	3,498,113,000	(6,094,000)	(0.19)	4	2
66	**Home Owners Savings Bank, FSB, Boston**	2,822,396,000	2,661,065,000	79	+ 13	3,625,249,000	3,971,470,000	(50,324,000)	(1.39)	2	2
67	**Manhattan Savings Bank, New York**	2,808,207,000	2,765,064,691	76	+9	3,080,087,000	3,080,802,770	270,676,000	8.79	1	1
68	**Georgia Federal Bank, FSB, Atlanta**	2,755,412,000	2,644,027,000	80	+ 12	4,177,214,000	4,356,603,000	184,035,000	4.41	2	2
69	**Guaranty Federal Savings Bank, Dallas**	2,742,963,000	3,219,246,000	56		4,009,979,000	4,126,161,000	128,582,000	3.21	2	2
70	**Capitol Federal Savings & Loan Assn., Topeka, Kan.**	2,739,938,000	2,562,495,000	84	+ 14	3,157,662,000	3,027,414,000	266,201,000	8.43	3	2
71	**Bright Banc Savings Assn., Dallas†**	2,707,743,000	3,003,429,000	65		2,832,102,000	4,566,836,000	(1,181,263,000)	(41.71)	4	2
72	**Commercial Federal Savings & Loan Assn., Omaha, Neb.**	2,680,267,550	3,367,094,000	51		5,860,659,035	6,742,469,000	80,052,000	1.37	4	2
73	**Florida Federal Savings Bank, St. Petersburg**	2,644,954,000	3,121,237,000	61		4,654,538,000	5,066,790,000	11,824,000	0.25	4	2
74	**Sears Savings Bank, Glendale, Calif.**	2,624,691,000	3,440,297,545	49		4,465,589,000	4,843,605,357	192,184,000	4.30	4	2
75	**Rochester Community Savings Bank, N.Y.**	2,612,964,000	2,966,534,000	66		4,028,011,000	4,373,738,000	310,622,000	7.71	2	1
76	**San Francisco Federal Savings & Loan Assn.**	2,603,975,000	2,773,224,000	75		3,406,573,000	4,499,139,000	152,948,000	4.49	4	2
77	**Homestead Savings, FS&LA, Millbrae, Calif.**	2,593,236,000	3,169,145,956	57		2,892,632,000	5,756,065,705	68,305,000	2.36	4	2
78	**Williamsburgh Savings Bank, Brooklyn, New York**	2,569,642,000	2,735,861,000	77		3,670,997,000	3,516,463,000	335,973,000	9.15	2	1
79	**St. Paul Federal Bank for Savings, Chicago**	2,560,900,000	2,369,257,745	91	+ 12	3,357,073,000	3,096,704,908	210,349,000	6.27	2	2
80	**Farm & Home Savings Assn., Nevada, Mo.**	2,489,071,000	2,358,906,000	92	+ 12	3,080,523,000	3,545,768,000	185,883,000	6.03	4	2
81	**United Savings Assn. of Texas, FSB, Houston**	2,484,633,000	3,368,661,000	50		3,260,735,000	5,012,764,000	117,981,000	3.62	2	2
82	**Old Stone Bank, FSB, Providence, R.I.**	2,482,619,000	2,564,746,000	83	+1	3,222,367,000	3,657,376,000	168,165,000	5.22	2	2
83	**Astoria Federal Savings & Loan Assn., Queens, New York**	2,406,531,549	2,322,683,242	94	+ 11	3,109,348,625	3,084,232,379	258,004,000	8.30	3	2
84	**First Federal Savings & Loan Assn., Pittsburgh**	2,389,187,000	2,424,612,000	88	+4	3,126,975,000	3,126,721,000	(64,015,000)	(2.05)	3	2
85	**Community Federal Savings & Loan Assn., St. Louis, Mo.**	2,373,935,000	2,568,455,000	81		3,003,547,000	3,682,588,000	(421,329,000)	(14.03)	3	2
86	**Third Federal Savings & Loan Assn., Cleveland**	2,368,876,000	2,138,288,682	100	+ 14	2,653,243,000	2,402,883,259	243,245,000	9.17	3	2
87	**Valley Federal S & L Assn., Van Nuys, Calif.**	2,361,607,000	2,528,358,000	85		3,015,374,000	3,480,404,000	(40,182,000)	(1.33)	4	2
88	**Amwest Savings Assn., Bryan, Tex.**	2,344,522,000	2,896,309,000	70		3,919,697,000	4,307,483,000	100,518,000	2.56	4	2
89	**First Minnesota Savings Bank, FSB, St. Paul**	2,303,802,000	2,370,769,000	90	+1	3,205,158,000	3,399,264,000	40,776,000	1.27	1	2
90	**Lincoln Savings Bank, FSB, New York**	2,264,983,000	2,238,214,000	97	+7	2,835,551,000	2,747,663,000	92,554,000	3.26	2	1
91	**Greater New York Savings Bank, New York**	2,259,862,000	2,067,547,000	102	+ 11	3,105,098,000	3,000,618,000	208,159,000	6.70	2	1
92	**Oak Tree Savings Bank, SSB, New Orleans, La.**	2,256,907,000	1,163,058,000	197	+105	2,780,212,000	2,305,790,000	194,588,000	7.00	2	2
93	**Fortune Savings Bank, Clearwater, Fla.**	2,251,711,000	2,257,704,127	96	+3	3,159,796,000	3,183,893,175	122,947,000	3.89	2	2
94	**Seamen's Bank for Savings, FSB, New York**	2,245,416,000	2,564,864,000	82		3,955,292,000	4,719,364,000	(176,851,000)	(4.47)	2	1
95	**Bank Western, FSB, Denver**	2,231,557,000	2,350,499,000	93		3,259,299,000	3,638,822,000	203,735,000	6.25	2	2
96	**Guardian Savings & Loan Assn., Houston**	2,154,446,000	1,815,708,204	115	+ 19	3,679,780,000	4,022,419,926	116,245,000	3.16	4	2
97	**Champion Federal Savings & Loan Assn., Bloomington, Ill.**	2,148,635,140	2,079,005,000	101	+4	2,602,904,466	2,692,202,000	19,841,000	0.76	3	2
98	**Pima Savings & Loan Assn., Tucson, Ariz.★**	2,128,117,000	2,211,104,000	98		2,734,063,000	3,182,541,000	26,803,000	0.98	4	2
99	**HonFed Bank, FSB, Honolulu**	2,081,110,000	1,776,129,000	118	+ 19	3,165,856,000	2,805,226,000	21,927,000	0.69	2	2
100	**Sacramento Savings & Loan Assn., Calif.**	2,074,869,000	2,021,237,000	105	+5	2,308,609,000	2,436,175,000	152,534,000	6.61	4	2

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Also, data from **W.C. Ferguson & Co.,** Irving, Tex., were used to determine yearend 1989 Resolution Trust Corp. conservatorship status of the top 300 thrifts. A "★" next to the thrift's name indicates that the thrift is currently in the conservatorship program; and a "†" indicates that the thrift was in the program and its status has been "resolved." **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) For SAIF-insured thrifts, it is "core capital"; (2) For BIF insured thrifts, it is "Tier 1" capital. As defined by Sheshunoff, **Core capital** is modified equity capital minus deferred losses minus goodwill and other intangible assets minus perpetual preferred stock plus (goodwill, other intangible assets, and FSLIC capital contributions) limited to 1½% of tangible assets. As defined by the FDIC, **Tier 1 capital** is total equity capital plus minority interests in consolidated subsidiaries minus all intangibles other than purchased mortgage servicing rights. **Please note:** the core capital figures reported to American Banker were checked against regulatory data. In some cases, American Banker changed the capital figure reported by the institution to agree with its regulatory report. **Capital/Assets(%):** is the ratio of yearend 1989 capital to yearend 1989 assets. **Charter Types: 1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types:** 1-BIF-Insured; 2-SAIF-Insured. **(a)**— Consolidated data on a GAAP basis. **(b)**— The 1989 data are combined regulatory data for the thrift and its subsidiary, Gibraltar Savings Bank, FSB, Seattle. **(c)**— The 1989 data are combined regulatory data for the thrift and its division in Centereach, N.Y.

Compiled by American Banker, Copyright 1990.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 12-14, 16,

18, 20, 22, 24

Many Thrifts Still on the Brink as Capital Proves Elusive

Continued from *page* **1**

The survey included 61 thrifts that were members of the Bank Insurance Fund. Virtually all of them had capital ratios exceeding 3%. The BIF historically has mandated tougher capital requirements.

"It is safe to predict more seizures the remainder of the year," said John Lyons, managing principal with Lyons, Zomback & Ostrowski.

Of the 2,878 SAIF-insured thrifts in the country, about 600 more will disappear over the next few years, predicted Henry Peltz, thrift analyst at Keefe, Bruyette & Woods Inc.

Capital Is Scarce

"It is going to be very difficult for these [undercapitalized] thrifts to meet the capital guidelines," he said. "The opportunity to raise capital in the public markets is extremely limited."

Although many thrifts are restructuring and struggling to meet the new capital rules, Mr. Peltz noted, "The capital requirements are only going to get stiffer between now and 1994."

> **"The capital requirements are only going to get stiffer between now and 1994."**
>
> **Henry Peltz**
> *Keefe, Bruyette & Woods*

For some thrifts, it is already too late. Thirty-five of the top 300 thrifts have been seized by regulators and are wards of the Resolution Trust Corp.

Deposits Off Slightly

The American Banker survey found that total deposits of the top 300 thrifts fell 1.9% last year, while their assets declined 6.4%. Mr. Peltz says shedding assets was "difficult in this market because others are also downsizing so the prices you get for assets are not good."

The core capital ratios in the survey ranged from a high of 22.1% for Citicorp Savings Bank of Washington, D.C., to a negative 122% for Sandia Federal Savings and Loan Association, Albuquerque, N.M. Sandia Federal was seized by the federal regulators early last year.

Citicorp Savings of Washington is one of four thrifts owned by Citicorp, the nation's largest banking company. Citicorp's Illinois and Florida thrifts had core capital ratios of 15.6% and 13.8% respectively, ranking them second and third in this category.

> **"It is safe to predict more seizures the remainder of the year."**
>
> **John Lyons**
> *Lyons, Zomback & Ostrowski*

String of Losses

Great American Bank, San Diego, typifies the problems faced many of the undercapitalized thrifts. After a $263.4 million loss in 1989, Great American lost an additional $1.2 million in the first quarter of this year. Most of the losses were caused by problem loans in Texas and Arizona.

Great American's capital plan calls for it to raise $350 million in new capital. Analysts say its chances of doing that are slim. The company is shopping for a merger partner or a cash infusion and is trying to shed assets, including its real estate development company.

Assets at California Federal Bank dropped about $2.6 billion in 1989. The Los Angeles thrift last year sold more than $900 million in mortgage-backed securities, its credit card portfolio and its headquarters building.

Effort to Raise Capital

Officials said these moves were an attempt to raise additional capital, while also shrinking assets to fit CalFed's capital base.

Coast Savings and Loan Association, Los Angeles, undertook a major financial restructuring in 1989 to strengthen capital. The company eliminated $242 million of goodwill and exchanged debt for equity. It also lopped off $1.6 billion in assets by eliminating income-property lending and selling loans and mortgage-backed securities.

The *American Banker* core capital ratio uses total assets instead of tangible assets, which are total assets minus deferrals and intangible assets. For most of the thrifts listed, the *American Banker* ratio will be five to 15 basis points lower than the ratio calculated by the Office of Thrift Supervision. □

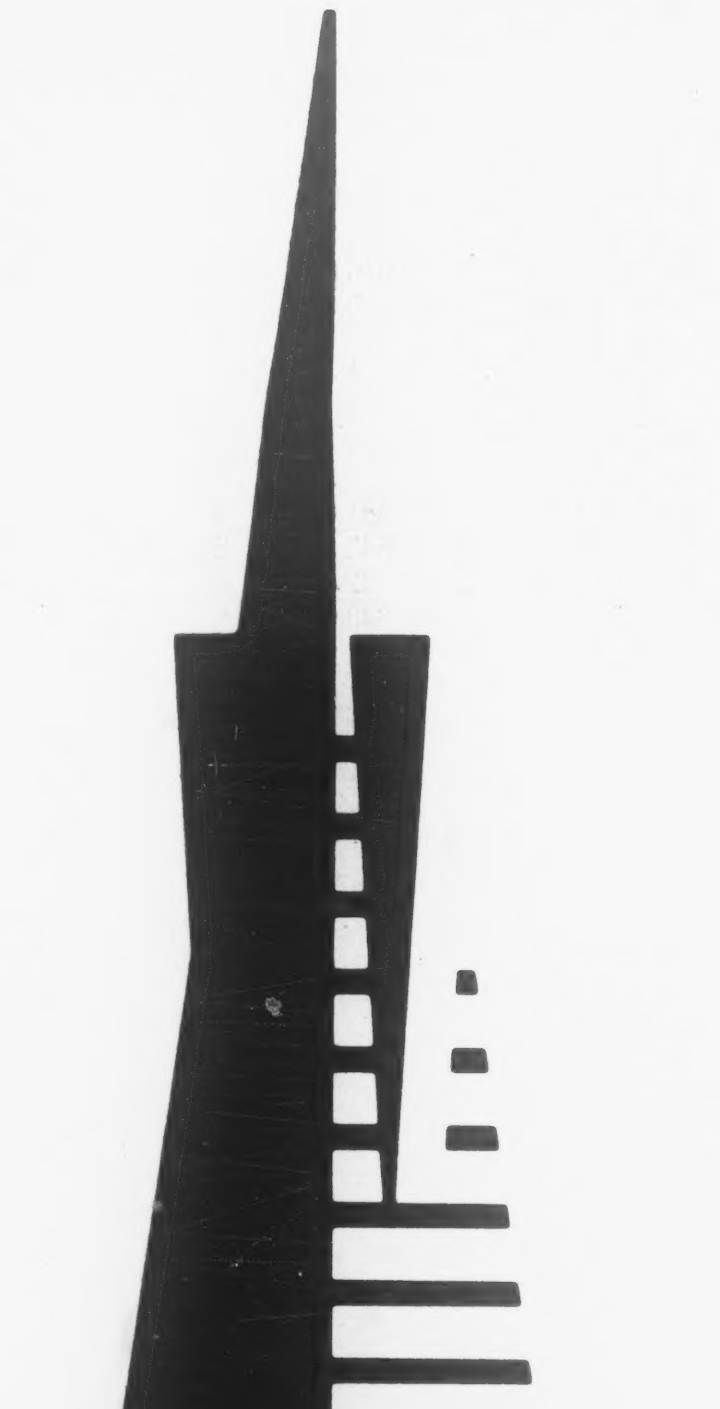
Furash & Co. Names Senior Vice President

WASHINGTON — The consulting firm of Furash & Co. has named William B. Williams as senior vice president.

Mr. Williams, a specialist in strategic cost management and the organization of bank holding companies, most recently was president of Bank Earnings International's East Coast consulting division.

Furash has also named as vice president William F. Spinard, a former senior vice president at BEI Golembe Inc., to consult on financial restructuring matters.

Innovative Insurance Answers



Backed by "The Power of the Pyramid" SM

Transamerica Specialty Insurance. . . the only name you need to know for responsive service and innovative answers to your special insurance needs.

We pioneered forced-placed insurance for lenders. We're still the leader because we work with you to create the protection programs you require.

Now we're offering our Premier Protection Package, featuring the proven loan protection products you expect from Transamerica:

- Auto
- Mortgage
- Mobile Home
- Flood
- Life
- Involuntary Unemployment

Give us a call. We'll help you identify all your special insurance needs and custom design a complete package of special coverages for you.

Put "The Power of the Pyramid" SM *to work for you.*

SM TRANSAMERICA
SPECIALTY INSURANCE
P.O. Box 25317
Santa Ana, CA 92799
1-800-426-1221
Fax 1-714-937-2705

The insurance will be underwritten by Transamerica Insurance Company or one of its licensed insurance subsidiaries.

Top 300 U.S. Thrift Institutions

In Order of Deposits, December 31, 1989, Compared with December 31, 1988

Rank 12/31/89		Deposits 12/31/89	Deposits 12/31/88	Rank 1988	Gain	Assets 12/31/89	Assets 12/31/88	Capital 12/31/89	Capital/ Assets(%)	Chart. Type	Insur. Type
101	River Bank America, New York	2,059,645,000	2,014,862,000	106	+5	2,939,446,000	2,894,493,000	154,739,000	5.26	2	1
102	Dollar Bank, FSB, Pittsburgh	2,055,604,000	2,028,473,000	104	+2	2,415,715,000	2,554,813,000	82,386,000	3.41	1	2
103	Coral Gables Federal Savings & Loan Assn., Fla.	2,053,107,331	1,988,045,045	109	+6	2,515,950,857	2,475,812,308	132,022,000	5.25	3	2
104	Midwest Savings Assn., FA, Minneapolis★	2,017,683,000	2,265,072,000	95		2,245,270,000	3,402,350,000	(788,090,000)	(35.10)	3	2
105	First Financial Bank, FSB, Stevens Point, Wis.	2,014,500,000	1,990,723,000	108	+3	2,370,864,000	2,298,610,000	127,582,000	5.38	2	2
106	Citizens Federal Savings & Loan Assn., Dayton, Ohio	2,009,469,000	2,050,525,000	103		2,254,613,000	2,332,703,000	61,583,000	2.73	3	2
107	Cragin Federal Bank for Savings, Chicago	1,922,937,309	1,773,104,325	119	+12	2,335,970,280	2,359,647,586	185,313,221	7.93	3	2
108	Great Lakes Bancorp, Ann Arbor, Mich.	1,921,299,000	1,980,440,000	110	+2	3,385,368,000	3,637,773,000	109,704,000	3.24	2	2
109	Santa Barbara Savings & Loan Assn., Calif.	1,904,401,000	2,191,861,000	99		4,666,123,000	5,012,084,000	(25,756,000)	(0.55)	4	2
110	San Antonio Savings Assn., FA, Tex.†	1,901,593,000	1,937,481,000	113	+3	2,208,748,000	2,652,497,000	(479,053,000)	(21.69)	3	2
111	Bay View Federal Bank, FSB, San Mateo, Calif.	1,855,091,000	1,678,694,000	126	+15	2,879,019,000	2,707,407,000	169,084,000	5.87	2	2
112	Peoples Heritage Savings Bank, Portland, Me.	1,820,263,000	1,641,257,000	132	+20	2,533,682,000	2,215,404,000	165,502,000	6.53	1	1
113	First Federal Savings Bank, Cleveland	1,799,578,000	1,349,029,000	160	+47	2,108,295,000	1,631,335,000	162,548,000	7.71	2	2
114	Mercury Savings & Loan Assn., Huntington Beach, Calif.★	1,792,124,000	1,972,012,000	111		2,158,830,000	2,565,397,000	(1,302,000)	(0.06)	4	2
115	Bluebonnet Savings Bank, FSB, Dallas	1,785,407,000	2,873,792,000	71		3,157,293,000	3,245,764,000	95,349,000	3.02	4	2
116	Albany Savings Bank FSB, N.Y.	1,776,275,000	1,732,391,017	121	+5	2,036,819,000	1,953,269,114	137,411,000	6.75	1	2
117	First Federal Savings & Loan Assn., Greenville, S.C.	1,769,212,090	1,707,499,000	122	+5	2,270,743,712	2,380,013,000	92,440,000	4.07	4	2
118	Security Savings & Loan Assn., Milwaukee, Wis.	1,760,415,363	1,697,589,024	123	+5	2,120,803,201	2,074,618,477	242,121,780	11.42	3	2
119	American Federal Bank, FSB, Dallas	1,757,828,000	1,829,528,000	114		3,211,539,000	3,291,926,000	68,123,000	2.12	2	2
120	Leader Federal Bank for Savings, Memphis, Tenn.	1,724,972,000	1,673,517,000	127	+7	2,138,618,000	2,511,777,000	87,615,000	4.10	1	2
121	Commonwealth Federal Savings Assn., Houston★	1,709,148,000	1,608,452,000	136	+15	1,614,168,000	1,660,630,000	(787,554,000)	(48.79)	4	2
122	Decatur Federal Savings & Loan Assn., Ga.	1,698,255,000	1,682,898,930	125	+3	2,312,111,000	2,300,257,000	132,415,000	5.73	4	2
123	Boston Five Cents Savings Bank FSB	1,695,871,000	1,807,085,000	116		2,318,404,000	2,427,322,000	123,853,000	5.34	2	1
124	Southern California Savings, FS&LA, Beverly Hills	1,688,743,000	1,515,865,000	143	+19	2,343,251,000	1,926,188,000	34,226,000	1.46	4	2
125	Investors Savings Bank, Richmond	1,681,592,000	1,661,488,000	128	+3	2,219,061,000	2,296,292,000	70,464,000	3.18	2	2
126	Benjamin Franklin Federal Savings Assn., Houston★	1,660,090,000	2,004,722,000	107		1,837,953,000	2,641,392,000	(412,181,000)	(22.43)	4	2
127	Trustbank Savings, FSB, McLean, Va.	1,656,206,000	1,537,090,000	141	+14	2,117,790,000	2,034,736,000	42,233,000	1.99	2	2
128	Secor Bank, FSB, Birmingham, Ala.	1,653,507,000	1,796,010,000	117		2,328,361,000	2,695,151,000	83,300,000	3.58	2	2
129	Southwest Savings & Loan Assn., FA, Phoenix★	1,643,261,000	1,749,652,000	120		1,749,788,000	2,305,934,000	(374,672,000)	(21.41)	3	2
130	Bell Federal Savings & Loan Assn., Chicago	1,635,284,000	1,620,984,000	133	+3	1,796,864,000	1,783,421,000	131,977,000	7.34	3	2
131	Citizens Savings Bank, Providence, R.I.	1,624,627,000	1,614,758,588	134	+3	2,248,906,000	2,193,225,886	222,327,000	9.89	2	1
132	Collective Federal Savings Bank, Egg Harbor City, N.J.	1,620,418,000	1,381,152,000	155	+23	2,225,638,000	2,059,380,000	110,334,000	4.96	2	2
133	Union Federal Savings Bank, Los Angeles	1,582,149,000	1,612,586,000	135	+2	2,415,157,000	2,234,027,000	161,935,000	6.70	2	2
134	East New York Savings Bank, New York	1,581,848,000	1,686,776,740	124		2,018,448,000	1,869,959,285	151,008,000	7.48	2	2
135	First Constitution Bank, New Haven, Conn.	1,579,211,000	1,487,947,000	146	+11	2,380,276,000	2,287,720,000	179,013,000	7.52	2	2
136	First Federal Bank of California, Santa Monica	1,553,242,000	1,358,818,903	159	+23	2,586,706,000	2,230,014,107	133,453,000	5.16	2	2
137	PriMerit Bank, Las Vegas, Nev.	1,538,378,000	1,262,872,000	174	+37	2,767,153,000	2,812,486,000	51,920,000	1.88	2	2
138	EurekaBank, Foster City, Calif.	1,531,821,198	1,653,347,282	129		1,771,175,038	1,784,839,822	112,209,395	6.34	4	2
139	Far West Federal Bank, Portland, Ore.	1,529,193,765	1,479,273,000	147	+8	3,359,497,530	2,821,401,000	(229,495,000)	(6.83)	2	2
140	Loyola Federal Savings & Loan Assn., Baltimore	1,528,409,000	1,510,028,000	145	+5	2,113,726,000	2,065,442,000	129,750,000	6.14	4	2
141	Horizon Financial, FA, Southampton, Pa.★	1,528,107,000	1,944,949,000	112		1,931,758,000	2,702,039,000	(313,178,000)	(16.21)	3	2
142	Fulton Federal Savings Bank, Atlanta	1,514,958,000	1,595,489,000	138		2,310,006,000	2,570,933,000	(20,763,000)	(0.90)	4	2
143	Ensign Bank FSB, New York	1,514,718,000	1,512,472,000	144	+1	1,888,984,000	1,957,140,000	(117,443,000)	(6.22)	2	2
144	Pelican Homestead & Savings Assn., Metairie, La.	1,512,364,000	1,418,122,000	151	+7	1,687,298,000	1,922,099,000	(201,185,000)	(11.92)	3	2
145	Citicorp Savings of Florida, FS&LA, Miami	1,507,286,000	1,347,612,000	161	+16	2,370,834,000	2,970,339,000	326,552,000	13.77	4	2
146	ABQ Bank, FSB, Albuquerque, N.M.★	1,469,705,000	1,540,457,000	140		2,018,703,000	2,203,697,000	(93,728,000)	(4.64)	3	2
147	Metropolitan Federal Bank, FSB, Fargo, N.D. (a)	1,458,228,000	2,521,938,000	86		2,426,406,000	4,104,710,000	183,810,000	7.58	4	2
148	BankAtlantic, FSB, Fort Lauderdale, Fla.	1,430,219,000	1,641,974,000	131		1,886,453,000	2,345,985,000	58,030,000	3.08	2	2
149	Pioneer Savings Bank, Clearwater, Fla.★	1,419,810,000	1,544,811,000	139		1,935,739,000	2,141,537,000	(67,633,000)	(3.49)	4	2
150	Peoples Westchester Savings Bank, Hawthorne, N.Y.	1,416,583,000	1,313,962,000	167	+17	1,681,122,000	1,654,625,000	161,253,000	9.59	2	1
151	Maine Savings Bank, Portland	1,415,224,000	1,397,866,000	153	+2	1,541,200,000	1,730,023,000	(2,343,000)	(0.15)	2	1
152	Western Financial Savings Bank, Irvine, Calif.	1,410,991,000	1,181,671,000	191	+39	2,870,261,000	2,442,989,000	130,065,000	4.53	4	2
153	Washington Federal Savings & Loan Assn., Seattle	1,409,035,000	1,403,000,000	152		2,509,894,000	2,242,000,000	287,795,000	11.47	4	2
154	Flagler Federal Savings & Loan Assn., Miami	1,404,566,000	1,369,079,000	157	+3	1,566,826,000	1,578,064,000	25,794,000	1.65	3	2
155	Ohio Savings Bank, Cleveland	1,388,445,793	1,295,796,938	169	+14	1,547,296,277	1,528,262,237	93,875,000	6.07	2	2
156	Beverly Hills Federal Savings Bank	1,387,896,000	1,606,254,000	137		1,525,669,000	1,650,026,000	88,312,000	5.79	2	2
157	Cardinal Federal Savings Bank, Cleveland	1,384,075,000	1,459,728,473	148		1,556,274,000	1,647,337,994	59,142,000	3.80	3	2
158	American Pioneer Savings Bank, Orlando, Fla.	1,381,212,000	1,526,009,000	142		1,754,514,000	2,072,945,000	18,411,000	1.05	4	2
159	Independence Savings Bank, Brooklyn, New York	1,370,272,837	1,225,309,112	182	+23	1,513,626,061	1,406,423,568	118,393,000	7.82	1	1
160	Altus Bank, FSB, Mobile, Ala.	1,358,602,000	1,646,395,000	130		2,261,560,000	2,773,952,000	36,571,000	1.62	2	2
161	Hollywood Federal Savings & Loan Assn., Fla.	1,346,875,000	1,370,116,000	156		1,593,448,000	1,707,408,000	11,102,000	0.70	1	2
162	Provident Savings Bank, Jersey City, N.J.	1,346,853,000	1,299,822,633	168	+6	1,454,281,000	1,404,631,958	95,131,000	6.54	1	1
163	Peoples Heritage Savings, FS&LA, Salina, Kan.†	1,324,861,000	1,447,833,000	150		1,248,552,000	2,044,816,000	(388,167,000)	(31.09)	3	2
164	Gill Savings Assn., San Antonio, Tex.★	1,306,536,000	1,448,432,000	149		921,575,000	1,207,294,000	(1,045,395,000)	(113.44)	4	2
165	Fidelity New York, FSB, Floral Park, N.Y.	1,302,889,000	1,332,879,000	163		1,937,310,000	2,002,790,000	(1,761,000)	(0.09)	1	2
166	First Federal Savings Bank, Santurce, P.R.	1,301,317,423	1,099,588,000	214	+48	1,927,835,776	1,824,076,000	48,841,000	2.53	2	2
167	Beach Federal Savings & Loan Assn., Boynton Beach, Fla.	1,288,593,000	1,169,282,000	193	+26	1,365,081,000	1,281,729,000	2,000,000	0.15	4	2
168	Germantown Savings Bank, Bala Cynwyd, Pa.	1,286,656,000	1,250,910,000	176	+8	1,409,311,000	1,376,707,000	85,528,000	6.07	2	1
169	BancFlorida, FSB, Naples	1,285,797,000	1,363,023,000	158		1,780,827,000	1,760,907,000	72,927,000	4.10	2	2
170	Beneficial Savings Bank, Philadelphia	1,284,346,000	1,342,030,000	162		1,356,313,000	1,414,005,000	69,354,000	5.11	1	1
171	American Savings, FS&LA, Salt Lake City, Utah★	1,277,118,000	1,383,297,000	154		1,748,436,000	2,182,297,000	(258,661,000)	(14.79)	3	2
172	Caguas Central Federal Savings Bank, San Juan, P.R.	1,273,052,000	1,103,078,655	212	+40	1,664,896,000	1,509,525,804	40,004,000	2.40	3	2
173	Standard Federal Savings Bank, Gaithersburg, Md.	1,254,210,000	895,847,000	253	+80	1,712,760,000	1,608,950,000	41,242,000	2.41	4	2
174	Investors Savings & Loan Assn., Millburn, N.J.	1,253,055,588	1,152,623,311	200	+26	2,026,290,080	2,112,591,442	103,030,006	5.08	3	2
175	Jamaica Savings Bank FSB, Lynbrook, N.Y.	1,249,320,185	1,208,459,231	186	+11	1,479,784,627	1,429,811,358	195,871,186	13.24	1	1
176	Columbia First Bank, FSB, Arlington, Va.	1,248,507,000	1,230,679,000	180	+4	2,165,502,000	2,172,258,000	83,256,000	3.84	2	2
177	United Savings of America, FS&LA, Chicago	1,243,617,162	1,223,508,529	184	+7	1,348,166,760	1,410,602,133	(39,326,000)	(2.92)	3	2
178	New Haven Savings Bank, Conn.	1,241,023,000	1,166,460,000	196	+18	1,696,060,000	1,603,218,000	147,717,000	8.71	1	1
179	Columbia Banking Federal S & L Assn., Rochester, N.Y.	1,232,825,000	1,211,382,000	185	+6	1,621,925,000	1,654,640,000	21,038,000	1.30	3	2
180	First Mutual of Boston	1,228,762,000	1,255,604,000	175		1,304,691,000	1,382,488,000	59,999,000	4.60	1	1
181	Pomona First Fed. Savings & Loan Assn., Calif.	1,224,876,000	1,141,916,000	203	+22	1,326,792,000	1,240,288,000	79,409,000	5.99	3	2
182	Mid America Federal Savings Bank, Clarendon Hills, Ill.	1,223,987,000	1,151,715,000	201	+19	1,583,241,000	1,563,208,000	27,264,000	1.72	3	2
183	Landmark Savings Assn., Pittsburgh	1,219,980,000	1,265,382,000	172		1,654,458,000	1,841,227,000	39,696,000	2.40	4	2
184	Neworld Bank, Boston	1,219,947,000	1,233,326,000	179		1,342,182,000	1,387,683,000	100,621,000	7.50	2	1
185	First Federal Savings & Loan Assn., Toledo, Ohio	1,217,418,000	1,265,062,416	173		1,256,700,000	1,341,614,856	26,057,000	2.07	3	2
186	Chase Federal Bank, Miami	1,197,488,058	1,192,070,861	190	+4	1,577,285,970	1,699,199,635	44,893,000	2.85	1	2
187	North Side Savings Bank, Bronx, New York	1,193,979,000	1,230,245,000	181		1,336,444,000	1,381,679,000	86,836,000	6.50	2	1
188	Gem Savings Assn., Dayton, Ohio	1,186,097,743	1,294,051,414	170		1,497,395,415	1,617,503,433	(24,217,000)	(1.62)	3	2
189	Onondaga Savings Bank, Syracuse, N.Y.	1,182,474,000	1,128,561,000	205	+16	1,679,587,000	1,511,825,000	101,047,000	6.02	2	1
190	Roosevelt Bank, FSB, Chesterfield, Mo.	1,181,997,000	1,162,810,813	198	+8	2,668,414,000	2,559,929,383	115,425,000	4.33	2	2
191	Heritage Bank for Savings, Holyoke, Mass.	1,176,678,000	1,281,571,000	171		1,695,156,000	1,663,188,000	84,470,000	4.98	2	1
192	Columbia Federal Savings Bank, Queens, New York	1,175,020,776	1,092,120,211	215	+23	1,443,923,219	1,417,911,210	49,401,907	3.42	1	2
193	Financial Fed. Savings & Loan Assn., Miami Lakes, Fla.	1,172,709,000	1,147,257,000	202	+9	1,548,748,000	1,628,970,000	27,011,000	1.74	3	2
194	D&N Savings Bank, FSB, Hancock, Mich.	1,167,718,000	1,194,763,000	189		2,048,040,000	2,228,397,000	87,275,000	4.26	2	2
195	Provident Institution for Savings, Boston	1,165,533,604	1,225,239,177	183		1,539,144,229	1,732,833,601	134,643,569	8.75	2	1
196	Home Savings Bank, Brooklyn, New York	1,161,365,000	1,169,118,996	194		1,608,861,000	1,600,530,262	230,458,000	14.32	2	1
197	Heights of Texas, FSB, Houston	1,159,079,000	946,636,000	246	+49	1,910,321,000	1,514,113,000	36,331,000	1.90	4	2
198	Roosevelt Savings Bank, Garden City, N.Y.	1,158,526,000	1,017,511,000	229	+31	1,349,902,000	1,175,098,000	67,894,000	5.03	1	1
199	First Savings of Arkansas, FA, Little Rock★	1,152,426,000	1,195,895,000	188		1,007,458,000	1,571,534,000	(679,378,000)	(67.43)	3	2
200	Crestmont Federal Savings & Loan Assn., Edison, N.J.	1,151,157,000	1,069,930,000	218	+18	1,657,652,000	1,653,098,000	62,551,000	3.77	4	2

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Also, data from **W.C. Ferguson & Co.,** Irving, Tex., were used to determine yearend 1989 Resolution Trust Corp. conservatorship status of the top 300 thrifts. A "★" next to the thrift's name indicates that the thrift is currently in the conservatorship program; and a "†" indicates that the thrift was in the program and its status has been "resolved." **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) For SAIF-insured thrifts, it is "core capital"; (2) For BIF insured thrifts, it is "Tier 1" capital. As defined by Sheshunoff, **Core capital** is modified equity capital minus deferred losses minus goodwill and other intangible assets minus perpetual preferred stock plus (goodwill, other intangible assets, and FSLIC capital contributions) limited to 1½% of tangible assets. As defined by the FDIC, **Tier 1 capital** is total equity capital plus minority interests in consolidated subsidiaries minus all intangibles other than purchased mortgage servicing rights. **Please note:** the core capital figures reported to American Banker were checked against regulatory data. In some cases, American Banker changed the capital figure reported by the institution to agree with its regulatory report. **Capital/Assets(%):** is the ratio of yearend 1989 capital to yearend 1989 assets. **Charter Types: 1-**Mutual Savings Bank; **2-**Stock Savings Bank; **3-**Mutual Savings & Loan Association; **4-** Stock Savings & Loan Association. **Insurance Types:** 1-BIF-Insured; 2-SAIF-Insured. **(a)**— Yearend 1989 data are regulatory data for the thrift only. The 1988 data are consolidated for the thrift and its two subsidiaries in Iowa and Minnesota.

Compiled by American Banker, Copyright 1990.

Top 300 U.S. Thrift Institutions

In Order of Deposits, December 31, 1989, Compared with December 31, 1988

Rank 12/31/89		Deposits 12/31/89	Deposits 12/31/88	Rank 1988	Gain	Assets 12/31/89	Assets 12/31/88	Capital 12/31/89	Capital/ Assets(%)	Chart. Type	Insur. Type
201	Murray Federal Savings & Loan Assn., Dallas★	1,145,802,000	1,158,064,000	199		961,932,000	1,442,965,000	(346,457,000)	(36.02)	3	2
202	State Savings Bank, Columbus, Ohio	1,142,571,000	1,200,310,000	187		1,445,602,000	1,519,720,000	100,536,000	6.95	4	2
203	Standard Federal Savings & Loan Assn., Chicago	1,139,516,416	1,127,835,904	206	+3	1,227,951,810	1,211,541,380	68,091,000	5.55	3	2
204	County Bank, FSB Santa Barbara, Calif.	1,132,496,000	1,120,254,000	210	+6	1,432,853,000	1,431,895,000	28,918,000	2.02	2	2
205	Norstar Bank Central New York, Syracuse	1,120,933,000	1,170,322,000	192		1,387,409,000	1,407,719,000	101,523,000	7.32	2	1
206	Sooner Federal Savings Assn., Tulsa, Okla.★	1,101,932,000	1,239,312,000	178		1,429,721,000	1,751,151,000	(89,286,000)	(6.24)	3	2
207	American Savings Bank, FSB, Honolulu	1,100,873,000	966,293,000	240	+ 33	1,651,453,000	1,326,795,000	92,808,000	5.62	2	2
208	Centerbank, Waterbury, Conn.	1,098,271,000	1,316,928,000	165		1,863,458,000	2,041,345,000	193,729,000	10.40	2	1
209	United Postal Savings Assn., St. Louis, Mo.	1,092,349,000	1,167,407,000	195		1,410,708,000	1,428,832,000	48,921,000	3.47	3	2
210	Horizon Federal Savings Bank, Wilmette, Ill.★	1,088,591,000	1,054,603,000	220	+ 10	1,223,701,000	1,268,877,000	(95,457,000)	(7.80)	3	2
211	Commonwealth Federal Svgs. & Loan Assn., Ft. Lauderdale, Fla.★	1,085,588,000	1,324,592,000	164		1,407,729,000	1,702,691,000	(162,995,000)	(11.58)	3	2
212	Wilmington Savings Fund Society FSB, Del.	1,084,743,000	1,042,136,000	225	+ 13	1,434,151,000	1,349,012,000	88,747,000	6.19	2	1
213	Anchor Savings & Loan Assn., Madison, Wis.	1,073,004,000	1,053,559,753	221	+8	1,299,496,000	1,270,537,283	63,921,000	4.92	3	2
214	First Federal Savings & Loan Assn., Lincoln, Neb.	1,056,155,000	1,115,913,883	211		1,221,819,000	1,344,000,000	49,482,000	4.05	3	2
215	Cumberland Federal Savings Bank, Louisville, Ky.	1,049,207,000	746,829,000	304	+ 89	1,353,550,000	1,151,699,000	60,191,000	4.45	2	2
216	Connecticut Savings Bank, New Haven	1,042,713,000	1,050,551,000	223	+7	1,259,126,000	1,250,297,000	81,250,000	6.45	1	1
217	Morris Savings Bank, Morristown, N.J.	1,038,904,000	1,020,676,000	227	+ 10	1,130,341,000	1,105,674,000	70,948,000	6.28	2	1
218	Columbia Savings Bank, SLA, Fair Lawn, N.J.	1,032,797,966	1,014,495,000	231	+ 13	1,229,942,732	1,236,008,000	62,487,443	5.08	3	2
219	The First, FA, Orlando, Fla.	1,031,897,902	1,045,458,560	224	+5	1,247,846,000	1,276,537,090	15,937,000	1.28	3	2
220	Second National Federal Savings Bank, Salisbury, Md.	1,029,821,000	860,947,000	262	+ 42	1,510,785,000	1,210,051,000	65,260,000	4.32	2	2
221	Ridgewood Savings Bank, Queens, New York	1,022,730,350	1,015,117,348	230	+9	1,155,234,904	1,144,355,623	124,322,830	10.76	1	1
222	Amoskeag Bank, Manchester, N.H.	1,016,892,000	1,083,749,000	216		1,377,944,000	1,614,779,000	53,024,000	3.85	2	1
223	Metropolitan Federal Bank of Iowa, Mason City	1,016,339,000	1,039,453,000	226	+3	1,139,622,000	1,265,246,000	58,742,000	5.15	4	2
224	Superior Bank, FSB, Oakbrook Terrace, Ill.	1,007,900,000	1,137,473,000	204		1,261,807,000	1,526,876,000	44,044,000	3.49	2	2
225	South Boston Savings Bank, Boston	1,004,578,000	1,004,771,000	235	+ 10	1,441,694,000	1,398,856,000	102,160,000	7.09	2	1
226	First Atlantic Savings & Loan Assn., South Plainfield, N.J.★	1,002,288,503	1,099,822,000	213		1,296,681,973	1,395,633,000	(325,000)	(0.03)	3	2
227	Santander Federal Savings Bank, Bayamon, P.R.	997,838,405	606,022,303	...		1,061,115,581	1,252,052,058	55,833,000	5.26	2	2
228	Sandia Federal Savings & Loan Assn., Albuquerque, N.M.★	990,959,000	1,075,413,000	217		612,881,000	747,076,000	(748,969,000)	(122.20)	3	2
229	Coreast Savings Bank, FSB, Richmond	990,806,000	980,897,000	239	+ 10	1,262,075,000	1,171,922,000	45,016,000	3.57	2	2
230	Mutual Savings Bank of Wisconsin, Milwaukee	987,387,230	990,397,429	237	+7	1,114,107,333	1,107,874,469	97,606,477	8.76	1	2
231	First Federal Savings Bank & Trust, Pontiac, Mich.	979,219,000	1,013,136,000	232	+1	1,447,188,000	1,543,951,000	43,758,000	3.02	4	2
232	Security Savings Bank, SLA, Vineland, N.J.	976,104,000	992,119,000	236	+4	1,528,470,000	1,506,945,000	43,993,000	2.88	2	2
233	Ameribanc Savings Bank, Annandale, Va.	975,954,000	900,664,000	252	+ 19	1,333,166,000	1,271,726,000	58,983,000	4.42	2	2
234	Ponce Federal Bank, FSB, P.R.	973,156,251	705,850,031	325	+ 91	1,367,127,663	1,248,408,467	67,776,569	4.96	2	2
235	New Bedford Institution for Savings, Mass.	971,500,000	930,420,000	248	+ 13	1,202,182,000	1,160,134,000	197,640,000	16.44	2	1
236	ComFed Savings Bank, Lowell, Mass.	970,830,000	1,012,212,000	234		1,504,435,000	1,710,806,000	45,318,000	3.01	2	2
237	Hunter Savings Assn., Cincinnati	962,200,000	963,120,000	241	+4	1,266,642,000	1,302,915,000	71,968,000	5.68	4	2
238	Springfield Institution for Savings, Mass.	959,448,000	885,675,000	254	+ 16	1,082,302,000	1,048,674,000	93,480,000	8.64	1	1
239	Security Savings & Loan Assn., Scottsdale, Ariz.★	958,203,000	1,051,702,000	222		521,341,000	626,922,000	(570,770,000)	(109.48)	4	2
240	American Charter Federal S & L Assn., Lincoln, Neb.	950,571,000	948,079,000	244	+4	1,386,736,000	1,522,734,000	(2,013,000)	(0.15)	3	2
241	Republic Federal Savings & Loan Assn., Los Angeles	949,113,000	1,012,802,000	233		1,614,692,000	2,042,694,000	30,217,000	1.87	4	2
242	Baltimore Federal Financial, FSA★	945,752,000	1,241,765,000	177		1,183,832,000	1,536,920,000	(265,433,000)	(22.42)	3	2
243	Pathway Financial, FA, Chicago	929,338,000	944,717,000	247	+4	1,169,903,000	1,364,302,000	37,650,000	3.22	4	2
244	First Home Federal Savings & Loan Assn., Greensboro, N.C.	929,302,000	881,754,000	257	+ 13	1,176,802,000	1,297,835,000	39,137,000	3.33	4	2
245	Security First Fed. S & L Assn., Daytona Beach, Fla.	927,903,000	988,551,000	238		1,115,144,000	1,144,006,000	(11,853,000)	(1.06)	3	2
246	Great Financial Federal S & L Assn., Louisville, Ky.	925,374,000	869,645,078	260	+ 14	1,084,631,000	1,023,291,040	102,016,000	9.41	3	2
247	Hawthorne Savings & Loan Assn., Calif.	923,577,779	864,343,351	261	+ 14	1,051,034,939	948,584,024	78,980,000	7.51	4	2
248	Metropolitan Federal S & L Assn., Nashville, Tenn.	921,340,000	911,713,000	251	+3	1,164,368,000	1,166,935,000	81,731,000	7.02	4	2
249	Mid-America Federal Savings & Loan Assn., Columbus, Ohio	916,374,000	949,275,000	243		1,275,106,000	1,369,409,000	(42,413,000)	(3.33)	3	2
250	Firstrust Savings Bank, Philadelphia	916,000,000	811,731,000	279	+ 29	1,210,000,000	1,114,000,000	155,989,000	12.89	2	1
251	Eastern Savings Bank, Lynn, Mass.	909,319,000	838,756,000	270	+ 19	987,688,000	958,214,000	48,443,000	4.90	1	1
252	Mechanics & Farmers Savings Bank, FSB, Bridgeport, Conn.	906,957,000	946,981,966	245		1,297,239,000	1,283,086,462	48,298,000	3.72	1	1
253	Sun State Savings & Loan Assn., Phoenix, Ariz.★	901,683,000	883,909,000	256	+3	825,785,000	1,083,084,000	(216,134,000)	(26.17)	3	2
254	Worcester County Institution for Savings, Worcester, Mass	895,295,000	819,697,000	278	+ 24	1,157,577,000	1,067,529,000	128,621,000	11.11	2	1
255	Coast Federal Savings & Loan Assn., Sarasota, Fla.	880,510,000	845,073,000	268	+ 13	1,170,287,000	1,183,263,000	48,914,000	4.18	4	2
256	Pacific Southwest Savings Bank, FSB, Corpus Christi, Tex.	879,498,000	1,059,601,000	219		1,075,768,000	1,164,768,000	36,992,000	3.44	2	2
257	Broadview Federal Savings Bank, Cleveland★	878,032,000	1,125,375,000	208		1,383,141,000	1,756,676,000	(60,839,000)	(4.40)	3	2
258	Franklin Federal Bancorp, FSB, Austin, Tex.	876,025,000	1,316,300,000	166		1,871,720,000	1,776,668,000	35,637,000	1.90	4	2
259	First Indiana Bank, FSB, Indianapolis	875,689,000	731,807,000	311	+ 52	1,169,642,000	1,177,675,000	66,829,000	5.71	2	2
260	Mid-State Federal Savings Bank, Ocala, Fla.	862,787,000	875,408,000	259		1,011,876,000	1,037,572,000	52,703,000	5.21	2	2
261	Duval Fed. Savings & Loan Assn., Jacksonville, Fla.★	857,038,000	960,769,000	242		1,027,373,000	1,206,218,000	(40,310,000)	(3.92)	3	2
262	Commonwealth Federal S & L Assn., Norristown, Pa.	852,542,000	858,364,000	264	+2	1,106,127,000	1,126,923,000	59,754,000	5.40	3	2
263	American Federal Bank, FSB, Greenville, S.C.	849,885,000	834,298,000	272	+9	1,114,535,000	1,084,022,000	3,255,000	0.29	2	2
264	Penn Savings Bank, FSB, Wyomissing, Pa.	847,134,000	749,555,000	302	+ 38	1,156,542,000	1,111,358,000	49,338,000	4.27	2	2
265	Harris Savings Assn., Harrisburg, Pa.	846,415,000	791,872,000	287	+ 22	964,889,000	939,101,000	65,379,000	6.78	3	2
266	First Capital Financial Corp., Aurora, Colo.	842,966,000	875,689,000	258		1,077,683,000	1,224,019,000	(48,673,000)	(4.52)	4	2
267	Century Federal Savings & Loan Assn., Pasadena, Calif.	841,844,000	885,527,000	255		1,053,931,000	1,151,250,000	43,674,000	4.14	3	2
268	Northwestern Savings & Loan Assn., Chicago	838,854,000	820,337,000	276	+8	1,308,197,000	1,250,495,000	131,607,000	10.06	3	2
269	Olympic Federal Savings & Loan Assn., Berwyn, Ill.	835,082,000	800,324,000	283	+ 14	1,145,568,000	1,049,234,000	(77,253,000)	(6.74)	3	2
270	Commerce Savings Assn., San Antonio, Tex.★	824,849,000	800,482,000	282	+ 12	538,973,000	810,756,000	(301,627,000)	(55.96)	4	2
271	Roslyn Savings Bank, N.Y.	823,603,784	805,088,268	280	+9	970,399,662	930,138,162	118,954,000	12.26	1	1
272	Home Savings Bank, FSB, Hollywood, Fla.	819,667,919	859,042,866	263		895,167,781	972,538,443	63,176,000	7.06	1	2
273	Diamond Savings & Loan Co., Findlay, Ohio	818,815,000	682,812,000	334	+ 61	1,009,604,000	856,774,000	44,666,000	4.42	4	2
274	First Western Savings Assn., Las Vegas, Nev.	816,873,000	833,929,351	273		1,189,860,000	1,319,834,335	51,920,000	4.36	4	2
275	Gateway Bank, Norwalk, Conn.	815,418,000	773,729,000	294	+ 19	1,289,823,000	1,229,830,000	112,793,000	8.74	2	1
276	American Federal S & L Assn of Iowa, Des Moines★	811,767,405	832,865,034	274		915,300,702	1,066,410,415	(20,284,000)	(2.22)	3	2
277	New Brunswick Savings Bank, N.J.	807,356,000	776,952,000	292	+ 15	902,439,000	838,917,000	86,781,000	9.62	2	1
278	United Savings Bank, FSB, San Francisco	807,303,000	750,353,000	301	+ 23	1,018,828,000	1,000,302,000	47,064,000	4.62	4	2
279	Stockton Savings & Loan Assn., Calif.	805,121,000	771,351,000	296‡	+17	1,010,290,000	954,520,000	52,341,000	5.18	4	2
280	Long Beach Savings & Loan Assn., Calif.	802,264,000	631,577,000	...		872,153,000	695,311,000	37,059,000	4.25	4	2
281	Bexar Savings Assn., San Antonio, Tex.★	800,085,000	799,152,000	284	+3	544,134,000	818,800,000	(402,050,000)	(73.89)	4	2
282	American Savings Bank, New Britain, Conn.	798,069,543	763,327,348	298	+ 16	914,141,478	867,675,761	101,191,350	11.07	1	1
283	Staten Island Savings Bank, New York	795,490,000	765,612,000	297	+ 14	870,736,000	834,557,000	73,457,000	8.44	1	1
284	United Federal Savings Bank of Iowa, Des Moines	792,482,000	796,212,876	285	+1	999,735,000	984,596,913	2,837,000	0.28	3	2
285	Union Federal Savings Bank, Indianapolis	790,356,000	845,971,708	266		1,280,332,000	1,296,234,715	42,982,000	3.36	2	2
286	New Hampshire Savings Bank, Concord	787,824,000	803,719,000	281		935,675,000	1,086,273,000	4,400,000	0.47	2	1
287	First Federal Savings & Loan Assn., Fort Myers, Fla.	787,538,000	762,633,000	299	+ 12	876,370,000	844,949,000	77,943,000	8.89	4	2
288	Central Federal Savings, FSB, Mineola, N.Y.	786,430,000	776,125,779	293	+5	953,174,000	966,161,881	(53,507,000)	(5.61)	1	2
289	Financial Federal Trust & Savings Bank, Olympia Fields, Ill.	786,261,418	745,709,000	305	+ 16	843,039,785	1,018,720,000	49,516,000	5.87	1	2
290	Home Savings & Loan Co., Youngstown, Ohio	784,330,000	790,387,000	288		853,818,000	855,030,000	62,859,000	7.36	3	2
291	Heritage Federal Savings Bank, Taylor, Mich.	781,457,000	915,079,000	250		915,202,000	969,691,000	53,155,000	5.81	2	2
292	Continental Federal Savings Bank, Fairfax, Va.	778,921,717	794,896,000	286		1,115,944,816	1,125,680,000	64,651,065	5.79	2	2
293	Home Federal Bank of Tennessee, FSB, Knoxville	774,832,000	770,434,000	295	+2	854,614,000	848,882,000	64,775,000	7.58	1	2
294	Citicorp Savings of Washington, D.C., FS&LA	774,782,187	674,969,000	338	+ 44	1,211,203,000	1,071,264,000	268,139,000	22.14	4	2
295	Bell Savings & Loan Assn., Upper Darby, Pa.	774,238,000	506,902,000	...		932,966,000	714,394,000	47,781,000	5.12	4	2
296	Heart Federal Savings & Loan Assn., Auburn, Calif.	773,149,000	679,223,000	336	+ 40	879,517,000	770,783,000	62,136,000	7.06	4	2
297	Poughkeepsie Savings Bank, FSB, N.Y.	772,574,033	845,843,000	267		1,607,019,414	1,749,190,000	84,377,000	5.25	2	2
298	Charter Federal Savings Bank, Bristol, Va.	772,321,000	743,942,000	306	+8	1,023,445,000	1,014,955,000	(1,255,000)	(0.12)	3	2
299	Berkeley Federal Savings Bank, Millburn, N.J.	769,096,610	727,964,461	314	+ 15	887,337,089	978,423,296	16,104,000	1.81	1	2
300	Queens County Savings Bank, Queens, New York	759,004,567	755,528,391	300		833,675,236	825,163,806	73,564,833	8.82	1	1

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Also, data from **W.C. Ferguson & Co.,** Irving, Tex., were used to determine yearend 1989 Resolution Trust Corp. conservatorship status of the top 300 thrifts. A **"★"** next to the thrift's name indicates that the thrift is currently in the conservatorship program; and a **"†"** indicates that the thrift was in the program and its status has been "resolved." **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Capital:** (1) For SAIF-insured thrifts, it is "core capital"; (2) For BIF insured thrifts, it is "Tier 1" capital. As defined by Sheshunoff, **Core capital** is modified equity capital minus deferred losses minus goodwill and other intangible assets minus perpetual preferred stock plus (goodwill, other intangible assets, and FSLIC capital contributions) limited to 1½% of tangible assets. As defined by the FDIC, **Tier 1 capital** is total equity capital plus minority interests in consolidated subsidiaries minus all intangibles other than purchased mortgage servicing rights. **Please note:** the core capital figures reported to American Banker were checked against regulatory data. In some cases, American Banker changed the capital figure reported by the institution to agree with its regulatory report. **Capital/Assets(%):** is the ratio of yearend 1989 capital to yearend 1989 assets. **Charter Types: 1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types:** 1-BIF-Insured; 2-SAIF-Insured. **(‡)**— Rank thrift would have had, if it had been included in the survey.

Compiled by American Banker, Copyright 1990.

Top 300 Thrifts in the United States

Listed geographically in order of deposit size within states

Rank 12/89		Deposits 12/31/89
	ALABAMA	
128	Secor Bank, FSB, Birmingham	1,653,507,000
160	Altus Bank, FSB, Mobile	1,358,602,000
	ARIZONA	
27	MeraBank, FSB, Phoenix★	4,746,485,000
37	Western Savings & Loan Assn., FA, Phoenix★	4,164,489,000
98	Pima Savings & Loan Assn., Tucson★	2,128,117,000
129	Southwest Savings & Loan Assn., FA, Phoenix★	1,643,261,000
239	Security Savings & Loan Assn., Scottsdale★	958,203,000
253	Sun State Savings & Loan Assn., Phoenix★	901,683,000
	ARKANSAS	
199	First Savings of Arkansas, FA, Little Rock★	1,152,426,000
	CALIFORNIA	
1	Home Savings of America, FA, Irwindale	33,100,655,000
2	Great Western Bank, FSB, Beverly Hills	23,117,689,000
3	Glendale Federal Bank, FSB	15,869,180,000
4	California Federal Bank, FSB, Los Angeles	15,194,340,000
5	American Savings Bank, FA, Irvine	13,639,461,000
6	Homefed Bank, FSB, San Diego	13,034,251,000
7	First Nationwide Bank, FSB, San Francisco	11,925,000,000
8	World Savings, FS&LA, Oakland	11,457,331,000
9	Great American Bank, SSB, San Diego	11,419,312,000
14	Coast Savings & Loan Assn., Los Angeles	8,904,590,000
16	Columbia Savings & Loan Assn., Beverly Hills	7,828,652,784
19	Gibraltar Savings FA, Simi Valley★	6,989,625,000
20	Imperial Savings Assn., San Diego★	6,624,900,000
25	Citicorp Savings, FS&LA, San Francisco	4,906,184,000
45	Western Fed. Savings & Loan Assn., Marina Del Rey	3,562,843,000
48	FarWest Savings & Loan Assn., Newport Beach	3,468,330,000
49	Household Bank, FSB, Newport Beach	3,454,676,000
53	Fidelity Federal Bank, FSB, Glendale	3,327,214,000
57	Downey Savings & Loan Assn., Newport Beach	3,192,465,000
61	Lincoln Savings & Loan Assn., FA, Los Angeles★	2,907,620,000
74	Sears Savings Bank, Glendale	2,624,691,000
76	San Francisco Federal Savings & Loan Assn.	2,603,975,000
77	Homestead Savings, FS&LA, Millbrae	2,593,236,000
87	Valley Federal S & L Assn., Van Nuys	2,361,607,000
100	Sacramento Savings & Loan Assn.	2,074,869,000
109	Santa Barbara Savings & Loan Assn.	1,904,401,000
111	Bay View Federal Bank, FSB, San Mateo	1,855,091,000
114	Mercury Savings & Loan Assn., Huntington Beach★	1,792,124,000
124	Southern California Savings, FS&LA, Beverly Hills	1,688,743,000
133	Union Federal Savings Bank, Los Angeles	1,582,149,000
136	First Federal Bank of California, Santa Monica	1,553,242,000
138	EurekaBank, Foster City	1,531,821,198
152	Western Financial Savings Bank, Irvine	1,410,991,000
156	Beverly Hills Federal Savings Bank	1,387,896,000
181	Pomona First Fed. Savings & Loan Assn.	1,224,876,000
204	County Bank, FSB Santa Barbara	1,132,496,000
241	Republic Federal Savings & Loan Assn., Los Angeles	949,113,000
247	Hawthorne Savings & Loan Assn.	923,577,779
267	Century Federal Savings & Loan Assn., Pasadena	841,844,000
278	United Savings Bank, FSB, San Francisco	807,303,000
279	Stockton Savings & Loan Assn.	805,121,000
280	Long Beach Savings & Loan Assn.	802,264,000
296	Heart Federal Savings & Loan Assn., Auburn	773,149,000
	COLORADO	
51	Columbia Savings, FS&LA, Englewood	3,389,404,000
95	Bank Western, FSB, Denver	2,231,557,000
266	First Capital Financial Corp., Aurora	842,966,000
	CONNECTICUT	
24	People's Bank, Bridgeport	5,576,065,000
40	Northeast Savings, FA, Hartford	3,847,120,000
64	Society for Savings, Hartford	2,831,844,000
135	First Constitution Bank, New Haven	1,579,211,000
178	New Haven Savings Bank	1,241,023,000
208	Centerbank, Waterbury	1,098,271,000
216	Connecticut Savings Bank, New Haven	1,042,713,000
252	Mechanics & Farmers Savings Bank, FSB, Bridgeport	906,957,000
275	Gateway Bank, Norwalk	815,418,000
282	American Savings Bank, New Britain	798,069,543
	DELAWARE	
212	Wilmington Savings Fund Society FSB	1,084,743,000
	DISTRICT OF COLUMBIA	
294	Citicorp Savings of Washington, D.C., FS&LA	774,782,187
	FLORIDA	
23	CenTrust Bank, SSB, Miami★	5,922,475,000
52	American Savings & Loan Assn. of Florida, Miami	3,357,691,000
58	AmeriFirst Bank, FSB, Miami	3,183,573,000
60	Citizens Federal Bank, FSB, Miami	2,989,776,000
73	Florida Federal Savings Bank, St. Petersburg	2,644,954,000
93	Fortune Savings Bank, Clearwater	2,251,711,000
103	Coral Gables Federal Savings & Loan Assn.	2,053,107,331
145	Citicorp Savings of Florida, FS&LA, Miami	1,507,286,000
148	BankAtlantic, FSB, Fort Lauderdale	1,430,219,000
149	Pioneer Savings Bank, Clearwater★	1,419,810,000
154	Flagler Federal Savings & Loan Assn., Miami	1,404,566,000
158	American Pioneer Savings Bank, Orlando	1,381,212,000
161	Hollywood Federal Savings & Loan Assn.	1,346,875,000
167	Beach Federal Savings & Loan Assn., Boynton Beach	1,288,593,000
	FLORIDA (continued)	
169	BancFlorida, FSB, Naples	1,285,797,000
186	Chase Federal Bank, Miami	1,197,488,058
193	Financial Fed. Savings & Loan Assn., Miami Lakes	1,172,709,000
211	Commonwealth Federal Savings & Loan Assn., Ft. Lauderdale★	1,085,588,000
219	The First, FA, Orlando	1,031,897,902
245	Security First Fed. S & L Assn., Daytona Beach	927,903,000
255	Coast Federal Savings & Loan Assn., Sarasota	880,510,000
260	Mid-State Federal Savings Bank, Ocala	862,787,000
261	Duval Fed. Savings & Loan Assn., Jacksonville★	857,038,000
272	Home Savings Bank, FSB, Hollywood	819,667,919
287	First Federal Savings & Loan Assn., Fort Myers	787,538,000
	GEORGIA	
68	Georgia Federal Bank, FSB, Atlanta	2,755,412,000
122	Decatur Federal Savings & Loan Assn.	1,698,255,000
142	Fulton Federal Savings Bank, Atlanta	1,514,958,000
	HAWAII	
99	HonFed Bank, FSB, Honolulu	2,081,110,000
207	American Savings Bank, FSB, Honolulu	1,100,873,000
	ILLINOIS	
29	Talman Home Federal Savings & Loan Assn., Chicago	4,403,945,000
43	Citicorp Savings of Illinois, FS&LA, Chicago	3,713,444,000
79	St. Paul Federal Bank for Savings, Chicago	2,560,900,000
97	Champion Federal Savings & Loan Assn., Bloomington	2,148,635,140
107	Cragin Federal Bank for Savings, Chicago	1,922,937,309
130	Bell Federal Savings & Loan Assn., Chicago	1,635,284,000
177	United Savings of America, FS&LA, Chicago	1,243,617,162
182	Mid America Federal Savings Bank, Clarendon Hills	1,223,987,000
203	Standard Federal Savings & Loan Assn., Chicago	1,139,516,416
210	Horizon Federal Savings Bank, Wilmette★	1,088,591,000
224	Superior Bank, FSB, Oakbrook Terrace	1,007,900,000
243	Pathway Financial, FA, Chicago	929,338,000
268	Northwestern Savings & Loan Assn., Chicago	838,854,000
269	Olympic Federal Savings & Loan Assn., Berwyn	835,082,000
289	Financial Federal Trust & Savings Bank, Olympia Fields	786,261,418
	INDIANA	
259	First Indiana Bank, FSB, Indianapolis	875,689,000
285	Union Federal Savings Bank, Indianapolis	790,356,000
	IOWA	
223	Metropolitan Federal Bank of Iowa, Mason City	1,016,339,000
276	American Federal S & L Assn of Iowa, Des Moines★	811,767,405
284	United Federal Savings Bank of Iowa, Des Moines	792,482,000
	KANSAS	
32	Franklin Savings Assn., Ottawa★	4,377,876,000
70	Capitol Federal Savings & Loan Assn., Topeka	2,739,938,000
163	Peoples Heritage Savings, FS&LA, Salina†	1,324,861,000
	KENTUCKY	
215	Cumberland Federal Savings Bank, Louisville	1,049,207,000
246	Great Financial Federal S & L Assn., Louisville	925,374,000
	LOUISIANA	
92	Oak Tree Savings Bank, SSB, New Orleans	2,256,907,000
144	Pelican Homestead & Savings Assn., Metairie	1,512,364,000
	MAINE	
112	Peoples Heritage Savings Bank, Portland	1,820,263,000
151	Maine Savings Bank, Portland	1,415,224,000
	MARYLAND	
33	Chevy Chase Savings Bank, FSB	4,360,201,000
140	Loyola Federal Savings & Loan Assn., Baltimore	1,528,409,000
173	Standard Federal Savings Bank, Gaithersburg	1,254,210,000
220	Second National Federal Savings Bank, Salisbury	1,029,821,000
242	Baltimore Federal Financial, FSA★	945,752,000
	MASSACHUSETTS	
66	Home Owners Savings Bank, FSB, Boston	2,822,396,000
123	Boston Five Cents Savings Bank FSB	1,695,871,000
180	First Mutual of Boston	1,228,762,000
184	Neworld Bank, Boston	1,219,947,000
191	Heritage Bank for Savings, Holyoke	1,176,678,000
195	Provident Institution for Savings, Boston	1,165,533,604
225	South Boston Savings Bank, Boston	1,004,578,000
235	New Bedford Institution for Savings	971,500,000
236	ComFed Savings Bank, Lowell	970,830,000
238	Springfield Institution for Savings	959,448,000
251	Eastern Savings Bank, Lynn	909,319,000
254	Worcester County Institution for Savings, Worcester	895,295,000
	MICHIGAN	
22	Standard Federal Bank, Troy	6,167,305,000
35	First Federal of Michigan, Detroit	4,347,180,000
108	Great Lakes Bancorp, Ann Arbor	1,921,299,000
194	D&N Savings Bank, FSB, Hancock	1,167,718,000
231	First Federal Savings Bank & Trust, Pontiac	979,219,000
291	Heritage Federal Savings Bank, Taylor	781,457,000
	MINNESOTA	
54	TCF Bank Savings, FSB, Minneapolis	3,322,514,000
89	First Minnesota Savings Bank, FSB, St. Paul	2,303,802,000
104	Midwest Savings Assn., FA, Minneapolis★	2,017,683,000

Data sources: American Banker questionnaire. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Data from **W.C. Ferguson & Co.,** Irving, Tex. were used to determine Resolution Trust Corp. conservatorship status of the top 300 thrifts. **(★)**— The thrift is in the RTC conservatorship program at yearend. **(†)**— The thrift was in the RTC conservatorship program and its status has been "resolved."

Compiled by American Banker, Copyright 1990.

Top 300 Thrifts in the United States

Listed geographically in order of deposit size within states

Rank 12/89		Deposits 12/31/89
-	**MISSOURI**	
65	**Home Savings Assn. of Kansas City, FA**	2,827,758,000
80	**Farm & Home Savings Assn., Nevada**	2,489,071,000
85	**Community Federal Savings & Loan Assn., St. Louis**	2,373,935,000
190	**Roosevelt Bank, FSB, Chesterfield**	1,181,997,000
209	**United Postal Savings Assn., St. Louis**	1,092,349,000
	NEBRASKA	
72	**Commercial Federal Savings & Loan Assn., Omaha**	2,680,267,550
214	**First Federal Savings & Loan Assn., Lincoln**	1,056,155,000
240	**American Charter Federal S & L Assn., Lincoln**	950,571,000
	NEVADA	
137	**PriMerit Bank, Las Vegas**	1,538,378,000
274	**First Western Savings Assn., Las Vegas**	816,873,000
	NEW HAMPSHIRE	
222	**Amoskeag Bank, Manchester**	1,016,892,000
286	**New Hampshire Savings Bank, Concord**	787,824,000
	NEW JERSEY	
21	**City Savings Bank, FSB, Somerset, N.J.★**	6,305,261,000
28	**Howard Savings Bank, Newark**	4,648,228,000
36	**Carteret Savings Bank, FA, Morristown**	4,272,447,000
63	**Hudson City Savings Bank, Paramus**	2,870,671,981
132	**Collective Federal Savings Bank, Egg Harbor City**	1,620,418,000
162	**Provident Savings Bank, Jersey City**	1,346,853,000
174	**Investors Savings & Loan Assn., Millburn**	1,253,055,588
200	**Crestmont Federal Savings & Loan Assn., Edison**	1,151,157,000
217	**Morris Savings Bank, Morristown**	1,038,904,000
218	**Columbia Savings Bank, SLA, Fair Lawn**	1,032,797,966
226	**First Atlantic Savings & Loan Assn., South Plainfield★**	1,002,288,503
232	**Security Savings Bank, SLA, Vineland**	976,104,000
277	**New Brunswick Savings Bank**	807,356,000
299	**Berkeley Federal Savings Bank, Millburn**	769,096,610
	NEW MEXICO	
146	**ABQ Bank, FSB, Albuquerque★**	1,469,705,000
228	**Sandia Federal Savings & Loan Assn., Albuquerque★**	990,959,000
	NEW YORK	
11	**Dime Savings Bank of New York FSB, Garden City**	9,759,151,000
12	**Goldome, Buffalo**	9,375,653,000
13	**CrossLand Savings FSB, Brooklyn, New York**	8,994,087,000
15	**Empire of America Federal Savings Bank, Buffalo★**	7,947,151,000
18	**Anchor Savings Bank, FSB, Northport**	7,027,918,000
30	**Dollar Dry Dock Bank, White Plains**	4,396,064,000
31	**Long Island Savings Bank FSB, Melville**	4,388,823,000
38	**Green Point Savings Bank, Brooklyn, New York**	4,071,846,000
41	**First Federal Savings & Loan Assn., Rochester**	3,830,525,000
46	**Apple Bank For Savings, New York**	3,484,459,000
50	**American Savings Bank, FSB, White Plains**	3,451,664,000
55	**Emigrant Savings Bank, New York**	3,269,328,640
67	**Manhattan Savings Bank, New York**	2,808,207,000
75	**Rochester Community Savings Bank**	2,612,964,000
78	**Williamsburgh Savings Bank, Brooklyn, New York**	2,569,642,000
83	**Astoria Federal Savings & Loan Assn., Queens, New York**	2,406,531,549
90	**Lincoln Savings Bank, FSB, New York**	2,264,983,000
91	**Greater New York Savings Bank, New York**	2,259,862,000
94	**Seamen's Bank for Savings, FSB, New York**	2,245,416,000
101	**River Bank America, New York**	2,059,645,000
116	**Albany Savings Bank FSB**	1,776,275,000
134	**East New York Savings Bank, New York**	1,581,848,000
143	**Ensign Bank FSB, New York**	1,514,718,000
150	**Peoples Westchester Savings Bank, Hawthorne**	1,416,583,000
159	**Independence Savings Bank, Brooklyn, New York**	1,370,272,837
165	**Fidelity New York, FSB, Floral Park**	1,302,889,000
175	**Jamaica Savings Bank FSB, Lynbrook**	1,249,320,185
179	**Columbia Banking Federal S & L Assn., Rochester**	1,232,825,000
187	**North Side Savings Bank, Bronx, New York**	1,193,979,000
189	**Onondaga Savings Bank, Syracuse**	1,182,474,000
192	**Columbia Federal Savings Bank, Queens, New York**	1,175,020,776
196	**Home Savings Bank, Brooklyn, New York**	1,161,365,000
198	**Roosevelt Savings Bank, Garden City**	1,158,526,000
205	**Norstar Bank Central New York, Syracuse**	1,120,933,000
221	**Ridgewood Savings Bank, Queens, New York**	1,022,730,350
271	**Roslyn Savings Bank**	823,603,784
283	**Staten Island Savings Bank, New York**	795,490,000
288	**Central Federal Savings, FSB, Mineola**	786,430,000
297	**Poughkeepsie Savings Bank, FSB**	772,574,033
300	**Queens County Savings Bank, Queens, New York**	759,004,567
	NORTH CAROLINA	
244	**First Home Federal Savings & Loan Assn., Greensboro**	929,302,000
	NORTH DAKOTA	
147	**Metropolitan Federal Bank, FSB, Fargo**	1,458,228,000
	OHIO	
44	**Transohio Savings Bank, Cleveland**	3,633,227,000
86	**Third Federal Savings & Loan Assn., Cleveland**	2,368,876,000
106	**Citizens Federal Savings & Loan Assn., Dayton**	2,009,469,000
113	**First Federal Savings Bank, Cleveland**	1,799,578,000
155	**Ohio Savings Bank, Cleveland**	1,388,445,793
157	**Cardinal Federal Savings Bank, Cleveland**	1,384,075,000
185	**First Federal Savings & Loan Assn., Toledo**	1,217,418,000
188	**Gem Savings Assn., Dayton**	1,186,097,743
	OHIO (continued)	
202	**State Savings Bank, Columbus**	1,142,571,000
237	**Hunter Savings Assn., Cincinnati**	962,200,000
249	**Mid-America Federal Savings & Loan Assn., Columbus**	916,374,000
257	**Broadview Federal Savings Bank, Cleveland★**	878,032,000
273	**Diamond Savings & Loan Co., Findlay**	818,815,000
290	**Home Savings & Loan Co., Youngstown**	784,330,000
	OKLAHOMA	
206	**Sooner Federal Savings Assn., Tulsa★**	1,101,932,000
	OREGON	
56	**Benjamin Franklin Federal S & L Assn., Portland★**	3,213,813,000
139	**Far West Federal Bank, Portland**	1,529,193,765
	PENNSYLVANIA	
10	**Meritor Savings Bank, Philadelphia**	10,503,153,000
26	**Atlantic Financial Savings, FA, Bala Cynwyd★**	4,876,399,000
84	**First Federal Savings & Loan Assn., Pittsburgh**	2,389,187,000
102	**Dollar Bank, FSB, Pittsburgh**	2,055,604,000
141	**Horizon Financial, FA, Southampton★**	1,528,107,000
168	**Germantown Savings Bank, Bala Cynwyd**	1,286,656,000
170	**Beneficial Savings Bank, Philadelphia**	1,284,346,000
183	**Landmark Savings Assn., Pittsburgh**	1,219,980,000
250	**Firstrust Savings Bank, Philadelphia**	916,000,000
262	**Commonwealth Federal S & L Assn., Norristown**	852,542,000
264	**Penn Savings Bank, FSB, Wyomissing**	847,134,000
265	**Harris Savings Assn., Harrisburg**	846,415,000
295	**Bell Savings & Loan Assn., Upper Darby**	774,238,000
	PUERTO RICO	
166	**First Federal Savings Bank, Santurce**	1,301,317,423
172	**Caguas Central Federal Savings Bank, San Juan**	1,273,052,000
227	**Santander Federal Savings Bank, Bayamon**	997,838,405
234	**Ponce Federal Bank, FSB**	973,156,251
	RHODE ISLAND	
82	**Old Stone Bank, FSB, Providence**	2,482,619,000
131	**Citizens Savings Bank, Providence**	1,624,627,000
	SOUTH CAROLINA	
117	**First Federal Savings & Loan Assn., Greenville**	1,769,212,090
263	**American Federal Bank, FSB, Greenville**	849,885,000
	TENNESSEE	
120	**Leader Federal Bank for Savings, Memphis**	1,724,972,000
248	**Metropolitan Federal S & L Assn., Nashville**	921,340,000
293	**Home Federal Bank of Tennessee, FSB, Knoxville**	774,832,000
	TEXAS	
17	**First Gibraltar Bank, FSB, Dallas**	7,555,575,000
39	**Southwest Savings Assn., Dallas**	3,901,861,000
42	**Sunbelt Savings, FSB, Dallas**	3,718,284,000
62	**San Jacinto Savings Assn., Houston**	2,905,465,000
69	**Guaranty Federal Savings Bank, Dallas**	2,742,963,000
71	**Bright Banc Savings Assn., Dallas†**	2,707,743,000
81	**United Savings Assn. of Texas, FSB, Houston**	2,484,633,000
88	**Amwest Savings Assn., Bryan**	2,344,522,000
96	**Guardian Savings & Loan Assn., Houston**	2,154,446,000
110	**San Antonio Savings Assn., FA†**	1,901,593,000
115	**Bluebonnet Savings Bank, FSB, Dallas**	1,785,407,000
119	**American Federal Bank, FSB, Dallas**	1,757,828,000
121	**Commonwealth Federal Savings Assn., Houston★**	1,709,148,000
126	**Benjamin Franklin Federal Savings Assn., Houston★**	1,660,090,000
164	**Gill Savings Assn., San Antonio★**	1,306,536,000
197	**Heights of Texas, FSB, Houston**	1,159,079,000
201	**Murray Federal Savings & Loan Assn., Dallas★**	1,145,802,000
256	**Pacific Southwest Savings Bank, FSB, Corpus Christi**	879,498,000
258	**Franklin Federal Bancorp, FSB, Austin**	876,025,000
270	**Commerce Savings Assn., San Antonio★**	824,849,000
281	**Bexar Savings Assn., San Antonio★**	800,085,000
	UTAH	
171	**American Savings, FS&LA, Salt Lake City★**	1,277,118,000
	VIRGINIA	
34	**Perpetual Savings Bank, FSB, McLean**	4,353,178,000
125	**Investors Savings Bank, Richmond**	1,681,592,000
127	**Trustbank Savings, FSB, McLean**	1,656,206,000
176	**Columbia First Bank, FSB, Arlington**	1,248,507,000
229	**Coreast Savings Bank, FSB, Richmond**	990,806,000
233	**Ameribanc Savings Bank, Annandale**	975,954,000
292	**Continental Federal Savings Bank, Fairfax**	778,921,717
298	**Charter Federal Savings Bank, Bristol**	772,321,000
	WASHINGTON	
47	**Washington Mutual Savings Bank, Seattle**	3,479,335,000
59	**Pacific First Federal Savings Bank, Seattle**	3,177,204,000
153	**Washington Federal Savings & Loan Assn., Seattle**	1,409,035,000
	WISCONSIN	
105	**First Financial Bank, FSB, Stevens Point**	2,014,500,000
118	**Security Savings & Loan Assn., Milwaukee**	1,760,415,363
213	**Anchor Savings & Loan Assn., Madison**	1,073,004,000
230	**Mutual Savings Bank of Wisconsin, Milwaukee**	987,387,230

Data sources: American Banker questionnaire. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Data from **W.C. Ferguson & Co.,** Irving, Tex. were used to determine Resolution Trust Corp. conservatorship status of the top 300 thrifts. **(★)**— The thrift is in the RTC conservatorship program at yearend. **(†)**— The thrift was in the RTC conservatorship program and its status has been "resolved."

Compiled by American Banker, Copyright 1990.

Top 300 Thrifts in the United States

Ranked by assets on Dec. 31, 1989 (dollar amounts in thousands)

Rank 12/89		Assets 12/31/89	Assets 12/31/88	Rank 12/88	Gain
1	**Home Savings of America, FA, Irwindale, Calif.**	44,924,933	40,917,353	1	
2	**Great Western Bank, FSB, Beverly Hills**	34,949,576	30,837,077	2	
3	**Glendale Federal Bank, FSB, Calif.**	24,043,905	24,313,386	5	+2
4	**California Federal Bank, FSB, Los Angeles**	23,269,859	25,857,500	4	
5	**First Nationwide Bank, FSB, San Francisco**	22,088,000	26,130,421	3	
6	**World Savings, FS&LA, Oakland, Calif.**	19,263,899	16,352,299	7	+1
7	**Homefed Bank, FSB, San Diego, Calif.**	17,752,680	16,261,058	8	+1
8	**American Savings Bank, FA, Irvine, Calif.**	16,290,515	15,409,744	10	+2
9	**Great American Bank, SSB, San Diego, Calif.**	15,898,585	16,084,341	9	
10	**CrossLand Savings FSB, Brooklyn, New York**	14,102,367	15,143,802	11	+1
11	**Goldome, Buffalo, N.Y.**	12,999,150	14,962,534	12	+1
12	**Meritor Savings Bank, Philadelphia**	12,639,807	17,172,011	6	
13	**Dime Savings Bank of New York FSB, Garden City**	11,652,230	12,007,151	18	+5
14	**Franklin Savings Assn., Ottawa, Kan.★**	11,427,820	13,266,390	14	
15	**Coast Savings & Loan Assn., Los Angeles**	11,293,189	12,898,630	15	
16	**First Federal of Michigan, Detroit**	11,088,251	11,941,525	19	+3
17	**First Gibraltar Bank, FSB, Dallas**	9,774,756	12,497,352	16	
18	**Standard Federal Bank, Troy, Mich.**	9,638,381	9,803,376	24	+6
19	**Imperial Savings Assn., San Diego, Calif.★**	9,581,584	12,349,537	17	
20	**Columbia Savings & Loan Assn., Beverly Hills**	9,334,522	11,752,238	20	
21	**Sunbelt Savings, FSB, Dallas**	9,108,052	9,387,162	25	+4
22	**Anchor Savings Bank, FSB, Northport, N.Y.**	8,938,276	8,401,707	26	+4
23	**Gibraltar Savings FA, Simi Valley, Calif.★ (a)**	8,622,088	13,436,242	13	
24	**City Savings Bank, FSB, Somerset, N.J.★**	8,582,471	10,552,806	22	
25	**CenTrust Bank, SSB, Miami★**	8,217,563	10,103,877	23	
26	**Empire of America Fed. Svgs Bank, Buffalo, N.Y.★**	8,142,100	11,281,412	21	
27	**Citicorp Savings, FS&LA, San Francisco**	7,393,077	6,943,066	30	+4
28	**Household Bank FSB, Newport Beach, Calif.**	7,051,505	4,971,387	56	+ 28
29	**People's Bank, Bridgeport, Conn.**	7,037,923	6,294,349	35	+6
30	**Atlantic Financial Savings, FA, Bala Cynwyd, Pa.★**	6,873,268	7,939,932	29	
31	**MeraBank, FSB, Phoenix, Ariz.★**	6,381,942	8,348,139	27	
32	**Carteret Savings Bank, FA, Morristown, N.J.**	6,132,423	6,682,279	33	+1
33	**Talman Home Fed. Savings & Loan Assn., Chicago**	6,072,659	6,336,137	34	+1
34	**Washington Mutual Savings Bank, Seattle**	6,060,902	5,796,614	39	+5
35	**Perpetual Savings Bank, FSB, McLean, Va.**	5,993,718	5,954,533	37	+2
36	**Commercial Fed. Savings & Loan Assn., Omaha, Neb**	5,860,659	6,742,469	32	
37	**Pacific First Federal Savings Bank, Seattle**	5,667,474	5,844,695	38	+1
38	**First Federal Savings & Loan Assn., Rochester, N.Y.**	5,640,253	5,370,632	46	+8
39	**Southwest Savings Assn., Dallas**	5,520,886	6,820,473	31	
40	**Citicorp Savings of Illinois, FS&LA, Chicago**	5,476,808	5,436,158	44	+4
41	**Northeast Savings, FA, Hartford, Conn.**	5,413,470	8,214,776	28	
42	**Transohio Savings Bank, Cleveland**	5,399,077	6,246,622	36	
43	**Long Island Savings Bank FSB, Melville, N.Y. (b)**	5,374,389	5,263,080	49	+6
44	**Howard Savings Bank, Newark, N.J.**	5,081,374	5,174,232	50	+6
45	**Dollar Dry Dock Bank, White Plains, N.Y.**	5,020,009	5,024,098	52	+7
46	**Fidelity Federal Bank, FSB, Glendale, Calif.**	4,971,885	4,649,396	60	+ 14
47	**Benjamin Franklin Fed. S & L Assn., Portland, Ore.★**	4,968,142	5,505,188	42	
48	**American Savings & Loan Assn. of Florida, Miami**	4,929,398	5,310,804	47	
49	**Columbia Savings, FS&LA, Englewood, Colo.**	4,844,902	5,395,729	45	
50	**Western Federal S & L Assn., Marina Del Rey, Calif.**	4,808,685	4,477,033	66	+ 16
51	**Chevy Chase Savings Bank, FSB, Md.**	4,713,146	4,987,740	55	+4
52	**Santa Barbara Savings & Loan Assn., Calif.**	4,666,123	5,012,084	54	+2
53	**TCF Bank Savings, FSB, Minneapolis**	4,658,239	5,296,127	48	
54	**Florida Federal Savings Bank, St. Petersburg**	4,654,538	5,066,790	51	
55	**Green Point Savings Bank, Brooklyn, New York**	4,614,000	4,073,207	73	+ 18
56	**Sears Savings Bank, Glendale, Calif.**	4,465,589	4,843,605	57	+1
57	**American Savings Bank, FSB, White Plains, N.Y.**	4,430,202	4,356,374	69	+ 12
58	**Society for Savings, Hartford, Conn.**	4,422,091	3,747,941	78	+ 20
59	**FarWest Savings & Loan Assn., Newport Beach, Calif.**	4,354,699	4,760,091	58	
60	**Citizens Federal Bank, FSB, Miami**	4,257,056	4,558,978	62	+2
61	**Western Savings & Loan Assn., FA, Phoenix★**	4,221,276	5,649,853	41	
62	**Georgia Federal Bank, FSB, Atlanta**	4,177,214	4,356,603	68	+6
63	**AmeriFirst Bank, FSB, Miami**	4,116,403	4,546,645	63	
64	**Rochester Community Savings Bank, N.Y.**	4,028,011	4,373,738	67	+3
65	**Guaranty Federal Savings Bank, Dallas**	4,009,979	4,126,161	71	+6
66	**Seamen's Bank for Savings, FSB, New York**	3,955,292	4,719,364	59	
67	**Amwest Savings Assn., Bryan, Tex.**	3,919,697	4,307,483	70	+3
68	**Apple Bank For Savings, New York**	3,849,429	3,336,563	90	+ 22
69	**Downey Savings & Loan Assn., Newport Beach, Calif.**	3,774,336	3,818,223	76	+7
70	**Guardian Savings & Loan Assn., Houston**	3,679,780	4,022,420	74	+4
71	**Williamsburgh Savings Bank, Brooklyn, New York**	3,670,997	3,516,463	85	+ 14
72	**Home Owners Savings Bank, FSB, Boston**	3,625,249	3,971,470	75	+3
73	**Emigrant Savings Bank, New York**	3,571,955	3,657,085	81	+8
74	**San Francisco Federal Savings & Loan Assn.**	3,406,573	4,499,139	64	
75	**Great Lakes Bancorp, Ann Arbor, Mich.**	3,385,368	3,637,773	83	+8
76	**Far West Federal Bank, Portland, Ore.**	3,359,498	2,821,401	105	+ 29
77	**St. Paul Federal Bank for Savings, Chicago**	3,357,073	3,096,705	96	+ 19
78	**San Jacinto Savings Assn., Houston**	3,319,868	3,808,757	77	
79	**Home Savings Assn. of Kansas City, FA, Mo.**	3,264,012	3,498,113	86	+7
80	**United Savings Assn. of Texas, FSB, Houston**	3,260,735	5,012,764	53	
81	**Bank Western, FSB, Denver**	3,259,299	3,638,822	82	+1
82	**Old Stone Bank, FSB, Providence, R.I.**	3,222,367	3,657,376	80	
83	**Hudson City Savings Bank, Paramus, N.J.**	3,219,535	3,033,489	99	+ 16
84	**American Federal Bank, FSB, Dallas**	3,211,539	3,291,926	91	+7
85	**First Minnesota Savings Bank, FSB, St. Paul**	3,205,158	3,399,264	89	+4
86	**HonFed Bank, FSB, Honolulu**	3,165,856	2,805,226	107	+ 21
87	**Fortune Savings Bank, Clearwater, Fla.**	3,159,796	3,183,893	93	+6
88	**Capitol Federal Savings & Loan Assn., Topeka, Kan.**	3,157,662	3,027,414	100	+ 12
89	**Bluebonnet Savings Bank, FSB, Dallas**	3,157,293	3,245,764	92	+3
90	**First Federal Savings & Loan Assn., Pittsburgh**	3,126,975	3,126,721	95	+5
91	**Astoria Federal S & L Assn., Queens, New York**	3,109,349	3,084,232	97	+6
92	**Greater New York Savings Bank, New York**	3,105,098	3,000,618	102	+ 10
93	**Farm & Home Savings Assn., Nevada, Mo.**	3,080,523	3,545,768	84	
94	**Manhattan Savings Bank, New York**	3,080,087	3,080,803	98	+4
95	**Valley Federal S & L Assn., Van Nuys, Calif.**	3,015,374	3,480,404	87	
96	**Community Fed. Savings & Loan Assn., St. Louis, Mo.**	3,003,547	3,682,588	79	
97	**River Bank America, New York**	2,939,446	2,894,493	104	+7
98	**Lincoln Savings & Loan Assn., FA, Los Angeles★**	2,906,307	5,458,712	43	
99	**Homestead Savings, FS&LA, Millbrae, Calif.**	2,892,632	5,756,066	40	
100	**Bay View Federal Bank, FSB, San Mateo, Calif.**	2,879,019	2,707,407	110	+ 10
101	**Western Financial Savings Bank, Irvine, Calif.**	2,870,261	2,442,989	122	+ 21
102	**Lincoln Savings Bank, FSB, New York**	2,835,551	2,747,663	109	+7
103	**Bright Banc Savings Assn., Dallas†**	2,832,102	4,566,836	61	
104	**Oak Tree Savings Bank, SSB, New Orleans, La.**	2,780,212	2,305,790	131	+ 27
105	**PriMerit Bank, Las Vegas, Nev.**	2,767,153	2,812,486	106	+1
106	**Pima Savings & Loan Assn., Tucson, Ariz.★**	2,734,063	3,182,541	94	
107	**Roosevelt Bank, FSB, Chesterfield, Mo.**	2,668,414	2,559,929	118	+ 11
108	**Third Federal Savings & Loan Assn., Cleveland**	2,653,243	2,402,883	125	+ 17
109	**Champion Federal S & L Assn., Bloomington, Ill.**	2,602,904	2,692,202	113	+4
110	**First Federal Bank of California, Santa Monica**	2,586,706	2,230,014	138	+ 28
111	**Peoples Heritage Savings Bank, Portland, Me.**	2,533,682	2,215,404	140	+ 29
112	**Coral Gables Federal Savings & Loan Assn., Fla.**	2,515,951	2,475,812	121	+9
113	**Washington Federal Savings & Loan Assn., Seattle**	2,509,894	2,242,000	136	+ 23
114	**Metropolitan Federal Bank, FSB, Fargo, N.D. (c)**	2,426,406	4,104,710	72	
115	**Dollar Bank, FSB, Pittsburgh**	2,415,715	2,554,813	119	+4
116	**Union Federal Savings Bank, Los Angeles**	2,415,157	2,234,027	137	+ 21
117	**First Constitution Bank, New Haven, Conn.**	2,380,276	2,287,720	135	+ 18
118	**First Financial Bank, FSB, Stevens Point, Wis.**	2,370,864	2,298,610	133	+ 15
119	**Citicorp Savings of Florida, FS&LA, Miami**	2,370,834	2,970,339	103	
120	**Southern California Savings, FS&LA, Beverly Hills**	2,343,251	1,926,188	158	+ 38
121	**Cragin Federal Bank for Savings, Chicago**	2,335,970	2,359,648	127	+6
122	**Secor Bank, FSB, Birmingham, Ala.**	2,328,361	2,695,151	112	
123	**Boston Five Cents Savings Bank FSB**	2,318,404	2,427,322	124	+1
124	**Decatur Federal Savings & Loan Assn., Ga.**	2,312,111	2,300,257	132	+8
125	**Fulton Federal Savings Bank, Atlanta**	2,310,006	2,570,933	116	
126	**Sacramento Savings & Loan Assn., Calif.**	2,308,609	2,436,175	123	
127	**First Federal Savings & Loan Assn., Greenville, S.C.**	2,270,744	2,380,013	126	
128	**Altus Bank, FSB, Mobile, Ala.**	2,261,560	2,773,952	108	
129	**Citizens Federal Savings & Loan Assn., Dayton, Ohio**	2,254,613	2,332,703	129	
130	**Citizens Savings Bank, Providence, R.I.**	2,248,906	2,193,226	142	+ 12
131	**Midwest Savings Assn., FA, Minneapolis★**	2,245,270	3,402,350	88	
132	**Collective Fed. Savings Bank, Egg Harbor City, N.J.**	2,225,638	2,059,380	150	+ 18
133	**Investors Savings Bank, Richmond**	2,219,061	2,296,292	134	+1
134	**San Antonio Savings Assn., FA, Tex.†**	2,208,748	2,652,497	114	
135	**Columbia First Bank, FSB, Arlington, Va.**	2,165,502	2,172,258	144	+9
136	**Mercury S&L Assn., Huntington Beach, Calif.★**	2,158,830	2,565,397	117	
137	**Leader Federal Bank for Savings, Memphis, Tenn.**	2,138,618	2,511,777	120	
138	**Security Savings & Loan Assn., Milwaukee, Wis.**	2,120,803	2,074,618	147	+9
139	**Trustbank Savings, FSB, McLean, Va.**	2,117,790	2,034,736	154	+ 15
140	**Loyola Federal Savings & Loan Assn., Baltimore**	2,113,726	2,065,442	149	+9
141	**First Federal Savings Bank, Cleveland**	2,108,295	1,631,335	183	+ 42
142	**D&N Savings Bank, FSB, Hancock, Mich.**	2,048,040	2,228,397	139	
143	**Albany Savings Bank FSB, N.Y.**	2,036,819	1,953,269	157	+ 14
144	**Investors Savings & Loan Assn., Millburn, N.J.**	2,026,290	2,112,591	146	+2
145	**ABQ Bank, FSB, Albuquerque, N.M.★**	2,018,703	2,203,697	141	
146	**East New York Savings Bank, New York**	2,018,448	1,869,959	160	+ 14
147	**Fidelity New York, FSB, Floral Park, N.Y.**	1,937,310	2,002,790	155	+8
148	**Pioneer Savings Bank, Clearwater, Fla.★**	1,935,739	2,141,537	145	
149	**Horizon Financial, FA, Southampton, Pa.★**	1,931,758	2,702,039	111	
150	**First Federal Savings Bank, Santurce, P.R.**	1,927,836	1,824,076	162	+12
151	**Heights of Texas, FSB, Houston**	1,910,321	1,514,113	200	+ 49
152	**Ensign Bank FSB, New York**	1,888,984	1,957,140	156	+4
153	**BankAtlantic, FSB, Fort Lauderdale, Fla.**	1,886,453	2,345,985	128	
154	**Franklin Federal Bancorp, FSB, Austin, Tex.**	1,871,720	1,776,668	165	+ 11
155	**Centerbank, Waterbury, Conn.**	1,863,458	2,041,345	153	
156	**Benjamin Franklin Federal Savings Assn., Houston★**	1,837,953	2,641,392	115	
157	**Bell Federal Savings & Loan Assn., Chicago**	1,796,864	1,783,421	164	+7
158	**BancFlorida, FSB, Naples**	1,780,827	1,760,907	166	+8
159	**EurekaBank, Foster City, Calif.**	1,771,175	1,784,840	163	+4
160	**American Pioneer Savings Bank, Orlando, Fla.**	1,754,514	2,072,945	148	
161	**Southwest Savings & Loan Assn., Phoenix, FA★**	1,749,788	2,305,934	130	
162	**American Savings, FS&LA, Salt Lake City, Utah★**	1,748,436	2,182,297	143	
163	**Standard Federal Savings Bank, Gaithersburg, Md.**	1,712,760	1,608,950	187	+ 24
164	**New Haven Savings Bank, Conn.**	1,696,060	1,603,218	188	+ 24
165	**Heritage Bank for Savings, Holyoke, Mass.**	1,695,156	1,663,188	176	+ 11
166	**Pelican Homestead & Savings Assn., Metairie, La.**	1,687,298	1,922,099	159	
167	**Peoples Westchester Savings Bank, Hawthorne, N.Y.**	1,681,122	1,654,625	179	+ 12
168	**Onondaga Savings Bank, Syracuse, N.Y.**	1,679,587	1,511,825	201	+ 33
169	**Caguas Central Federal Savings Bank, San Juan, P.R.**	1,664,896	1,509,526	202	+ 33
170	**Crestmont Fed. Savings & Loan Assn., Edison, N.J.**	1,657,652	1,653,098	180	+ 10
171	**Landmark Savings Assn., Pittsburgh**	1,654,458	1,841,227	161	
172	**American Savings Bank, FSB, Honolulu**	1,651,453	1,326,795	227	+ 55
173	**Columbia Banking Fed. S & L Assn., Rochester, N.Y.**	1,621,925	1,654,640	178	+5
174	**Republic Federal Savings & Loan Assn., Los Angeles**	1,614,692	2,042,694	152	
175	**Commonwealth Federal Savings Assn., Houston★**	1,614,168	1,660,630	177	+2
176	**Home Savings Bank, Brooklyn, New York**	1,608,861	1,600,530	189	+ 13
177	**Poughkeepsie Savings Bank, FSB, N.Y.**	1,607,019	1,749,190	169	
178	**Hollywood Federal Savings & Loan Assn., Fla.**	1,593,448	1,707,408	173	
179	**Mid America Fed. Savings Bank, Clarendon Hills, Ill**	1,583,241	1,563,208	192	+ 13
180	**Chase Federal Bank, Miami**	1,577,286	1,699,200	175	
181	**Flagler Federal Savings & Loan Assn., Miami**	1,566,826	1,578,064	190	+9
182	**Cardinal Federal Savings Bank, Cleveland**	1,556,274	1,647,338	182	
183	**Financial Federal S & L Assn., Miami Lakes, Fla.**	1,548,748	1,628,970	184	+1
184	**Ohio Savings Bank, Cleveland**	1,547,296	1,528,262	196	+ 12
185	**Maine Savings Bank, Portland**	1,541,200	1,730,023	171	
186	**Provident Institution for Savings, Boston**	1,539,144	1,732,834	170	
187	**Security Savings Bank, SLA, Vineland, N.J.**	1,528,470	1,506,945	203	+ 16
188	**Beverly Hills Federal Savings Bank**	1,525,669	1,650,026	181	
189	**Independence Savings Bank, Brooklyn, New York**	1,513,626	1,406,424	212	+ 23
190	**Second Nat'l Federal Savings Bank, Salisbury, Md.**	1,510,785	1,210,051	249	+ 59
191	**ComFed Savings Bank, Lowell, Mass.**	1,504,435	1,710,806	172	
192	**Gem Savings Assn., Dayton, Ohio**	1,497,395	1,617,503	185	
193	**Jamaica Savings Bank FSB, Lynbrook, N.Y.**	1,479,785	1,429,811	206	+ 13
194	**Provident Savings Bank, Jersey City, N.J.**	1,454,281	1,404,632	213	+ 19
195	**First Federal Savings Bank & Trust, Pontiac, Mich.**	1,447,188	1,543,951	194	
196	**State Savings Bank, Columbus, Ohio**	1,445,602	1,519,720	199	+3
197	**Columbia Federal Savings Bank, Queens, New York**	1,443,923	1,417,911	208	+ 11
198	**South Boston Savings Bank, Boston**	1,441,694	1,398,856	215	+ 17
199	**Wilmington Savings Fund Society FSB, Del.**	1,434,151	1,349,012	224	+ 25
200	**County Bank, FSB Santa Barbara, Calif.**	1,432,853	1,431,895	205	+5

Data sources: American Banker questionnaire. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Data from **W.C. Ferguson & Co.,** Irving, Tex. were used to determine Resolution Trust Corp. conservatorship status of the top 300 thrifts. **(★)**— The thrift is currently in the conservatorship program. **(†)**— The thrift was in the RTC conservatorship program and its status has been "resolved." **(a)**— Combined regulatory data for the thrift and its subsidiary, Gibraltar Savings Bank, FSB, Seattle. **(b)**— Combined regulatory data for Long Island Savings Bank FSB, Melville, and its division in Centerreach, N.Y. **(c)**— Yearend 1989 data are regulatory data for the thrift only. The 1988 data are consolidated for the thrift and its two subsidiaries in Iowa and Minnesota.

Compiled by American Banker, Copyright 1990.

Top 300 Thrifts in the United States

Ranked by assets on Dec. 31, 1989 (dollar amounts in thousands)

Rank 12/89		Assets 12/31/89	Assets 12/31/88	Rank 12/88	Gain
201	Sooner Federal Savings Assn., Tulsa, Okla.★	1,429,721	1,751,151	168	
202	United Postal Savings Assn., St. Louis, Mo.	1,410,708	1,428,832	207	+5
203	Germantown Savings Bank, Bala Cynwyd, Pa.	1,409,311	1,376,707	220	+ 17
204	Commonwealth Fed. S&L Assn., Ft. Lauderdale, Fla.★	1,407,729	1,702,691	174	
205	Norstar Bank Central New York, Syracuse	1,387,409	1,407,719	211	+6
206	American Charter Federal S & L Assn., Lincoln, Neb.	1,386,736	1,522,734	198	
207	Broadview Federal Savings Bank, Cleveland★	1,383,141	1,756,676	167	
208	Amoskeag Bank, Manchester, N.H.	1,377,944	1,614,779	186	
209	Ponce Federal Bank, FSB, P.R.	1,367,128	1,248,408	243	+ 34
210	Beach Federal S & L Assn., Boynton Beach, Fla.	1,365,081	1,281,729	233	+ 23
211	Beneficial Savings Bank, Philadelphia	1,356,313	1,414,005	209	
212	Cumberland Federal Savings Bank, Louisville, Ky.	1,353,550	1,151,699	260	+ 48
213	Roosevelt Savings Bank, Garden City, N.Y.	1,349,902	1,175,098	254	+ 41
214	United Savings of America, FS&LA, Chicago	1,348,167	1,410,602	210	
215	Neworld Bank, Boston	1,342,182	1,387,683	217	+2
216	North Side Savings Bank, Bronx, New York	1,336,444	1,381,679	219	+3
217	Ameribanc Savings Bank, Annandale, Va.	1,333,166	1,271,726	235	+ 18
218	Pomona First Fed. Savings & Loan Assn., Calif.	1,326,792	1,240,288	244	+ 26
219	Puget Sound Savings Bank, Seattle	1,312,032	1,548,507	193	
220	Northwestern Savings & Loan Assn., Chicago	1,308,197	1,250,495	241	+ 21
221	First Mutual of Boston	1,304,691	1,382,488	218	
222	Anchor Savings & Loan Assn., Madison, Wis.	1,299,496	1,270,537	236	+ 14
223	Mechanics & Farmers Svgs Bk, FSB, Bridgeport, Conn	1,297,239	1,283,086	232	+9
224	First Atlantic S&L Assn., South Plainfield, N.J.★	1,296,682	1,395,633	216	
225	Gateway Bank, Norwalk, Conn.	1,289,823	1,229,830	246	+ 21
226	Union Federal Savings Bank, Indianapolis	1,280,332	1,296,235	231	+5
227	Mid-America Federal S & L Assn., Columbus, Ohio	1,275,106	1,369,409	222	
228	Hunter Savings Assn., Cincinnati	1,266,642	1,302,915	229	+1
229	Coreast Savings Bank, FSB, Richmond	1,262,075	1,171,922	255	+ 26
230	Superior Bank, FSB, Oakbrook Terrace, Ill.	1,261,807	1,526,876	197	
231	Connecticut Savings Bank, New Haven	1,259,126	1,250,297	242	+ 11
232	First Federal Savings & Loan Assn., Toledo, Ohio	1,256,700	1,341,615	226	
233	Peoples Heritage Savings, FS&LA, Salina, Kan.†	1,248,552	2,044,816	151	
234	The First, FA, Orlando, Fla.	1,247,846	1,276,537	234	
235	Columbia Savings Bank, SLA, Fair Lawn, N.J.	1,229,943	1,236,008	245	+ 10
236	Standard Federal Savings & Loan Assn., Chicago	1,227,952	1,211,541	248	+ 12
237	Horizon Federal Savings Bank, Wilmette, Ill.★	1,223,701	1,268,877	237	
238	First Federal Savings & Loan Assn., Lincoln, Neb.	1,221,819	1,344,000	225	
239	Citicorp Savings of Washington, D.C., FS&LA	1,211,203	1,071,264	278	+ 39
240	Firstrust Savings Bank, Philadelphia	1,210,000	1,114,000	270	+ 30
241	New Bedford Institution for Savings, Mass.	1,202,182	1,160,134	258	+ 17
242	First Western Savings Assn., Las Vegas, Nev.	1,189,860	1,319,834	228	
243	Baltimore Federal Financial, FSA★	1,183,832	1,536,920	195	
244	First Home Federal S & L Assn., Greensboro, N.C.	1,176,802	1,297,835	230	
245	Coast Federal Savings & Loan Assn., Sarasota, Fla.	1,170,287	1,183,263	252	+7
246	Pathway Financial, FA, Chicago	1,169,903	1,364,302	223	
247	First Indiana Bank, FSB, Indianapolis	1,169,642	1,177,675	253	+6
248	Metropolitan Federal S & L Assn., Nashville, Tenn.	1,164,368	1,166,935	256	+8
249	Worcester Cty Inst. for Savings, Worcester, Mass.	1,157,577	1,067,529	279	+ 30
250	Penn Savings Bank, FSB, Wyomissing, Pa.	1,156,542	1,111,358	271	+ 21
251	Ridgewood Savings Bank, Queens, New York	1,155,235	1,144,356	263	+ 12
252	Olympic Federal Savings & Loan Assn., Berwyn, Ill.	1,145,568	1,049,234	281	+ 29
253	Metropolitan Federal Bank of Iowa, Mason City	1,139,622	1,265,246	239	
254	Washington Federal Savings Bank, Washington, D.C.	1,139,390	1,086,273	274	+ 20
255	Morris Savings Bank, Morristown, N.J.	1,130,341	1,105,674	273	+ 18
256	Continental Federal Savings Bank, Fairfax, Va.	1,115,945	1,125,680	267	+ 11
257	Security First Fed. S & L Assn., Daytona Beach, Fla.	1,115,144	1,144,006	264	+7
258	American Federal Bank, FSB, Greenville, S.C.	1,114,535	1,084,022	276	+ 18
259	Mutual Savings Bank of Wisconsin, Milwaukee	1,114,107	1,107,874	272	+ 13
260	New England Savings Bank, New London, Conn.	1,107,998	1,121,392	268	+8
261	Commonwealth Federal S & L Assn., Norristown, Pa.	1,106,127	1,126,923	266	+5
262	Great Financial Federal S & L Assn., Louisville, Ky.	1,084,631	1,023,291	286	+ 24
263	Home Federal Savings Bank, Queens, New York	1,084,079	1,181,651	254‡	
264	Springfield Institution for Savings, Mass.	1,082,302	1,048,674	282	+ 18
265	First Capital Financial Corp., Aurora, Colo.	1,077,683	1,224,019	247	
266	Pacific Southwest Svgs Bk, FSB, Corpus Christi, Tex.	1,075,768	1,164,768	257	
267	Santander Federal Savings Bank, Bayamon, P.R.	1,061,116	1,252,052	240	
268	Century Fed. Svgs & Loan Assn., Pasadena, Calif.	1,053,931	1,151,250	261	
269	Hawthorne Savings & Loan Assn., Calif.	1,051,035	948,584	306	+ 37
270	Pacific Coast S&L of America, San Francisco★	1,040,267	892,028	314	+ 44
271	Duval Fed. Savings & Loan Assn., Jacksonville, Fla.★	1,027,373	1,206,218	251	
272	Charter Federal Savings Bank, Bristol, Va.	1,023,445	1,014,955	290	+ 18
273	Fidelity Federal S & L Assn., Nashville, Tenn.	1,019,974	1,025,074	285	+ 12
274	United Savings Bank, FSB, San Francisco	1,018,828	1,000,302	292	+ 18
275	Great American Federal S & L Assn., Oak Park, Ill.★	1,013,231	1,014,833	291	+ 16
276	Mid-State Federal Savings Bank, Ocala, Fla.	1,011,876	1,037,572	283	+7
277	Stockton Savings & Loan Assn., Calif.	1,010,290	954,520	306‡	
278	Diamond Savings & Loan Co., Findlay, Ohio	1,009,604	856,774	324	+ 46
279	First Savings of Arkansas, FA, Little Rock★	1,007,458	1,571,534	191	
280	United Federal Savings Bank of Iowa, Des Moines	999,735	984,597	295	+ 15
281	Eastern Savings Bank, Lynn, Mass.	987,688	958,214	304	+ 23
282	Roslyn Savings Bank, N.Y.	970,400	930,138	310	+ 28
283	Harris Savings Assn., Harrisburg, Pa.	964,889	939,101	308	+ 25
284	Murray Federal Savings & Loan Assn., Dallas★	961,932	1,442,965	204	
285	Midwest Federal Savings Bank, Minot, N.D.★	960,476	1,156,604	259	
286	First American Savings Bank, FSB, Greensboro, N.C.	954,517	930,790	309	+ 23
287	Central Federal Savings, FSB, Mineola, N.Y.	953,174	966,162	302	+ 15
288	Newport Balboa Savings, FA, Newport Beach, Calif.	951,834	581,727	...	
289	Binghamton Savings Bank, N.Y.	938,564	885,249	315	+ 26
290	New Hampshire Savings Bank, Concord	935,675	1,086,273	275	
291	Bell Savings & Loan Assn., Upper Darby, Pa.	932,966	714,394	...	
292	South Carolina Federal S&L Assn., Columbia	932,354	971,466	299	+7
293	Buckeye Fed. Savings & Loan Assn., Columbus, Ohio	929,204	1,115,390	269	
294	Heartland Fed. S & L Assn., Ponca City, Okla.	926,117	1,146,120	262	
295	First Federal S&L Assn., Charleston, S.C.	923,354	856,205	325	+ 30
296	Gill Savings Assn., San Antonio, Tex.★	921,575	1,207,294	250	
297	Liberty Bank for Savings, Middletown, Conn.	915,478	898,356	313	+ 16
298	American Federal S&L Assn of Iowa, Des Moines★	915,301	1,066,410	280	
299	Heritage Federal Savings Bank, Taylor, Mich.	915,202	969,691	300	+1
300	American Savings Bank, New Britain, Conn.	914,141	867,676	322	+ 22

Data sources: American Banker questionnaire. For those thrifts not responding to the American Banker, data provided by the **Office of Thrift Supervision,** Washington, D.C.; **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York, were used. Data from **W.C. Ferguson & Co.,** Irving, Tex. were used to determine Resolution Trust Corp. conservatorship status of the top 300 thrifts. **(★)**— The thrift is currently in the conservatorship program. **(†)**— The thrift was in the RTC conservatorship program and its status has been "resolved." **(‡)**— Rank thrift would have had, if it had been included in the survey.

Compiled by American Banker, Copyright 1990.

Summary Statistics for Top 300 Thrifts in Deposits

10 Largest Deposit Gains

Dollar amounts in millions

		Deposits 12/31/89	Deposits 6/30/89	Incr. (%)	Rank
1	Oak Tree Savings Bank, SSB, New Orleans, La.	2,256.9	1,196.8	88.57	92
2	Heights of Texas, FSB, Houston	1,159.1	686.1	68.93	197
3	Standard Federal Savings Bank, Gaithersburg, Md.	1,254.2	873.0	43.67	173
4	Cumberland Federal Savings Bank, Louisville, Ky.	1,049.2	752.5	39.44	215
5	First Federal Savings Bank, Cleveland	1,800.0	1,374.6	30.91	113
6	American Federal Bank, FSB, Dallas	1,757.8	1,386.5	26.78	119
7	Santander Federal Savings Bank, Bayamon, P.R.	997.8	795.2	25.48	227
8	Franklin Savings Assn., Ottawa, Kan.	4,377.9	3,669.3	19.31	32
9	Household Bank, FSB, Newport Beach, Calif.	3,454.7	2,906.9	18.84	49
10	Diamond Savings & Loan Co., Findlay, Ohio	818.8	689.1	18.83	273

Gains over six months ended 12/31/89. Percentage gain based on unrounded deposit figures.

10 Largest Deposit Declines

Dollar amounts in millions

		Deposits 12/31/89	Deposits 6/30/89	Decr. (%)	Rank
1	Lincoln Savings & Loan Assn., FA, Los Angeles	2,907.6	3,761.1	22.69	61
2	Imperial Savings Assn., San Diego, Calif.	6,624.9	8,042.3	17.62	20
3	American Pioneer Savings Bank, Orlando, Fla.	1,381.2	1,651.8	16.38	158
4	United Savings Assn. of Texas, FSB, Houston	2,484.6	2,952.8	15.86	81
5	Northeast Savings, FA, Hartford, Conn.	3,847.1	4,510.7	14.71	40
6	Rochester Community Savings Bank, N.Y.	2,613.0	3,049.3	14.31	75
7	Altus Bank, FSB, Mobile, Ala.	1,358.6	1,579.3	13.98	160
8	City Savings Bank, FSB, Somerset, N.J.	6,305.3	7,325.2	13.92	21
9	Centerbank, Waterbury, Conn.	1,098.3	1,274.6	13.83	208
10	Pacific Southwest Svgs Bk, Corpus Christi, Tex.	879.5	1,014.0	13.26	256

Declines over six months ended Dec. 31, 1989. Percentage decline based on unrounded deposit figures.

10 Highest Capital Ratios

Dollar amounts in millions

		Capital 12/31/89	Assets 12/31/89	Ratio (%)	Rank
1	Citicorp Savings Bank of Washington, D.C., FS&LA	268.1	1,211.2	22.14	294
2	New Bedford Institution for Savings, Mass.	197.6	1,202.2	16.44	235
3	Citicorp Savings of Illinois, FS&LA, Chicago	853.4	5,476.8	15.58	43
4	Home Savings Bank, Brooklyn, New York	230.5	1,608.9	14.32	196
5	Citicorp Savings of Florida, FS&LA, Miami	326.6	2,370.8	13.77	145
6	Jamaica Savings Bank, FSB, Lynbrook, N.Y.	195.9	1,479.8	13.24	175
7	Firstrust Savings Bank, Philadelphia	156.0	1,210.0	12.89	250
8	Roslyn Savings Bank, N.Y.	119.0	970.4	12.26	271
9	Washington Federal Savings & Loan Assn., Seattle	287.8	2,509.9	11.47	153
10	Security Savings & Loan Assn., Milwaukee, Wis.	242.1	2,120.8	11.42	118

Capital ratio: Capital on Dec. 31, 1989, divided by total assets, expressed as a percentage.

10 Lowest Capital Ratios

Dollar amounts in millions

		Capital 12/31/89	Assets 12/31/89	Ratio (%)	Rank
1	Sandia Fed. Savings & Loan Assn., Albuquerque, N.M.	-749.0	612.9	-122.20	228
2	Gill Savings Assn., San Antonio, Tex.	-1,045.4	921.6	-113.44	164
3	Security Savings & Loan Assn., Scottsdale, Ariz.	-570.8	521.3	-109.48	239
4	Bexar Savings Assn., San Antonio, Tex.	-402.1	544.1	-73.89	281
5	First Savings of Arkansas, FA, Little Rock	-679.4	1,007.5	-67.43	199
6	Commerce Savings Assn., San Antonio, Tex.	-301.6	539.0	-55.96	270
7	Commonwealth Federal Savings Assn., Houston	-787.6	1,614.2	-48.79	121
8	Lincoln Savings & Loan Assn., FA, Los Angles	-1,285.6	2,906.3	-44.24	61
9	Bright Banc Savings Assn., Dallas	-1,181.3	2,832.1	-41.71	71
10	Murray Federal Savings & Loan Assn., Dallas	-346.5	961.9	-36.02	201

Capital ratio: Capital on Dec. 31, 1989, divided by total assets, expressed as a percentage.

C0175-1

800

ELECTRONIC DATA INTERCHANGE
Section begins on page 1A

AMERICAN BAN

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 100 *Monday, May 21, 1990* *155th year*

Bond Ratings Prove Unreliable Guide to Market

By KELLEY HOLLAND

NEW YORK — When they were downgraded two weeks ago, the bonds of Chemical Banking Corp. quickly lost value.

The market reaction to the move by Moody's Investors Service was perfectly logical, but what made less evident sense was where Chemical's bonds were trading relative to those of similarly rated banking companies.

Rated Ba2 after the downgrade, Chemical's 9¾% subordinated capital notes maturing in 1999 were quoted at a yield of about 13%. That was up 20 basis points on the day but still about 490 basis points lower than the yield on the Ba2-rated bonds of Midlantic Corp., maturing in 1999.

ANALYSIS: *Follow-up on the news*

But at the same time, the Chemical notes were 150 basis points higher than the 11.5% being quoted on Manufacturers Hanover Corp.'s Ba2-rated 8½% bonds of 1999.

As odd as such discrepancies may appear, traders and analysts say they have become the rule rather than the exception lately in an increasingly topsy-turvy bank bond market.

"A year ago, all someone had to do was tell you a Baa bank, and you knew between 10 and 20 basis points where they'd trade," said one bank bond trader. "Nowadays, the range would be about 200."

Several factors account for the new face of the market, analysts and traders say. Chief among these is the vastly increased perception of risk in the banking industry in the past few months as credit quality problems mounted. Liquidity has evaporated, causing wider spreads, as skittish investors either avoid bank bonds entirely or become much more name-conscious.

'Trading on Perception'

"The market's trading on perception and buzzwords," said Ann Robinson, a vice president at Donaldson, Lufkin & Jenrette.

"There has never been and never will be a perfect correlation between yield spreads and bank ratings," said Christopher T. Mahoney, an associate director at Moody's Investors Service. "There's plenty of room for discrepancy between spreads."

But Mr. Mahoney and other analysts acknowledge that lately the market has been more out of synch than usual.

See **RATINGS** *back page*

INSIDE NEWS

SPECIAL REPORT

BANKS ARE TESTING the waters of electronic data interchange, the technology that allows companies to transmit data and dollars. Today's special section features a survey designed to gauge EDI participation among the top banks in cash management. *Page 1A*

INTERNATIONAL

NORWEST PLANS a major expansion of its international business, with a focus on fee-based activities. *Page 12*

CONSUMER

SEATTLE-FIRST NATIONAL Bank will dispense postage stamps at its automated teller machines. *Page 9*

TECHNOLOGY

CITICORP INFORMATION Resources has undertaken a joint software project with the private banking operation of Continental Bank, Chicago. *Page 3*

WASHINGTON

HENRY B. GONZALEZ is preparing to scrutinize Silverado Savings, the Denver thrift whose collapse is expected to cost taxpayers $1.5 billion. *Page 6*

FINANCE

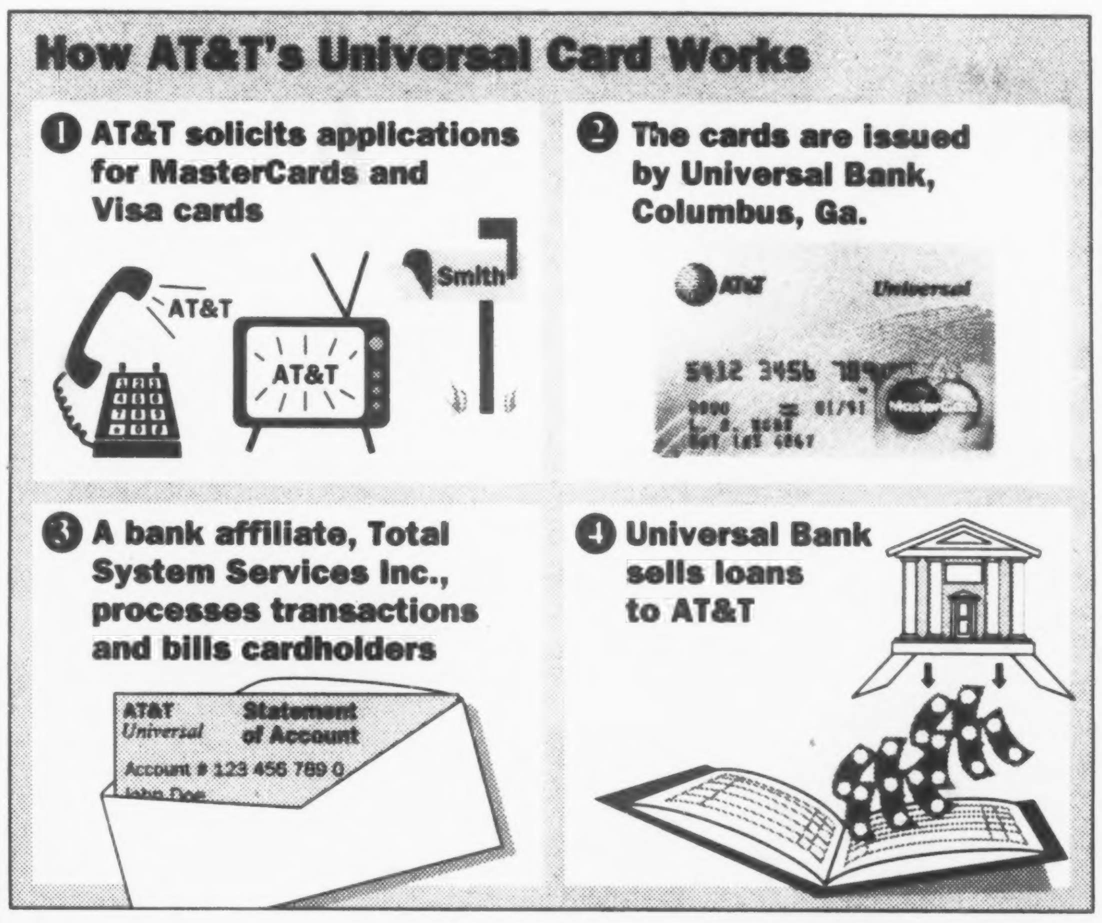
DIVIDEND YIELDS are reflecting a changing assessment of several money-center banks' asset quality and growth potential. *Page 20*

COMMENT

GEORGE SALEM, a Prudential-Bache analyst, has forecast the worst banking conditions in most people's memory, writes Paul Nadler. *Page 4*

INDEX

People in the News 2
Company Index 2
Sound Off 4
Classified Advertising 16
Bank and Thrift Stocks 19



How AT&T's Universal Card Works

1. AT&T solicits applications for MasterCards and Visa cards
2. The cards are issued by Universal Bank, Columbus, Ga.
3. A bank affiliate, Total System Services Inc., processes transactions and bills cardholders
4. Universal Bank sells loans to AT&T

AT&T's Entry into Credit Cards Seen Secure from Bank Protests

By YVETTE D. KANTROW

NEW YORK – Although four major banks filed regulatory complaints last week against the AT&T Universal Card, legal experts said there was little the banks could do to keep American Telephone & Telegraph Co. out of their business.

By asking regulators to examine whether the AT&T offering violates banking and communications laws, the banks reignited the controversy over nonbanks' entering the consumer financial services business.

Because it is not a bank, AT&T arranged for affiliates of Synovus Financial Corp., a Columbus, Ga., holding company, to issue and process MasterCard and Visa cards on its behalf.

The companies protesting the deal – BankAmerica Corp., Chase Manhattan Corp., Citicorp, and MNC Financial Inc. – argued that AT&T effectively controls a banking affiliate of Synovus. Such control would violate laws prohibiting industrial

See **AT&T** *back page*

Nationwide Insurance Powers Gain In Delaware

By A. JOSEPH NEWMAN JR.
Special to the American Banker

PHILADELPHIA — Banks seeking to enter the insurance business won a major victory last week as the Delaware Senate voted to allow those with operations in the state to underwrite and sell insurance nationwide.

The bill, which had previously passed the state House of Representatives, extends insurance powers to about 40 prominent money-center and regional banks with state-chartered affiliates in Delaware.

Largest Banks in U.S.

Among them are some of the largest credit-card banks in the country – subsidiaries of Chase Manhattan Corp., the Bank of New York Co., and MNC Financial Inc. – and wholesale banking units of Citicorp and Manufacturers Hanover Corp.

Although several other states allow state-chartered banks into the insurance business, Delaware became a key battleground

See **KEY** *page* **7**

Japanese Banks Seen as Reluctant On UAL Deal

By WILLIAM GOODWIN

Advisers to the unions proposing to purchase UAL Corp. appear to be proceeding on the assumption that they may have to finance the deal without the participation of Japanese banks.

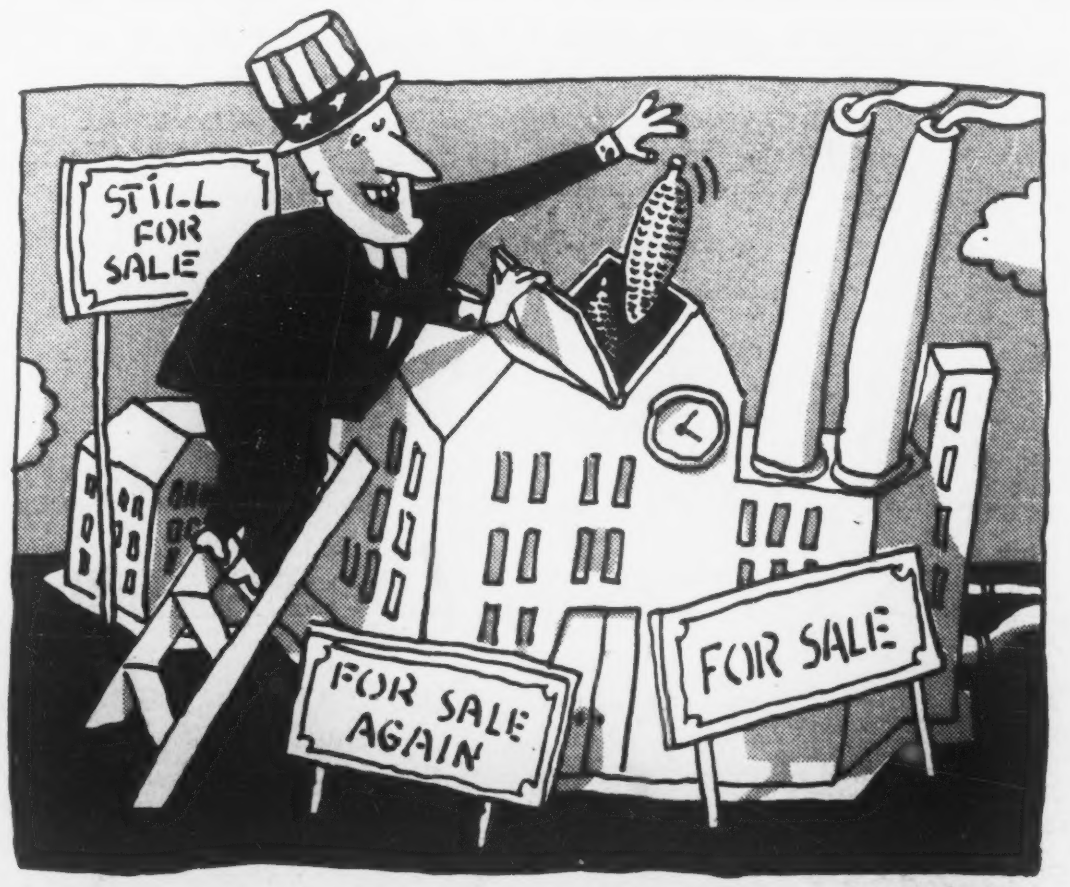
Banking sources said that while the unions' financial advisers would like to have the commitment of Japanese lenders for the $4.4 billion transaction, there are indications the Japanese may be just as reluctant to support a deal as they were last fall. The Japanese were blamed for the collapse of the UAL Corp. buyout then.

More so than their U.S. counterparts, Japanese bankers have been extremely cautious about the new deal, which would require $4 billion in loans. Their reluctance stems from their distasteful experience with last fall's failed buyout, as well as their growing skittishness about leveraged transactions.

"We are very neutral at this moment," said an official at a major Japanese bank.

For that reason, officials at

See **UAL** *page* **18**



Niculae Asciu

FDIC Keeps Coming Up Empty In Effort to Sell Ethanol Plant

By STEPHEN KLEEGE

NEW YORK — When the government seized American Diversified Savings Bank of Costa Mesa, Calif., U.S. officials hoped to pick up a quick $16 million through the sale of the thrift's investment in an ethanol plant in Nebraska.

Two years and five torn-up purchase agreements later, the government is still running the plant. Its sales effort has deteriorated into a sideshow of lawsuits, allegations of political interference, and judicial intervention.

'A Classic Example'

Meanwhile, bids for the plant have dropped in value, despite an improving outlook for ethanol because of government subsidies aimed at cleaning the nation's air.

See **FDIC** *page* **14**

COMMENT/*By Paul S. Nadler*

Candid Critic Looks Ahead And Sees a Deep Darkness

George Salem, bank analyst for Prudential-Bache Securities, is unlike most security analysts at brokerage firms: He calls them as he sees them, whether his outlook is pessimistic or optimistic.

Unfortunately, Mr. Salem's type of honesty in what he writes is rare. Many analysts admit in private that they are so intimidated by their employers that they hesitate to issue sell reports on corporations. The reason: Their employers are trying to attract corporate finance and brokerage business from the companies being analyzed.

But Mr. Salem isn't cowed. Not only has he been responsible for damaging reports on many banks through the years, but now he has written a report suggesting that investors sell virtually the entire industry!

Daunting Truths

Six facts, Mr. Salem reports, will burden earnings through this entire year and 1991, too, making it highly unlikely that bank share prices will recover anytime soon:

- Industry overcapacity on a global basis — so great an excess of competitors in provision of financial services that several years of consolidation, shakeout, and rationalization will be required to overcome it.
- Deteriorating loan quality, with declining quality of consumer loans likely to join real estate, highly leveraged transactions, and LDC loans on the headache list in the near future.
- Net interest margin pressure on both money-center and regional banks.
- A poor profitability outlook for investment banking, due both to muscular new entrants and a slowdown in revenue generation.
- Less fee income, as the end of the merger-and-acquisition, leveraged buyout, and highly leveraged transaction booms combines with the slowdown in real estate construction lending. (All have been high fee generators.)
- Lower future loan growth – a cyclical problem rather than a structural one.

Except for readers old enough to have been involved in banking in the 1930s, this is a forecast for the worst banking conditions in a lifetime.

But no participant in any industry has survived by looking at the worst and concluding that it must simply be endured.

Like the soldier whose unit is told, "You 1,000 men are going into battle, and only one of you will come out alive," and who then thinks, "Gee, I'm going to miss the guys," good bankers should feel they have means of avoiding the fate Mr. Salem predicts for them.

Glimmering Hope

What sort of luck might help? Mr. Salem suggests several:

- A recession may be avoided. That would lessen the losses that will be incurred on highly leveraged transactions and real estate credits.
- Inflation and interest rates could plunge. That would be bullish for liability-sensitive banks.
- Stock investors may have discounted the worst.

But basically, the positive forces that Mr. Salem presents all involve action by bankers themselves. These actions include consolidations and staff cuts, pricing discipline, and well-managed banks' acquiring failed institutions at no or low cost.

One might conclude that George Salem is so close to the industry and has seen so many "top rated" banks and their CEOs fall that he has become too pessimistic in reaction.

On the Other Hand

In this fantastically resilient nation, superpessimistic forecasts have seldom proved true for long. Even the forecasts of "Dr. Doom" and "Dr. Death" – Henry Kaufman and Al Wojolinauer – became true only in the unbelievable period under President Carter when the prime soared to 21½ percent.

And keeping in mind the old adage, "What you fear most never happens; something else does," one might conclude that George Salem's predictions of a terrible bank stock market and terrible bank earnings for the next year-and-two-thirds may not come to pass.

The Good Old Days Are Over

But bankers still have a valuable lesson to learn from this courageous analyst's forecasts. For the days are over when most banks made money year in and year out because the economy was strong and the borrowers were basically honorable and had could pay their debts, to boot.

What George Salem and his associate, Donald Wang, seem to be saying is:

"Banking can no longer survive and thrive on luck and solid economic conditions. And if you don't realize this and react now through efficiency and solid pricing – even at the expense of slow growth or shrinkage – your complacency will be at your own peril." □

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

Since the beginning of the year, rating agencies have downgraded bank securities. Meanwhile regulators, using strict new standards, have scrutinized banks, often casting doubt on their creditworthiness. Lately, the examiners have publicly disputed the notion that their standards are any tougher and have downplayed talk that their activities have precipitated a credit crunch. Nonetheless, rating agencies have continued to lower their assessments of some of the country's largest banks. *American Banker* reporter Kelley Holland asked industry experts the following question:

Q ***Are recent downgrades of bank debt a signal that the rating agencies are getting tougher than the regulators?***

■ Richard R. Pannone
Treasurer
Fleet/Norstar Financial Group
Providence, R.I.

I think the rating agencies have somewhat changed their approach to rating. They seem to be addressing not only the fundamentals of an issuer, but also the larger economic environment.

In many ways, that resembles what the regulators are doing.

The regulators have very stringent, very conservative standards in assessing, for instance, the value of real estate. But they're also looking at the environment the banks are operating in. Now, the rating agencies are doing the same thing.

I think the rating agencies are responding to the more conservative approach the regulators are taking.

■ Clifford M. Griep
Managing director
Standard & Poor's Corp.
New York

There's no effort to be tougher than the regulators. We're not competing with the regulators.

We're both looking at the same risks. The downgrades in the industry reflect, for the most part, deteriorating asset quality, specifically in the real estate sector.

Are the regulators being too harsh? That's a hard one to judge. The ratings are our assessment of risk, based on our expectations of performance and portfolio quality.

I don't think anything's changed about the nature of our analysis. We've always looked at regional economic performance and bank exposure to specific industries and sectors.

I think we're responding to the same things as the regulators. Nonetheless, I don't think you can compare what a rating agency does with what a regulator does.

Clearly, the regulators have taken some actions over the years that have implications for ratings.

■ Anat Bird
Bank consultant
BDO Seidman
New York

I don't think the rating agencies are necessarily getting tougher than the regulators.

They're both going to be equally tough. The regulators are encouraging banks to keep making loans, but they'll be tough when they examine.

The rating agencies are reflecting reality. Meanwhile, the regulators are encouraging banks to do business as usual. But it's not business as usual.

When the regulators examine, they cannot take the chance of being too lax, given what that approach has caused in the past.

Both rating agencies and regulators try to be institution-specific. But neither can ignore the fact that the whole industry is in a downturn.

The difference is that the regulators expect the banks to originate loans as if business were as usual, but they examine the loans as if the risk were much higher. The rating agencies are simply trying to rate on the basis of the perceived risk.

■ Thomas K. Brown
Analyst
PaineWebber Inc.
New York

A lot of things are coming together at once.

One, we're on the downside of the economic cycle, so credit quality in general is deteriorating and the banks' credit quality is deteriorating.

Two, the rating agencies are responding to the fallout of tougher examinations — that being an increase in nonperformers and a reduction in capital. An overreaction by the regulators is causing an overreaction by the rating agencies: Because regulators have an effect on the numbers banks report, the rating agencies have responded to that.

And three, like the regulators, the rating agencies have been accused of being too slow, and they don't want that to happen again.

But the rating agencies are looking at different things than the regulators. The regulators are forecasting when they look at the loan portfolios, while the rating agencies have a broader view – they're really looking at credit quality. □

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Howery Pack, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
San Francisco: 415-421-7950
Los Angeles: 213-382-6346
Charlotte, N.C.: 704-522-7181
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

SPECIAL REPORT

AMERICAN BANKER

FOCUS ON EDI

ROUND TABLE
Corporate cash managers and a banker debate merits of EDI. **Page 9A**

Overview

Speeding the Flow of Dollars and Data

BY JASON FORSYTHE

As the 1990s begin to unfold, the banking industry still finds itself sitting anxiously on the cusp of a computer revolution that has swept the country for a decade.

While the Fortune 500 goliaths of America are finally jumping into electronic data interchange, most banks they are using to transfer their funds are timidly testing the EDI waters.

Deciding to Decide

Some banks have made progress in clearing the many technical, financial, marketing, and legal hurdles to transmitting data and payments electronically. But most banks are just now formulating strategies to decide what their role should be.

If they wait too long, experts warn, they could well be left on the sidelines as nonbank competitors fill corporate America's insistent need.

"It is my sense that for most banks, EDI is not a thing that they want to do but something they have to do," said David Bruce of Coopers & Lybrand.

With investment costs topping $1 million, few banks if any are making money on EDI. Nevertheless, corporate customers – especially the leaders in retailing, transportation, pharmaceuticals, oil, chemicals, and cars – are demanding EDI's flexibility and savings.

EDI is the electronic transmission of routine business data, such as invoices, purchase orders, and remittance data. It reduces paper flow.

Cost and Change

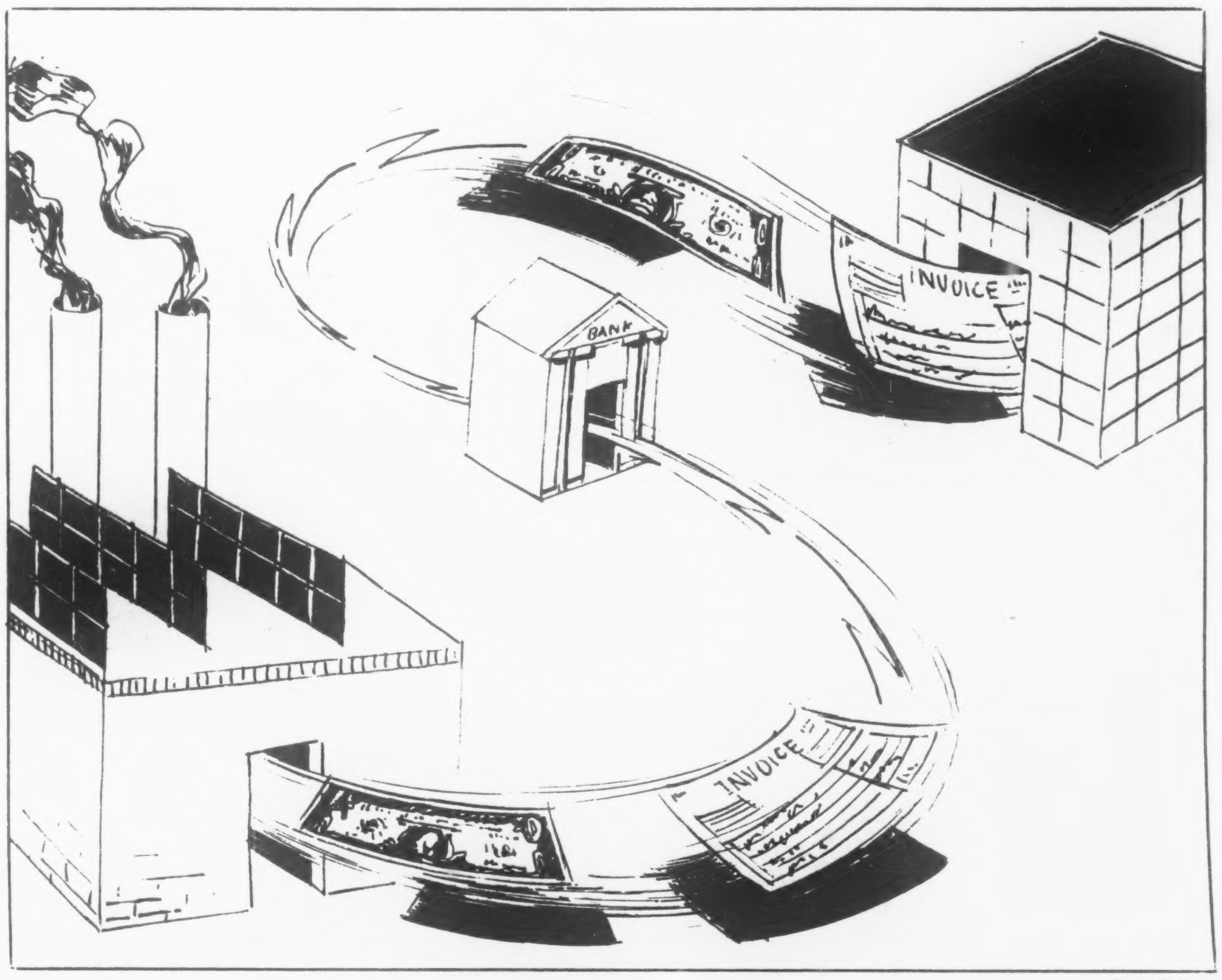
For banks, EDI represents a steep investment in technology that will change how they service corporate customers.

Some bankers view it as a source of growth for their existing cash-management and funds-transfer services. But getting into EDI also affects other services, alters the way banks make their money – and could siphon fees from some traditional cash-management products.

The top cash-management banks have shown the greatest interest, but even among them, self-starters are rare. In a recent study of 20 of those banks – 10 from the top 25, 10 from the next 100 – Coopers & Lybrand found that many were entering EDI as a "reactive" move spurred by the constant badgering of corporate clients.

"While there are, of course, a few innovators – First Chicago, Pittsburgh National, or National Bank of Detroit and a few others – that say EDI will help us attract some business that we wouldn't otherwise get, the move to EDI for most banks is just satisfying the existing client base," says Mr. Bruce of Coopers & Lybrand.

Some banks entering the market are teaming up with EDI vendors to offer not just payments, but all types of EDI services.



James R. Jones

Consortiums

Others banks are getting involved by joining consortiums that will let them tap a growth source for their existing cash-management and funds-tranfser services without making costly investments. One such group is Financial Data Interchange Service, an eight-bank consortium with Sears, Roebuck & Co. American Telephone and Telegraph Co. is forming a similar alliance.

Anita Emard, vice president with the Citibank group that manages electronic funds transfer (EFT) and EDI products, points out some of the complications.

"Today not a lot of banks are doing anything with EDI – mostly because it requires a significant up-front investment to develop a fully featured, comprehensive, and integrated EDI/EFT service that you can offer to corporate customers,"

See page **22A**

American Banker Survey Report

Banks Testing the EDI Waters

BY RICHARD LAYNE

Banks have spent millions of dollars to offer a new communications technology for cash management, and profits are not yet in sight.

The technology, which promises to move banks from processing paper to electronics, may also bring a shakeout among service providers and create a new source of nonbanking competition, according to a survey done by the *American Banker* of the top cash management banks.

In February and March, the *American Banker* sent a questionnaire on electronic data interchange to the top 100 cash management banks.

Sixty-nine banks responded, and 56 said they are using EDI, a communications technology that allows banks to receive and transmit payments and payment information through an automated clearing house in standard formats.

Most banks that offer the service do so either to maintain a customer relationship – "protect the paper franchise," in one banker's phrase – or for a competitive advantage.

More aggressive banks think this relatively new communications technology will create a top tier of 10 or 20 cash management banks.

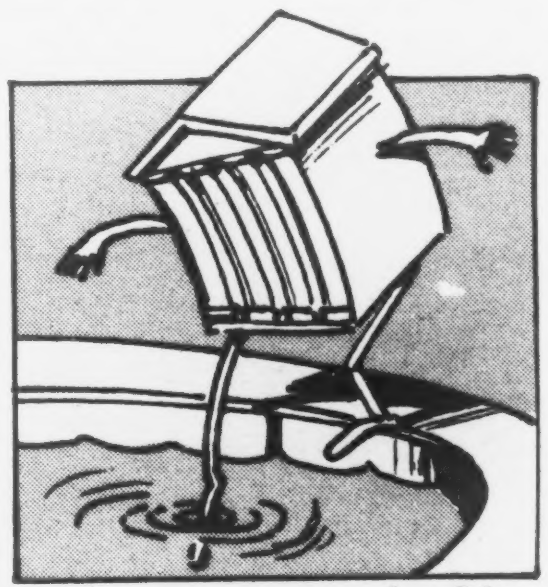
"EDI will separate the men from the boys," said Terry Feder, senior vice president of Security Pacific National Bank and managing director of the Sequor Group, the wholesale securities and cash transaction processing division of Security Pacific Corp.

Retailers, transportation companies, and manufacturers have used EDI for 20 years as a way to exchange purchase orders and invoices while eliminating paper from the purchasing process.

In 1986, General Motors Corp. became the first company to use EDI to transfer funds and electronic invoices through banks.

Slow Going

Other corporations have been slow to follow. Of the 56 banks that offer EDI, 18 said the electronic service handles less than 1% of their payment volume.



James R. Jones

Even the banks that originate payments for GM say that volumes are small.

Almost half the respondents spent between $101,000 and $499,000 on EDI investments. Several bankers interviewed for this article said their banks have spent more than $500,000 to build systems for EDI.

Before offering the service, banks need to set up software and communications to translate between computer formats that corporations and other banks use.

The translation lets the payment information generated by companies in one format travel through the automated clearing house network in another.

Bankers refer to this as han-

See page **2A**

INSIDE:

Electronic Data Interchange

First Wachovia's Strategy: *Relationships, not profits, are its primary motivation.* **4A**
First Chicago's Strategy: *Frontrunner takes steps to retain its edge.* **4A**
GE Information Services' Strategy: *Are nonbanks friends or foes?* **6A**
Union Pacific's Strategy: *Industries such as railroads, are already on the right track*...... **7A**
Small Banks' Strategy: *Sitting on the sidelines, taking a wait-and-see approach.* **8A**
Roundtable: *A banker and two corporate cash managers look to the future.* **9A**
Soundoff: *Seven bankers speak out on the opportunities and the pitfalls.* **14A**
Advice from the Experts: *Banks should be helping customers plug in.* **16A**
The EDI Challenge: *An option that's difficult to resist; a decision difficult to avoid.* **18A**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 1A, 2A

Banks Testing the EDI Waters

Continued from *page* **1A**

dling dollars and data.

No bank claims to have recouped its EDI investment and turned a profit. "I would imagine that EDI is not profitable for any bank," said Carol E. King, vice president, EDI division manager, at First National Bank of Chicago, a unit of First Chicago Corp. "There are big expenses to being a player in this, and it hasn't been around long enough."

Corporations are less interested in financial EDI than in trade-document EDI, in which companies exchange purchase orders and invoices.

In an interview early this year, John McWilliams, director of finance at Bergen Brunswig Corp., a big pharmaceutical wholesaler, said financial EDI offers little in the way of savings.

If 20% of suppliers were being paid this way, Bergen would save $1,200 a month in check-generation charges, he said. But if those same suppliers could exchange purchase orders and invoices with Bergen through EDI, the company would save $144,000.

Nevertheless, Mr. McWilliams said his company will not do business with a bank that does not offer EDI services. "It's not for the money," he said. "It's completing a cycle in the exchange of data."

"With EDI, you are substituting electronics for paper," said Ralph Joy, who is vice president and business unit manager of electronic services at the bank subsidiary of Mellon Bank Corp.

"You have to offer them a reason beyond internal cost saving, such as error reduction and a more efficient use of staff."

Mr. Joy says sales people need six months to persuade a customer to use EDI for receivables and twice as long to persuade them to use EDI for payables.

Defense Contractors

"Our experience on the West Coast is that clients are slower to react, but they are now coming to the fore," said Mr. Feder of Security Pacific.

He said he has pilot projects under way with four West Coast defense contractors.

"Cash management as a whole is becoming increasingly important to our client base, as compared to a credit relationship," said Ms. King of First National Bank of Chicago.

"EDI is important, but it is not overshadowing cash management activities."

Most major banks, including Ms. King's, are planning for a time when increased volumes will make EDI a more important offering. Three-quarters of the respondents said EDI will be a necessary service.

"If a bank can't play in the EDI world, it will lose its payments business," Mr. Feder said.

Signs of a Shakeout

Signs already exist of a potential shakeout among cash managers, based on the willingness to invest in the technology.

"We are attracting business that would go to other banks that don't have EDI," Ms. King said. Bechtel Corp., which did not have a cash management relationship with the Chicago bank, now uses its EDI service, Paystream.

"We see EDI as having long-term potential, a way to differentiate one cash management provider from another," Mr. Feder said.

Not all big banks offer cash management, and bankers speculate that not all cash managers will offer EDI. Bankers speculate that a top tier of banks, perhaps 10 or 20, will offer a full-range of EDI services. Smaller banks may hire these banks to do EDI for them.

The VAN Threat

Bankers are less worried about a shakeout among cash managers than the potential threat from communications companies. Almost 50 respondents said these nonbanking companies are a threat to the cash management business.

These companies, often referred to as value-added networks (VANs), can transmit electronic invoices between corporations, leaving banks to handle just the transfer of funds. Whatever business GE Information Sercvices and other communications companies can amass comes at the expense of banks.

But the issue is more complicated. Banks have formed alliances with VANs, to promote EDI usage and for their communications abilities.

Mellon, for example, is one of eight banks that have formed a consortium with Sears Communications Co., a unit of Sears, Roebuck & Co., to offer EDI services. Security Pacific is allied with BT Tymnet Inc., and First Chicago uses the network of International Business Machines Corp.

"IBM is in the communications business," said Ms. King. "First Chicago is in the electronic payment business. That is not a threat. It is good for our clients."

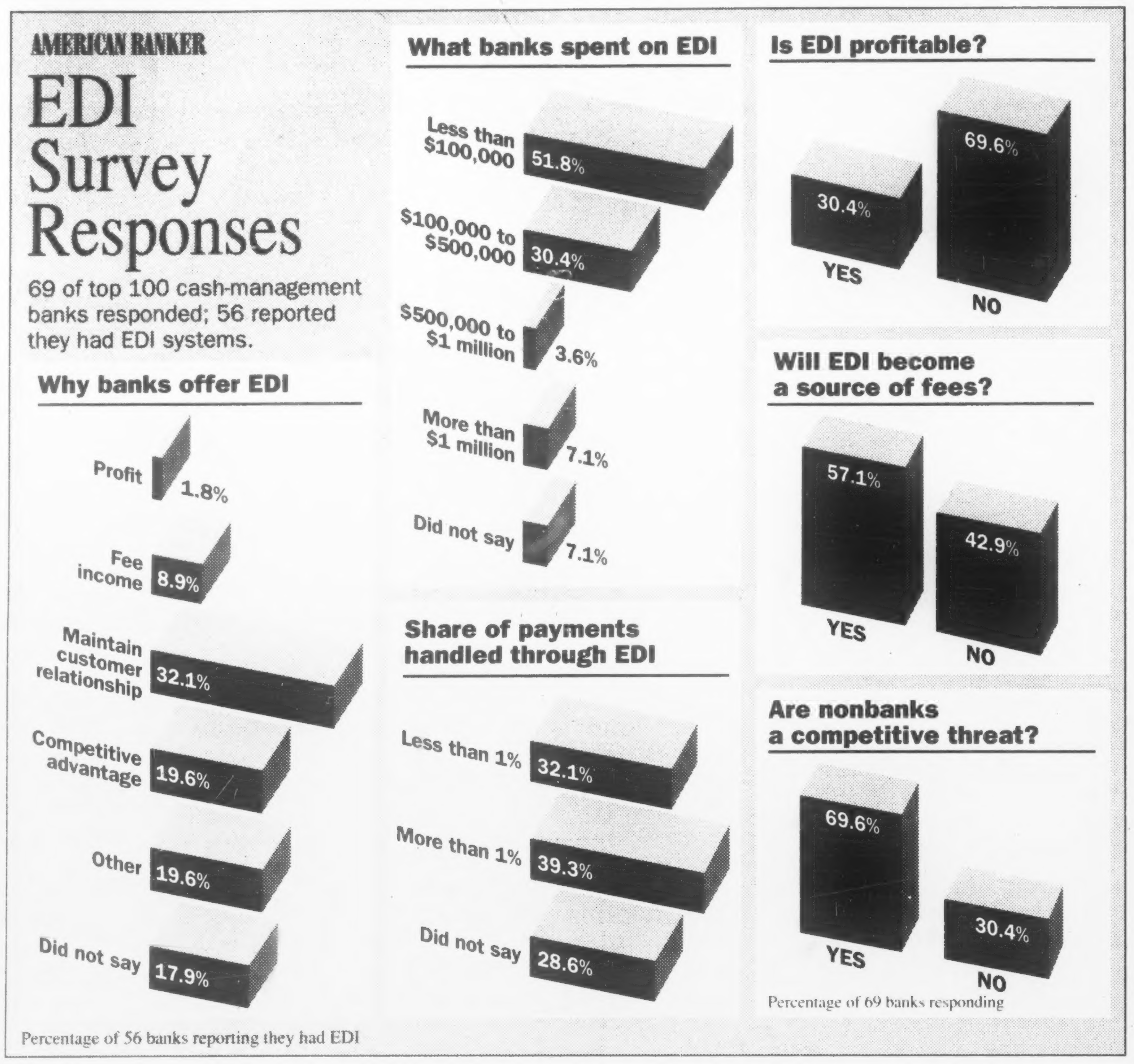
But VANs are a threat, she said. "The threat is that a corporation may move the payment responsibility to the VAN, where the VAN is responsible for processing the payment."

Bankers are divided on whether they should encroach on the VANs' processing and transmission business.

Ms. King said bankers should stick to banking. "Unless banks can add value in the processing of messages such as invoices or purchase orders, we should not do it," she said. "The communication network business is well supplied. I don't see that as our niche."

Mr. Feder disagrees. He said banks should consider transmitting invoices and purchase orders in competition with VANs.

"Banks have provided data with information to customers for 20 years," he said. "We are not likely to cede this business to the [GEs] of the world." ☐



Percentage of 56 banks reporting they had EDI

Percentage of 69 banks responding

COMPANY *index*

This index lists significant references to companies and banks in today's special edition. Pages refer to where stories begin.

A - B
American Telephone and Telegraph.... 1A
American National Standards Institute 6A
Bancorp Hawaii.... 8A
BankAmerica.... 1A,22A,24A
Bechtel.... 1A
Bergen Brunswig.... 1A
Boeing Co.... 22A
Branch Banking and Trust.... 8A
BT Tymnet.... 1A,6A
Burroughs Wellcome.... 4A

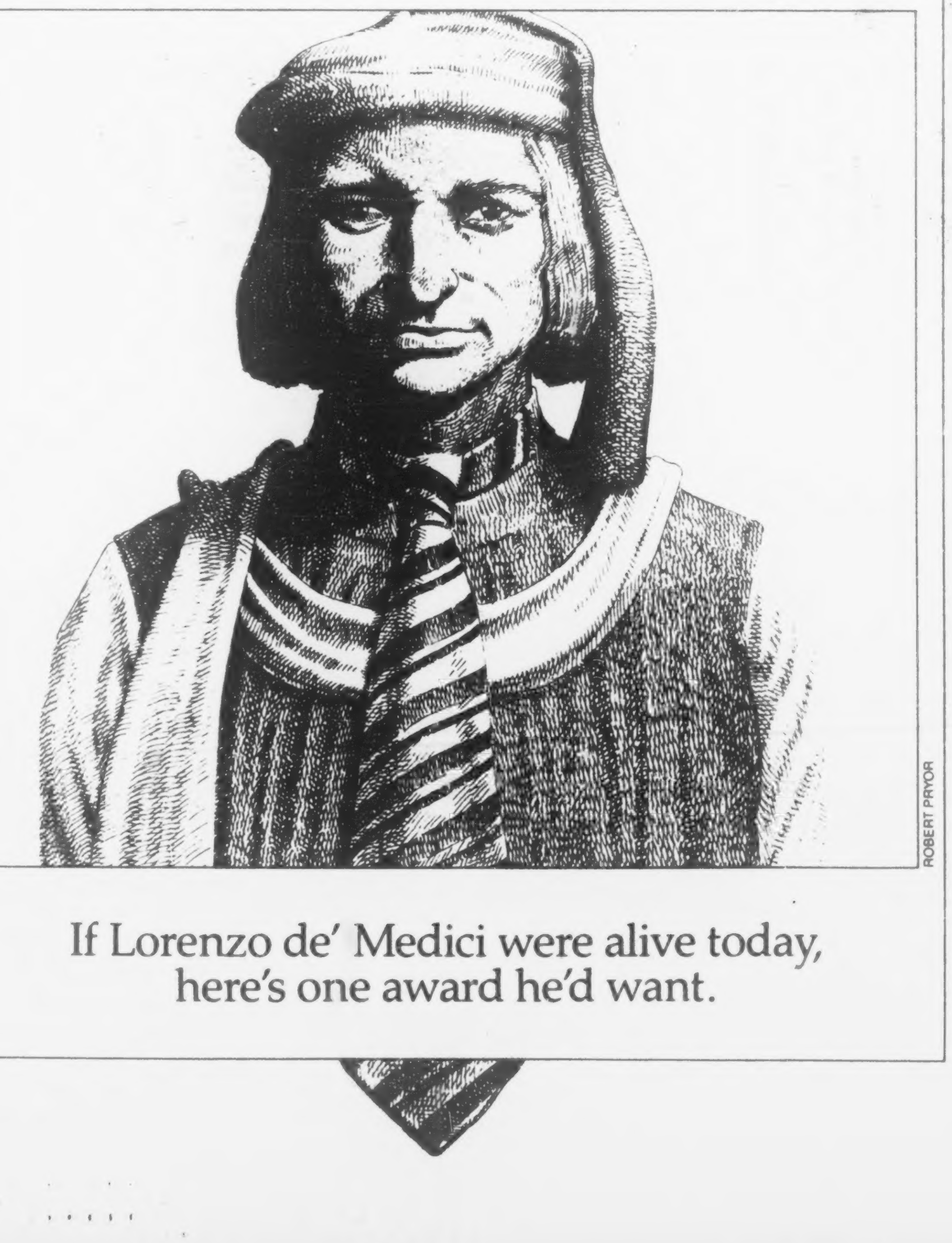
C - E
Chrysler.... 7A
Citicorp.... 1A,24A
Coopers & Lybrand.... 1A,4A
E.I. du Pont de Nemours.... 24A
EDI Research.... 16A
Exxon.... 8A

F
Financial Data Interchange Service.... 1A
First Chicago.... 1A,4A,16A
First Interstate.... 6A,16A
First Wachovia.... 4A

G - I
General Electric.... 1A,6A,8A,22A
General Motors.... 1A,7A,8A
Harris Bank.... 7A,16A
International Business Machines.... 7A

M - P
Mellon.... 1A,6A
NACHA.... 4A,8A
National Bank of Detroit.... 1A,16A
Phillips Petroleum.... 8A
Pittsburgh National.... 1A,16A,18A

S - W
Sears, Roebuck.... 1A,6A,8A
Seattle-First National.... 6A
Security Pacific.... 1A,6A
Tandem.... 7A
Union Pacific.... 7A
Weyerhaeuser.... 22A



ROBERT PRYOR

If Lorenzo de' Medici were alive today, here's one award he'd want.

As a business leader and patron of the arts, Lorenzo would have wanted the Medici Bank to get the credit it deserved.

Today, those businesses that supported the arts in 1989 can compete for a Business in the Arts Award. Sponsored by the Business Committee for the Arts and FORBES Magazine, this prestigious national award recognizes innovative partnerships between business and the arts.

Nominations are now open for any business, large or small, that contributed money, personnel, goods or services to the arts. To nominate a business, write the Business Committee for the Arts, Inc., 1775 Broadway, Suite 510, New York, NY 10019. Or call (212) 664-0600 for information.

But you must not delay: The deadline for entry is May 31, 1990. After that, your business will have as much chance to win as Lorenzo de' Medici.

BUSINESS COMMITTEE FOR THE ARTS, INC.

This advertisement prepared as a public service by Ogilvy & Mather.

880

C0175-1

TOP 100 THRIFT EARNERS
Tables begin on page 14

AMERICAN B

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 103 *Friday, May 25, 1990* *155th year*

Midwest Banks Appear Ready For Examiners

By BILL ATKINSON

ANALYSIS: *Follow-up on the news*

WASHINGTON — If any banks can withstand toughened examinations by the Office of the Comptroller of the Currency, those in the Midwest have the best chance, analysts say.

"I think you'd be too much of a Pollyanna to think the Midwest won't see some increases" in nonperforming real estate loans, said Kenneth F. Puglisi, an analyst at Keefe, Bruyette & Woods Inc. But he said the dose of regulatory medicine would not be as severe as in New England and the Southeast.

Huge provisions for real estate loan losses in the latter two regions caused red ink at some of their largest institutions.

Midwest examiners are moving quickly to identify problems before they get out of control and are not becoming too harsh, according to John R. Powers, acting deputy Comptroller in the agency's Chicago office. "We don't have any Texas rangers out here," he said. "If you choose one word in the central district, it is 'solid.' "

Several large midwestern regional banking companies have already shown the effects of recent national bank examinations; others are certain to follow. But the regional economy is relatively healthy, and recent increases in nonperforming loans have not matched New England levels.

Nonperformers Up Sharply

Michigan National Corp., Farmington Hills, said in May that its nonperforming loans had risen nearly 45%, to $139 million, after a Comptroller's examination that included scrutiny of the commercial real estate portfolio.

Ameritrust Corp. lost $51.6 million in the first quarter after a special provision – taken at the behest of examiners – of $120 million for possible loan losses. The Cleveland-based company said it increased reserves to cover a potential economic slowdown and a decline in real estate values in other parts of the country, including Florida.

NBD Bancorp, the profitable parent of National Bank of Detroit, may be next.

'A Definite Slowdown'

"We are seeing a definite slowdown on really all fronts, which is to say, leasing and sales have slowed down and so has [loan] production," said Thomas J. McDowell, president of NBD Mortgage Co., an NBD

See **STRONG** *page* 7

INSIDE NEWS

INTERNATIONAL

DEUTSCHE BANK plans to have a 300-branch network in East Germany. *Page 8*

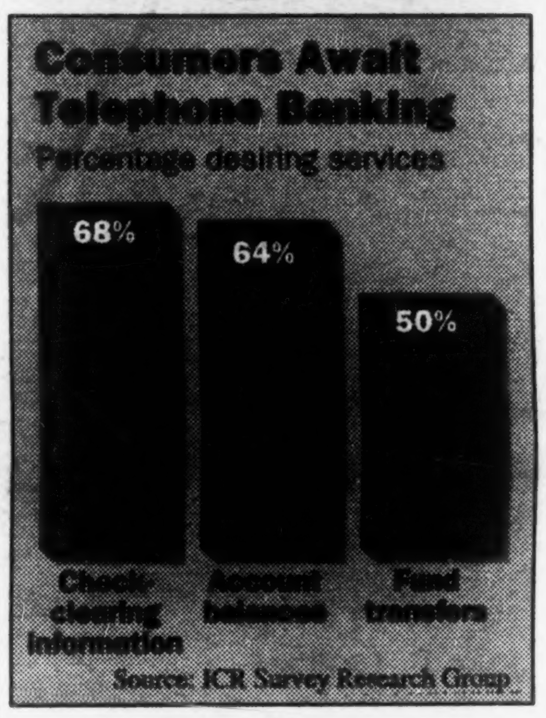
MORTGAGES

BARCLAYS' U.S. mortgage unit, based in Charlotte, N.C., is pursuing a course of cautious growth. *Page 10*

TECHNOLOGY

SWISS BANK, a leading merchant bank that specializes in securities trading, is giving IBM staffers an inside look at its New York trading floor. *Page 3*

CONSUMER



Source: ICR Survey Research Group

FINANCIAL INSTITUTIONS are looking at banking by phone not only as a customer convenience but also as a way to cut costs. *Page 6*

FINANCE

JACK ECKERD CORP., which went private in a $2.5 billion leveraged buyout in late 1985, is negotiating with its bank group to restructure nearly $500 million in credit lines. *Page 22*

NEW CAPITAL RULES and concern about asset quality are spurring banks to trim their corporate loan portfolios. *Page 24*

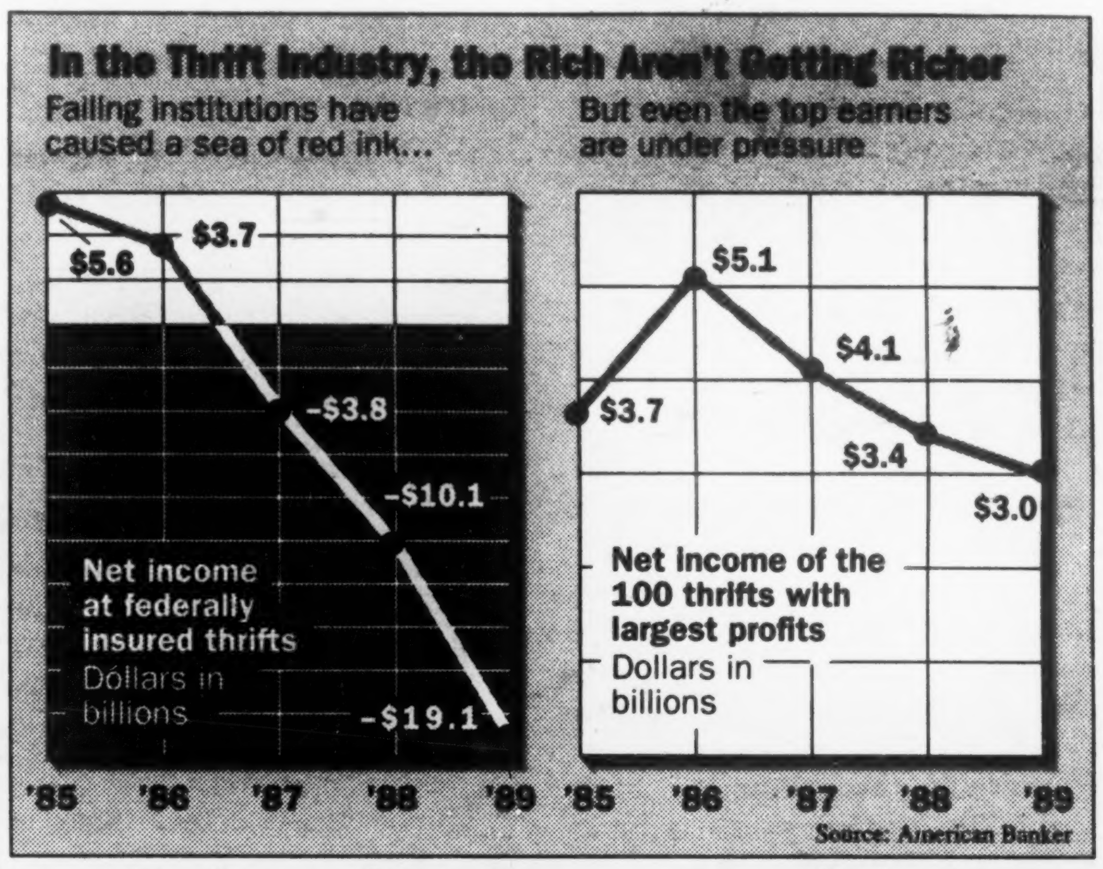
COMMENT

SEIDMAN'S HONESTY about the gravity of the thrift crisis has irked political 'team players,' writes Irvine Sprague. *Page 4*

INDEX

People in the News 2
Company Index 2
Funny Money 4
Classified Advertising 20
Bank and Thrift Stocks 23

TO OUR READERS:
The *American Banker* will not be published Monday in observance of Memorial Day.



Source: American Banker

In Spite of Bailout, Profits Sank At the Nation's Healthiest Thrifts

By PHIL ROOSEVELT

NEW YORK — The thrift bailout law was widely expected to boost the industry's strongest and most profitable players. But so far, there is little evidence of this at the bottom line.

In fact, earnings of the top 100 thrifts in profits declined nearly 10% in 1989, according to an *American Banker* survey. Return on assets changed little, averaging 0.67%. (See tables, beginning on page 14).

Hope Lingers On

Many executives and analysts still expect the industry's strong money-makers to excel in the wake of the thrift law. Competition from troubled, desperate thrifts has been reduced, and survivors with capital will be able to expand strategically.

But the benefits may take longer to materialize than initially thought, and they may not be as dramatic.

Competition from Banks

One of the biggest obstacles to better earnings is increased competition from commercial banks. Though the profitable thrifts have seen the weaker ones weeded out of the industry, commercial banks have been storming into the home mortgage market, long the bread and butter of thrifts.

"This is as cutthroat a mortgage market as I can recall," says

See **THRIFTS** *page* **15**

RTC Bucking State Laws In Bid to Spur Thrift Sales

By BILL ATKINSON

WASHINGTON — In another aggressive move to speed the sale of seized thrifts, the Resolution Trust Corp. formally adopted on Thursday a rule permitting banks to acquire and operate the branches of failed thrifts even if that violates state laws.

The controversial ruling seeks to override legislation in at least 10 states. Of the 320 thrifts under RTC control, 46 with total assets of $10 billion are in these states.

While the number of thrifts affected by the ruling is relatively small, the action is important because it reflects the RTC's new get-tough approach to disposing of seized assets. In other recent actions, the agency has decided to discount prices on slow-moving real estate and reduce the size of down payments.

The RTC hopes its latest move will encourage banks to buy thrifts in order to gain statewide branch networks.

The action is sure to spur legal challenges from state banking interests. But the RTC, increasingly burdened with the inventory of hundreds of failed thrifts,

See **RTC** *page* **11**

Banks to Test Paying Taxes Electronically

By JEANNE IIDA

SAN DIEGO — Four New England banks will be the first to transmit electronic payments of taxes to the federal government in a test scheduled to begin June 5, Treasury Department officials said this week.

In the trial, Bank of New England, State Street Boston Corp.'s State Street Bank & Trust Co., Connecticut Bank and Trust Co., and Durfee Attleboro Bank will send withholding-tax payments to the Internal Revenue Service in Andover, Mass., via the automated clearing house network.

A Handful of Transactions

The test is called Adept, an acronym for automated deposit of electronic payments for taxes. At first it will involve only a handful of transactions. It is the first step toward what government officials hope will be widespread acceptance of paperless tax payments by corporations

See **IRS** *page* **3**

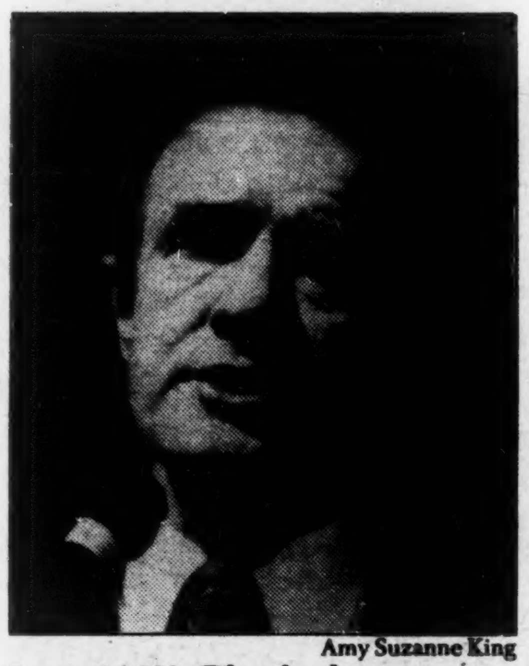
Senate Bill Would Pressure Japan To Open Up Its Financial Markets

By ROBERT M. GARSSON

WASHINGTON — Taking aim at Japan's hard-to-crack financial markets, the Senate Banking Committee approved legislation Thursday that would authorize federal banking regulators to deny applications from banks whose home countries discriminate against U.S. financial institutions.

The Fair Trade in Financial Services Act, sponsored by committee chairman Donald W. Riegle Jr., D-Mich., was attached by voice vote to a measure amending the Defense Production Act. A markup of that larger bill was nearing final committee approval on Thursday afternoon.

If passed by the full Senate, the financial services measure would go to the House, which does not have a counterpart to Mr. Riegle's bill. It endorses the regulatory concept of national treatment: The United States would give foreign banks the same operating latitude as domestic banks, but would retaliate against the banks of any country that is deemed to discriminate against U.S. banks.


Amy Suzanne King

Donald W. Riegle Jr.
Senate Banking Committee

Mr. Riegle's measure is aimed primarily at Japan.

President Bush opposes the Riegle bill and would veto it if it comes to him as a freestanding bill. But the administration has not considered what it will do if the measure is attached to another bill, a Treasury representative said Thursday.

The Senate Banking committee voted to recommend that the

See **SENATE** *page* **21**

COMMENT/*By Irvine Sprague*

Seidman's Frankness Irks Political 'Team Players'

WASHINGTON — It makes a great deal of sense to some staffers in the Bush administration to dump Bill Seidman. Bank crooks and those who looted savings and loans don't like him either.

Seidman has that annoying habit of telling the truth, which frustrates efforts to cover up the seriousness of the savings and loan scandals and the real cost to the taxpayers. He also won't take orders from those who have no real understanding of the depth of the problem.

The General Accounting Office says we are talking about a cost ranging from $325 billion to $500 billion over the next 30 years, at least double the cost the administration had originally admitted to.

Where is the push coming from to oust Seidman?

Triple Threat

It would be fair and accurate to point the finger at Sununu, Brady, and Keating. Some would call it an unholy alliance. I say it is a marriage made in heaven.

Charles Keating, the most notorious of the savings and loan wreckers, vented his ire at Seidman in a National Press Club speech containing more vitriol than fact, and John Sununu, the White House chief of staff, personally leaked stories that Seidman was on the way out. Treasury Secretary Nicholas Brady, working behind the scenes, is probably the most effective member of the trio.

I believe President George Bush when he says he likes and respects Seidman, believes he is doing a good job, and would like him to stay in the administration as a roving ambassador on world debt problems after he leaves the FDIC.

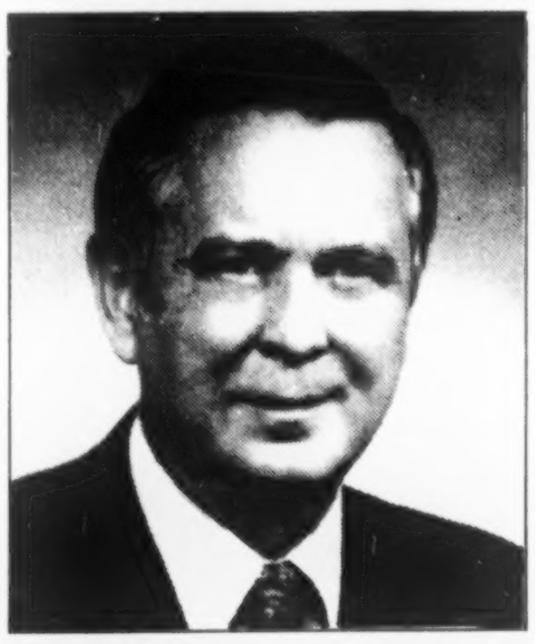
So what happens now? My guess is that Seidman will run the show until he is good and ready to leave. Earlier, he had planned to make major advances on the cleanup by the end of June and then transfer the reins in an orderly manner. But you don't push a fighter like Seidman around. The insider maneuvering to get rid of him was about as inept as any I've witnessed.

High Price for 'Team Players'

Sununu and Brady have been on an unending search for "team players" for the cleanup. Team players, of course, are those who will unquestionably follow orders – right or wrong – and who will spout the party line, whether or not they believe it to be true.

In this process of attempting to stock their shelves with team players, they have driven away qualified people, slowing down the process and adding to the cost to the taxpayers.

Dan Kearney quit as president of the RTC in frustration. Fred Wolf declined to be a player when he learned the ground rules. Finally they selected Timothy Ryan as head of the Office of Thrift Supervision, the successor to the old Danny Wall outfit. He has impeccable credentials in the political arena and absolutely no experience in the liquidation field – and liquidation is what it is all about. The White House chief of staff should be very comfortable with him.



Irvine Sprague
Former FDIC chairman

> **"My guess is that Seidman will run the show until he is good and ready to leave."**

Amateurs Run the Show

One recurring problem is that the RTC Oversight Board, which is supposed to set overall policy, consists of cabinet members who are well-intentioned people busy with their primary jobs. They turn over the operation to inexperienced amateurs in the Treasury Department. The actual work is done by the RTC at the FDIC.

Do we need an RTC Oversight Board? Do we need an RTC? It is a management nightmare. I am opposed to any more legislation about the cleanup right now; but when the time comes, the first priority should be to eliminate these impediments and unleash the FDIC to do the job. Fifty years of successful experience should count for something.

The one bright spot in the picture is the House oversight committee that is charged with keeping watch over the RTC. When I testified before the committee recently, I was pleasantly surprised. They asked all the right questions. With people like Chairman Bruce Vento, Jim Leach, and Charlie Schumer on the job it will make it more difficult for the RTC politicians to cause trouble.

With the FDIC chairmanship so much in the news, it will be useful to look at the past, which, after all, is prologue.

The Selection Process

First, a candidate invariably is sponsored either by the President or by a powerful figure who is willing to push for the appointment. Second, once confirmed by the Senate, the chairman cannot be removed short of impeachment. There are no impeachment precedents. I suppose it would take something as bad as trading arms to Iran in exchange for hostages.

Third, although the term of office as FDIC chairman is six years, it can now be extended indefinitely until a successor is qualified. I'm not certain whether qualified means confirmed by the Senate or actually sworn in. Finally, the 1989 law states that the President must designate a chairman and vice chairman. If the chairman leaves, the vice chairman becomes acting chairman. A complication today is that there is no vice chairman,

See **COMMENT** *page* **21**

Mr. Sprague was chairman or director of the Federal Deposit Insurance Corp. for more than 11 years, during which time he handled 374 bank failures. He frequently speaks before banking groups.

FUNNY MONEY/*By Tom Leander*

Caught in Flagrante

Even the guys with the white hats can run into trouble shipping big bundles of cash, in this era of drug lords and money laundering.

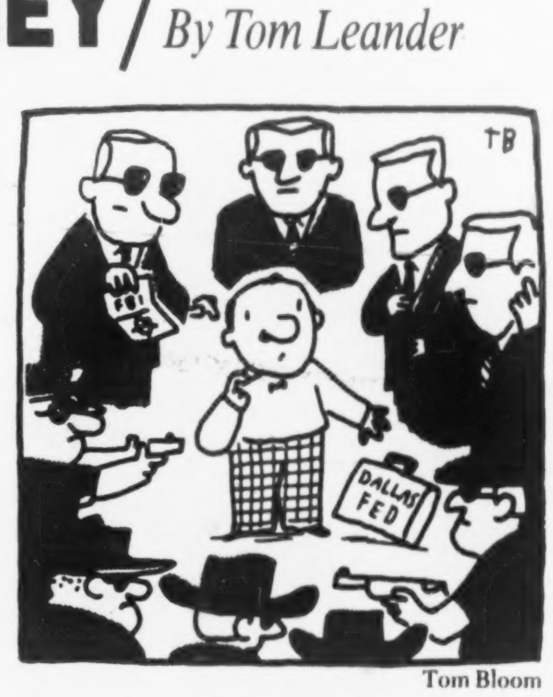
A courier for The Federal Reserve Bank of Dallas nearly got busted last week when he made what the agency considered a routine pickup of $25 million.

According to the *Dallas Times Herald*, the courier briefly became a criminal suspect after police got a tip that he was at Dallas-Fort Worth International Airport to pick up a fortune in legal tender. The tipster said, accurately enough, that the cash was arriving from San Antonio in the cargo hold of an American Airlines jet.

When the startled courier was accosted by federal agents and local police, he was unable to produce documents showing where he got the money – or where it was going. He was released only after Federal Reserve officials at both ends of the route vouched for his bona fides.

Fed officials insisted that big shipments of cash are a routine matter for the guardian of the nation's liquidity. But law enforcement agents disagreed.

"It was unusual that they would put that kind of money in the belly of an airplane," said Daniel West, an officer with the Drug Enforcement Agency.



Tom Bloom

— Steve Klinkerman

* * *

No One Is Immune

Call it a real-life lesson about real estate woes in the Northeast.

Joseph Hu, head of mortgage research at Nomura Securities International, recently sought to refinance his home, a co-op in New York's fashionable Brooklyn Heights section. Mr. Hu found to his surprise that the appraised value of the property was 20% lower than what he paid for it five years ago.

Joseph Hu

Mr. Hu related the incident to lend a personal touch to a speech he gave to the Mortgage Bankers Association of America in New York this week. Mr. Hu's distress evoked spirited, if slightly jaded, laughter from an audience packed with colleagues.

* * *

Score One for Bush

Neil Bush, the President's son, knew he would be facing a hostile congressional panel when he was called to testify Wednesday about his involvement in the failed Silverado Banking, Savings and Loan Association.

Alluding to the hostile reception that his mother, First Lady Barbara Bush, is likely to get as this year's commencement speaker at Wellesley College, Mr. Bush told the press he would gladly trade places with his mother.

In testimony, Mr. Bush denied any wrongdoing in his role as an outside director of Silverado.

— Robert Trigaux

* * *

Saving Our Pennies

Now that the penny postcard costs 15 cents and penny candies cost at least a nickel, how much credibility could be left to the old saw, "a penny saved is a penny earned"?

Regardless of its diminishing buying power, a Gallup survey released this week revealed that 62% of Americans favor saving the penny from extinction.

Congress is considering legislation that would eliminate the penny. If it passes, merchants would be required to round cash transactions to the nearest nickel.

Why the loyalty to the penny? Survey findings show that 92% of respondents agreed with the statement: "The penny is a longstanding tradition in this country."

* * *

A Precious Asset

An analyst from San Francisco-based Montgomery Securities, in cahoots with her husband, parodied one of the standard formulas of financial advertising to announce a highly personal acquisition on April 22.

"Kathleen Smythe de Urqieta and Bernardo Urquieta have acquired Bernardo Charles Smythe Urquieta III, 8 lbs., 14 oz.," read a 5-inch by 5-inch card mailed to business associates and reporters.

In fine print, the couple noted proudly that Montgomery Securities "acted as adviser for this initial public offering." ☐

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Edito:: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

SMALL BUSINESS

Banks Using PC Software To Attract New Accounts

By LAURYN FRANZONI
Special to the American Banker

The personal computer has already changed the way many business owners manage their enterprises. Now, banks can use software packages and communications to open doors with small-business clients and retain their accounts.

Computer links between banks and small companies have "changed our way of doing business," says Michael R. Hinton, executive vice president for marketing and deposit services at Old National Bancorp., Evansville, Ind. "Our commercial customers would tell you that they would not leave us for a bank that didn't offer this system."

The system he is talking about is the InTouch Cash Manager, licensed and operated by Harbinger Computer Services, Atlanta. InTouch combines a personal-computer software program and communications network that allows a small-business owner to communicate easily with a bank.

InTouch lets customers obtain bank balances and transaction records, move funds between accounts and to other financial institutions, automatically store the data on the PC, generate cash-flow reports, reconcile bank accounts, produce bank statements on demand. Other features include check writing, scheduling, and access to a variety of national information services.

Bankers say each customer buys the program for a different piece of the service.

"Our commercial customers would not leave us for a bank that didn't offer this system."

Michael R. Hinton
Old National Bancorp.

The bank's customers dial a toll-free number in Harbinger's EDI network. Once the bank link is established, the system quickly downloads the account information to the customer's PC. Then the menu-driven software takes over; no transmission charges are incurred.

First of America Corp. in Kalamazoo, Mich., is offering Intouch. In announcing the decision to do so, the bank's vice president, Bruce McCall, said:

"The strategic importance of the corporate market to our banks is clear. The InTouch Cash Manager is specifically designed to fulfill the cash management needs of this key market and does so at a price even the smallest corporation can afford."

Typically, a bank pays a one-time installation or license fee for the Harbinger product. That fee may vary according to the degree of exclusivity and other factors.

The bank then buys customer software packages from Harbinger. They can be resold at any price; some are selling the package below cost for competitive reasons, while others add a substantial premium. There are also monthly transaction fees.

Individual Fees as High as $140 a Month

The affordability and the variety of features have let sales representatives at Old National Bank, an $850 million-asset institution, close eight of every 10 proposed deals, Mr. Hinton says. In six months he has put 70 customers on-line. The customers pay an average of $60 per month in transaction fees to the bank; individual fees range from $30 to $140.

"The fee income is a big advantage," Mr. Hinton says. "But the most important advantage is the increased balances we see on all of the InTouch accounts."

"The product is a balance generator," says Jill Rushing, vice president and manager of the corporate products group at the $4.6 billion-asset Deposit Guaranty National Bank, Jackson, Miss. She says sales of the product to "100% prospect" customers (those without any relationship to her bank) have exceeded expectations.

"Many of our credit officers can sell the product as well as the sales force I have in place, mostly because it's so much fun to sell," she says. Because of the gratifying fee income and affordability of InTouch, Mr. Hinton says, he has dedicated two sales people and one customer-service person to the product.

Marine Midland Bank, Buffalo, N.Y., uses the InTouch software to "open doors," according to department executive Carl Lashua.

According to a survey recently conducted by Trans Data Corp., an *American Banker* affiliate, one-fifth of banks and thrifts now offer some form of computerized banking service to the small-business market. An additional 9% expected to add such service this year.

Regional differences were evident. Nearly one-third of Southern institutions offer computerized banking services to small businesses, while only 11% of New England institutions and 12% in the Middle Atlantic region do.

Among other banks offering InTouch Cash Manager are Wells Fargo Bank, San Francisco; National City Bank, Cleveland; First National Bank of Atlanta; Deposit Guaranty; Illinois National Bank, Springfield; United Bank of Illinois, Rockford; First Trust, Kankakee; Bank Midwest, Bloomington, Ind.; Dekalb (Ill.) Bank; and Merchants National Bank, Terre Haute, Ind.

Ms. Franzoni is a freelance banking reporter in Springfield, Mo.

Dial-Up Banking Is Catching On

Institutions Enter Next Phase of Electronic Revolution

By ELLEN MEMMELAAR

NEW YORK — Consumers are eager to bank by phone, and financial institutions are rising to the occasion, a study commissioned by the International Business Machines Corp. shows.

Of 1,001 U.S. adults in the poll, 64% said such services would make banking more convenient.

That included 81% of people under age 35. By comparison, only 45% of those over 65 feel that telephone banking offers added convenience, according to the survey conducted in April and May by ICR Survey Research Group.

When ICR polled 250 vice presidents of retail banking operations to determine if their institutions offered banking by phone, 37% said they provide the service and 8% said they are planning to introduce it within two years.

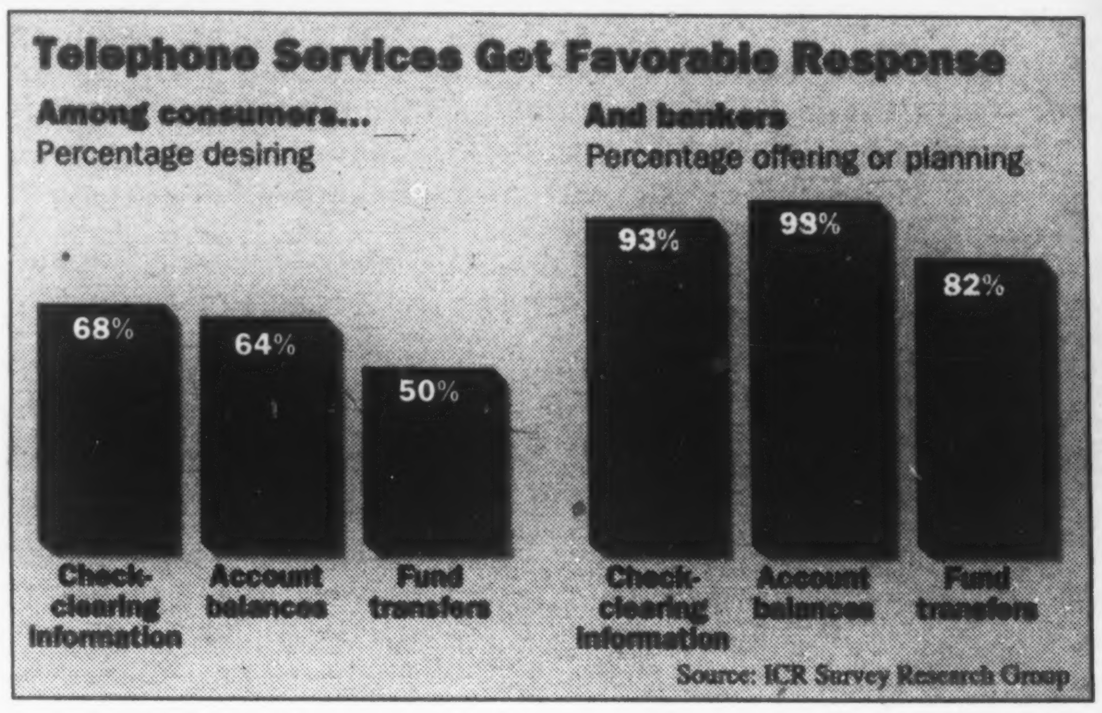
Cost of Human Capital

Large banks are currently the major suppliers of such services, and banks with assets of at least $100 million will account for most future growth, the study concluded.

"These banks are more conscious of the cost of human capital," said Donald Crosbie, vice president of marketing at InterVoice Inc., Dallas. Because larger institutions usually have a well-defined customer service area, they can see the effect that such a system has on the bottom line easier than can smaller banks "where everybody answers the phone," he said.

Banks with at least two locations, or 42% of the total, offer the service, while 28% of those with just one location have teleservicing functions.

"We saw [telephone banking] as a value-added service for our customer base," said Brenda Hellams, a spokeswoman for South Carolina National Bank, which recently installed a telephone-response system created by InterVoice.



Source: ICR Survey Research Group

Voice-Activated System

The service, which is part of the bank's Flex Banking package, is both voice activated and touch-tone driven. Consumers can access savings, checking, and credit card accounts, make installment and home equity loan payments, and get interest rate information. They also can retrieve updates on automated teller machine and debit card transactions.

More and more financial institutions are looking at banking by phone, not only as a customer convenience, but also as a way to cut costs.

More and more financial institutions are looking at banking by phone, not only as a customer convenience, but also as a way to cut costs, the study found.

The payback from such a system usually takes six to 12 months, said Mr. Crosbie. NCNB National Bank, the principal subsidiary of NCNB Corp., Charlotte, N.C., recently claimed a 2½-month payback, he said.

Three-fourths of institution officials said that improving customer service was a motivation for adding the service, while 40% said they expected greater efficiencies. Twenty-two percent said telephone banking facilities lowered in-branch traffic, and 20% said the move freed personnel for other duties.

Appeal to High-Income Users

Higher-income consumers are most receptive to banking by phone. Fifty-five percent of those from households with annual incomes under $15,000 find the voice-response systems convenient, while 76% of those earning more than $50,000 are willing to use such a system.

Nearly seven in 10 consumer respondents said they would use such a system to see whether checks had cleared, and 61% would like to check their balances. Fifty percent said they would use a phone system to make account transfers.

Paying bills by telephone appealed to 40% of the sample, while 34% would use the system to apply for loans. □

AMERICAN BANKER */Bank Rate Monitor's*™

Consumer Money Index

Highest Retail Yields and Jumbo Rates

These are the highest jumbo CD rates and retail CD yields offered on May 23 by the 100 largest banks and thrifts in the nation's 10 largest markets. The star ratings are supplied by Veribanc Inc. of Wakefield, Mass., which evaluates the financial condition of institutions using fourth quarter, 1989, data from federal regulators and assigns 0 (lowest) to 3 (highest) star to the institutions. Information from Veribanc is believed to be reliable, but the accuracy, adequacy, and completeness of the information is not guaranteed.

Retail Yields

Six-month		
Columbia S&L, Irvine, Calif.		9.00%
Maine Savings Bank, Portland		8.89
Senator S&L Towson, Md.	★★	8.87
Citytrust, Bridgeport, Conn.		8.84
Heritage Savings Bank, Richmond, Va.		8.72
One-year		
Maine Savings Bank, Portland		9.00%
Senator Savings Bank, Richmond, Va.	★★	9.00
Heritage Svgs Bank, Richmond, Va.		8.98
Beach Svgs Bank, Fountain Valley, Calif.	★★★	8.96
Citytrust, Bridgeport, Conn.		8.95
Five-year		
Mercantile Bank, Boston, Mass.	★★★	9.06%
Eastern Savings Bank, Hunt Valley, Md.	★★	9.05
First Trade Union Svgs, Boston, Mass.	★★	9.04
Maine Savings Bank, Portland		9.00
The Bank Mart, Trumbull, Conn.	★	9.00

Jumbo Rates

Six-month		
Brookside S&L, Los Angeles, Calif.		8.95%
Financial Savings, Fresno, Calif.		8.80
Westwood Savings & Loan, Calif.		8.80
John Hanson Savings, Beltsville, Md.	★	8.75
Yorkridge-Calvert Fed Svgs, Baltimore, Md.		8.75
One-year		
California Thrift & Loan, Santa Barbara	★★★	8.96%
Brookside S&L, Los Angeles, Calif.		8.95
Americity Fed Savings, Laredo, Tex.	★	8.80
First Annapolis Bank, Annaplis, Md.		8.80
Bank of New England, Boston, Mass.		8.75
Five-year		
Metroplitan Bank for savings, Arlington, Va.	★★★	10.25%
Bank Hapoalim, Chicago, Ill.		9.10
Brownsville Bank, Tenn.	★★★	8.90
New South Federal Svgs, Birmingham, Ala.	★★★	8.80
Columbia First Bank, Arlington, Va.	★★	8.75

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Look for *"Sound Off"* every Monday on page 4 in the *American Banker.*

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 6, 14-19

THRIFT PROFITABILITY

Top 100 Earners in the Thrift Industry

Based on net income for 1989 for all federally-insured thrifts (dollar amounts in thousands)

Rank 12/89	Name of Thrift, City, State	Net Income 1989	Net Income 1988	Percent Change	ROA 1989	ROA 1988	Total Assets 12/31/89
1	**American Savings Bank, FA, Irvine, Calif.[1]**	215,704	(1,492)	14557.37	1.37	-0.04	16,290,515
2	**Home Savings of America, FA, Irwindale, Calif.[1]**	192,821	208,674	-7.60	0.52	0.58	44,924,933
3	**World Savings, FS&LA, Oakland, Calif.[1]**	155,243	136,704	13.56	0.84	0.94	19,263,899
4	**First Gibraltar Bank, FSB, Houston[1]**	129,834	(738)	17692.68	1.25	-0.02	9,774,756
5	**Glendale Federal Bank, F.S.B., Glendale, Calif.[1]**	117,135	156,168	-24.99	0.48	0.67	24,043,905
6	**Homefed Bank, FSB, San Diego, Calif.[1]**	112,741	106,730	5.63	0.66	0.70	17,752,680
7	**Great Western Bank, Beverly Hills[1]**	99,480	242,499	-58.98	0.30	0.84	34,949,576
8	**California Federal Bank, FSB, Los Angeles[1]**	84,377	114,683	-26.43	0.34	0.48	23,269,859
9	**Green Point Savings Bank, Brooklyn, New York[2]**	77,954	71,020	9.76	1.79	1.88	4,614,000
10	**Citicorp Savings of Illinois, FS&LA, Chicago[1]**	59,035	83,326	-29.15	1.09	1.52	5,476,808
11	**Washington Federal Savings & Loan Assn., Seattle[1]**	58,643	55,407	5.84	2.49	2.71	2,509,894
12	**Chevy Chase Savings Bank, FSB, Md.[1]**	51,474	16,786	206.65	1.08	0.41	4,713,146
13	**Williamsburgh Savings Bank, Brooklyn, New York[2]**	50,716	35,989	40.92	1.42	1.14	3,670,997
14	**Columbia Savings, FS&LA, Englewood, Colo.[1]**	49,672	(15,181)	427.20	0.99	0.37	4,844,902
15	**Standard Federal Bank, Troy, Mich.[1]**	45,664	50,694	-9.92	0.46	0.53	9,638,381
16	**Society for Savings, Hartford, Conn.[2]**	44,856	30,930	45.02	1.08	0.85	4,422,091
17	**Third Federal Savings & Loan Assn., Cleveland[1]**	36,458	38,860	-6.18	1.45	1.74	2,653,243
18	**Bluebonnet Savings Bank, FSB, Dallas[1]**	35,427	(80)	44383.75	1.10	-0.01	3,157,293
19	**Capitol Federal Savings & Loan Assn., Topeka, Kan.[1]**	33,551	27,810	20.64	1.09	0.98	3,157,662
20	**Citicorp Savings, FS&LA, San Francisco[1]**	32,631	51,171	-36.23	0.45	0.73	7,393,077
21	**People's Bank, Bridgeport, Conn.[2]**	32,461	36,580	-11.26	0.49	0.62	7,037,923
22	**Western Federal Savings & Loan Assn., Marina Del Rey, Calif.[1]**	30,131	12,287	145.23	0.66	0.38	4,808,685
23	**Astoria Federal Savings & Loan Assn., Queens, New York[1]**	29,524	26,636	10.84	0.96	0.91	3,109,349
24	**Hudson City Savings Bank, Paramus, N.J.[2]**	29,163	27,467	6.17	0.94	0.93	3,219,535
25	**Emigrant Savings Bank, New York[2]**	28,401	30,985	-8.34	0.83	0.87	3,571,955
26	**United Savings Assn. of Texas, FSB, Houston[1]**	28,346	121	23326.45	0.72	0.01	3,260,735
27	**Champion Federal Savings & Loan Assn., Bloomington, Ill.[1]**	28,228	8,267	241.45	1.04	0.32	2,602,904
28	**Metropolitan Federal Bank, FSB, Fargo, N.D.[1]**	25,196	11,850	112.62	0.99	0.50	2,426,406
29	**Citizens Savings Bank, Providence, R.I.[2]**	24,477	22,346	9.54	1.10	1.05	2,248,906
30	**USAA Federal Savings Bank, San Antonio, Tex.[1]**	24,253	14,587	66.26	3.16	2.50	848,142
31	**Provident Institution for Savings, Boston [2]**	23,591	13,396	76.10	1.44	0.83	1,539,144
32	**EurekaBank, Foster City, Calif.[1]**	22,159	8,388	164.18	1.25	0.59	1,771,175
33	**Peoples Heritage Savings Bank, Portland, Me.[2]**	21,732	21,445	1.34	0.93	1.09	2,533,682
34	**Apple Bank for Savings, New York[2]**	21,352	24,261	-11.99	0.72	0.78	3,849,429
35	**Metropolitan Federal Bank of Iowa, Mason City[1]**	21,142	(24,059)	187.88	1.75	-3.69	1,139,622
36	**Citicorp Savings of Washington D.C., FS&LA[1]**	20,646	(8,886)	332.34	1.81	-0.99	1,211,203
37	**First Federal Bank of California, Santa Monica[1]**	20,458	18,694	9.44	0.86	0.91	2,586,706
38	**United Postal Savings Assn., St. Louis[1]**	20,381	11,272	80.81	1.43	0.79	1,410,708
39	**Firstrust Savings Bank, Philadelphia[2]**	20,344	21,882	-7.03	1.78	2.04	1,210,000
40	**Long Island Savings Bank, FSB, Melville, N.Y.[1] (a)**	20,273	27,451	-26.15	0.38	0.52	5,374,389
41	**Talman Home Federal Savings & Loan Assn., Chicago[1]**	20,162	25,649	-21.39	0.33	0.42	6,072,659
42	**Washington Mutual Savings Bank, Seattle[2]**	20,158	31,904	-36.82	0.34	0.58	6,060,902
43	**First Federal of Michigan, Detroit[1]**	19,688	40,865	-51.82	0.17	0.36	11,088,251
44	**Georgia Federal Bank, FSB, Atlanta[1]**	19,349	23,962	-19.25	0.45	0.59	4,177,214
45	**Union Federal Savings Bank, Los Angeles[1]**	19,186	17,311	10.83	0.83	0.84	2,415,157
46	**Home Savings Bank, Brooklyn, New York[2]**	19,057	24,093	-20.90	1.19	1.48	1,608,861
47	**Perpetual Savings Bank, FSB, McLean, Va.[1]**	18,454	6,764	172.83	0.30	0.12	5,993,718
48	**Northwestern Savings & Loan Assn., Chicago[1]**	18,101	17,520	3.32	1.46	1.32	1,308,197
49	**South Boston Savings Bank, Boston[2]**	17,663	17,322	1.97	1.23	1.25	1,441,694
50	**Security Savings & Loan Assn., Milwaukee, Wis.[1]**	17,409	17,405	0.02	0.82	0.83	2,120,803
51	**American Federal Bank, FSB, Dallas[1]**	17,388	8,026	116.65	0.55	0.49	3,211,539
52	**Fidelity New York, FSB, Floral Park, N.Y.[1]**	17,217	9,190	87.34	0.88	0.50	1,937,310
53	**First Federal Savings Bank, Cleveland[1]**	16,719	13,370	5.81	0.89	0.85	2,108,295
54	**Citizens Federal Bank, FSB, Miami[1]**	16,388	14,919	9.85	0.37	0.43	4,257,056
55	**Cragin Federal Bank For Savings, Chicago[1]**	16,045	33,107	-51.54	0.68	1.49	2,335,970
56	**State Savings Bank, Columbus, Ohio[1]**	16,024	7,051	127.26	1.14	0.53	1,445,602
57	**Pacific First Federal Savings Bank, Seattle[1]**	15,737	18,633	-15.54	0.27	0.36	5,667,474
58	**Main Line Federal Savings Bank, Villanova, Penn.[1]**	15,677	4,116	280.88	2.07	0.62	783,132
59	**First Financial Bank, FSB, Stevens Point, Wis.[1]**	15,511	14,411	7.63	0.67	0.67	2,370,864
60	**TCF Bank Savings, FSB, Minneapolis, Minn.[1]**	15,377	15,984	-3.80	0.31	0.28	4,658,239
61	**Rochester Community Savings Bank, N.Y.[2]**	15,322	22,228	-31.07	0.36	0.55	4,028,011
62	**New Haven Savings Bank, Conn.[2]**	15,252	14,104	8.14	0.93	0.93	1,696,060
63	**Cardinal Federal Savings Bank, Cleveland[1]**	15,188	(39,444)	138.51	0.94	-2.53	1,556,274
64	**Amwest Savings Association, Bryan, Tex.[1]**	15,008	4,147	261.90	0.36	0.39	3,919,697
65	**Heartland Federal Savings & Loan Assn., Ponca City, Okla.[1]**	14,830	3,262	354.63	1.43	0.56	926,117
66	**Sacramento Savings & Loan Assn., Calif.[1]**	14,645	11,728	24.87	0.62	0.50	2,308,609
67	**Ridgewood Savings Bank, Queens, New York[2]**	14,507	17,485	-17.03	1.29	1.54	1,155,235
68	**Security Savings Bank, SLA, Vineland, N.J.[1]**	14,416	7,513	91.88	0.94	0.53	1,528,470
69	**Coastal Banc Savings Association, Houston[1]**	14,378	1,639	777.24	2.16	0.56	698,390
70	**Virginia Beach Federal Savings Bank, Va.[1]**	14,198	2,229	536.97	1.76	0.29	782,520
71	**PriMerit Bank, FSB, Las Vegas[1]**	14,170	20,788	-31.84	0.51	0.79	2,767,153
72	**Long Beach Savings & Loan Assn., Calif.[1]**	14,167	2,843	398.31	1.80	0.45	872,153
73	**Roslyn Savings Bank, N.Y.[1]**	14,062	11,468	22.62	1.45	1.24	970,400
74	**Pioneer Federal Savings Bank, Hopewell, Va.[1]**	13,977	11,070	26.26	2.26	1.75	544,288
75	**Great Lakes Bancorp FSB, Ann Arbor, Mich.[1]**	13,741	16,325	-15.83	0.40	0.50	3,385,368
76	**Downey Savings & Loan Assn., Newport Beach, Calif.[1]**	13,645	28,959	-52.88	0.36	0.85	3,774,336
77	**East New York Savings Bank, New York[2]**	13,495	15,670	-13.88	0.52	0.85	2,018,448
78	**Bay View Federal Bank, FSB, San Mateo, Calif.[1]**	13,327	20,004	-33.38	0.48	0.85	2,879,019
79	**Bell Federal Savings & Loan Assn., Chicago[1]**	13,298	15,560	-14.54	0.76	0.87	1,796,864
80	**Butterfield Savings & Loan Assn., FSA, Newport Beach, Calif.[1]**	13,195	3,866	241.31	1.97	1.06	590,988
81	**Hawthorne Savings & Loan Assn., Calif.[1]**	13,153	10,710	22.81	1.31	1.17	1,051,035
82	**Southern California Savings, FS&LA, Beverly Hills[1]**	12,747	5,443	134.19	0.58	0.28	2,343,251
83	**Jamaica Savings Bank FSB, Lynbrook, N.Y.[1]**	12,598	(6,652)	289.39	0.87	-0.47	1,479,785
84	**Santander Federal Savings Bank, Bayamon, P.R.[1]**	12,277	15,724	-21.92	1.10	1.29	1,061,116
85	**Greater New York Savings Bank, New York[2]**	12,227	9,141	33.76	0.62	0.51	3,105,098
86	**New Bedford Institution for Savings, Mass.[2]**	12,132	14,120	-14.08	1.03	1.37	1,202,182
87	**Western Financial Savings Bank, Irvine, Calif.[1]**	12,013	11,992	0.18	0.45	0.57	2,870,261
88	**First Federal Savings Bank, Santurce, P.R.[1]**	11,743	12,452	-5.69	0.63	0.73	1,927,836
89	**American Savings Bank, New Britain, Conn.[2]**	11,610	8,117	43.03	1.31	0.96	914,141
90	**Decatur Federal Savings & Loan Assn., Ga.[1]**	11,445	9,713	17.83	0,48	0.45	2,312,111
91	**Household Bank, FSB, Newport Beach, Calif.[1]**	11,391	(1,002)	1236.83	0.19	-0.02	7,051,505
92	**Security Pacific Savings Bank, Tacoma, Wash.[2]**	11,095	4,338	155.76	1.77	0.71	622,652
93	**Albany Savings Bank, FSB, N.Y.[1]**	11,083	15,018	-26.20	0.56	0.79	2,036,819
94	**Heights of Texas, FSB, Houston[1]**	11,081	4,191	164.40	0.58	0.55	1,910,321
95	**American Savings Bank, FSB, Honolulu[1]**	10,537	13,862	-23.99	0.69	1.11	1,651,453
96	**Ohio Savings Bank, Cleveland[1]**	10,527	13,345	-21.12	0.69	0.91	1,547,296
97	**Norstar Bank of Central New York, Syracuse[2]**	10,496	8,827	18.91	1.16	1.00	1,387,408
98	**Loyola Federal Savings & Loan Assn., Baltimore[1]**	10,462	8,935	17.09	0.50	0.45	2,113,726
99	**Fidelity Federal Bank, FSB, Glendale, Calif.[1]**	10,361	24,722	-58.09	0.21	0.59	4,971,885
100	**River Bank America, New York[2]**	10,358	25,035	-58.63	0.35	0.92	2,939,446
	TOTAL FOR TOP 100 THRIFTS[3] ($ MILLION)	**3,041**	**3,356**	**–9.39**	**0.67**	**0.65**	**455,888**
	TOTAL FOR ALL SAIF-INSURED THRIFTS[4] ($ MILLION)	**(19,172)**	**(13,439)**	**–42.66**	**(1.53)**	**(1.00)**	**1,251,697**
	TOTAL FOR BIF-INSURED THRIFTS[5] ($ MILLION)	**(130.8)**	**1,041**	**–109.34**	**(0.05)**	**0.42**	**241,627**

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. In addition, federal regulatory data were used. The providers of these data were: **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York; and **W.C. Ferguson & Co.,** Irving, Tex. Data for state-chartered BIF-insured thrifts are from the Reports of Condition and Income submitted to the FDIC; and data for SAIF-insured thrifts and federally-chartered FDIC-insured savings banks are from the Quarterly Financial Report submitted to the Office of Thrift Supervision. **Net Income:** (1) for the BIF-insured thrifts its income after taxes but before extraordinary items; (2) for the SAIF-insured thrifts its the sum of current net income for each of the four quarters of 1989 and 1988, respectively. **( )**— Indicates a net loss for 1988. **ROA:** is net income divided by total average assets as calculated by **Sheshunoff, Ferguson**, or American Banker. **(1)**— A SAIF-insured thrift. **(2)**— A BIF-insured savings bank. **(3)**— The 1988 data were for the top 100 earners that year. **(4)**— Data were taken from the **News**, published by the **Office of Thrift Supervision,** except the returns on assets which were calculated by American Banker. **(5)**— Data are for state-chartered savings banks. The 1989 data are from **Sheshunoff.** The 1988 data are from the **Federal Deposit Insurance Corp.** The ROAs were calculated by American Banker. **(a)**— Combined regulatory data for the thrift and its division in Centerreach, N.Y. **Compiled by American Banker, Copyright 1990.**

Despite Bailout, Profits Sank at Nation's Healthiest Thrifts

ontinued from *page* 1

erbert Sandler, chief executive Oakland, Calif.-based World vings.

Peter Treadway, an analyst at nith Barney, Harris Upham & ., says major thrifts face the ssibility of additional credit ality problems because com- ercial real estate markets re- ain weak. Also, the bailout law s saddled the thrifts with high- premiums for deposit insur- ce and lower dividends on ck in the Federal Home Loan nk System.

"The theory of the rich getting her and the poor getting poor- is turning out to be imper- t," Mr. Treadway said. "The h are only getting a little rich- but the poor are certainly lding up their end of the al."

Red Ink in Profusion

Indeed, the combined deficit the three thrifts with the larg- losses last year exceeded all profits of the 100 biggest ners. As a result of such pro- e red ink, the entire thrift in- stry lost over $19 billion in 39, a record amount.

Some of the industry's peren- l stars also tasted humble pie. verly Hills, Calif.-based Great stern Bank – the No. 1 earner 1989 – fell to No. 7 this year, r posting a $77 million loss the fourth quarter. That was sed by souring loans on com- rcial real estate.

'Good Bank' Makes Good

rvine, Calif.-based American ings Bank, the "good bank" the now defunct American ings and Loan Association, denly became the No. 1 earn- with $216 million in net in- ne. But this thrift, purchased the Robert M. Bass Group in 8 in a government-assisted l, has an edge over others en it comes to net income: It s no income tax.

ourth-ranked First Gibraltar k, purchased in 1988 by an estor group headed by Ron- O. Perlman, is also a special . "American and Gibraltar anomalies, because they are g subsidized by the federal ernment," said Jonathan dley, managing director of guson & Co. in Irving, Tex.

ome Savings of America, Ir- dale, Calif., was the top earn- if American is excluded. me, a unit of H.F. Ahmanson o., had previously been trad- the top spot with Great tern.

or many of the top 100 earn- profits were squeezed in the part of 1989 by a rise in ding costs relative to asset ds.

Capital Considerations

addition, the thrifts were g to meet toughened capital irements, often by shrink- assets. "Some of the top ers had to scramble a bit to t capital requirements," said Ely, the Alexandria, Va.- d consultant.

his year, executives and ana- say, performance is picking mong the major thrifts. Net rest margins have improved a drop in interest rates dur- he latter part of 1989, and ts are making headway in cing their overhead ex- es, said Gary Gordon, an yst at PaineWebber Inc.

"The first quarter was an excellent quarter," said Mr. Treadway of Smith Barney.

Great Western, the main unit of Great Western Financial Corp., saw its first-quarter net income surge 30% to $74.2 million. Home's net soared 58% to $62 million.

Prices Have Stabilized

Experts say that price competition on loans and deposits has stabilized somewhat, as troubled and desperate thrifts have left the market. But thrifts are keeping a close eye on commercial banks, which boosted mortgage originations 20% last year even as the overall market declined.

"The banks are coming into our backyards," James Montgomery, chairman and chief executive of Great Western, told a recent conference of the North Carolina League of Savings Institutions. "They've discovered that the single-family mortgage loan is what they want to do."

Great Western is trying to boost profits by becoming more banklike in its liability structure. It recently launched an advertizing blitz to promote checking accounts – a move aimed at reducing reliance on higher-cost certificates of deposit.

Banks are "going to come after us on the asset side," Mr. Montgomery said. "I think we ought to go after them on the liability side."

Home Savings is expecting a marked improvement in its earnings this year because of an expanded asset base, improved spreads of asset yields over funding costs, and increased efficiency. "You don't have to do any more than that," said Richard Deihl, chairman and chief executive of Home.

Mr. Gordon of PaineWebber predicts that Home's profits will hit $260 million for 1990, up 35% from last year.

Mr. Deihl maintains that many of the industry's top earners should see increasing profits in the future. He added that core earnings, which exclude profits from loan sales, are making up a greater and greater portion of total earnings at Home and elsewhere. "I've never been more optimistic about the future," he said.

As for the push by commercial banks into home mortgages, Mr. Deihl professed to be unfazed. "Bank competition doesn't scare me," he said.

American Banker also identified the 100 most profitable thrifts in the nation – regardless of the absolute size of their net income – by the return on average assets for 1989.

Based on this measure, the nation's most profitable thrift last year was Capitol Federal Bank for Savings, Chicago, with an ROA of 9.61%. The $43 million-asset thrift reported a net profit of $3.6 million last year, up from a loss of $84,000 in 1988. □

Bank training made easy!

Bank Security Desk Reference, Second Edition Richard F. Cross

Newly revised and updated, **Bank Security Desk Reference, Second Edition** offers valuable guidance to help you organize and implement a sound security program for your institution…and ensure compliance with all government regulations, including the Bank Protection Act, Bank Secrecy Act, SEC Rules, Consumer Credit Protection Act, and Money Laundering Control Act.

Bank Security Desk Reference covers all aspects of bank security, including physical and personnel security…investigations…computer and data security…ATM security… safe deposit security…employee training…white collar crime…and emergency planning. Plus, it shows you how to meet all legal requirements and specifies not only what your legal responsibilities are, but how to implement procedures to comply with the law, and avoid penalties for non-compliance. **$84.00**

Bank Employee's Security Handbook, Revised Edition
Donald R. German and Joan W. German

The **Bank Employee's Security Handbook** helps you comply with the Bank Protection Act by offering an inexpensive, yet proven effective training program that your employees can put to use immediately.

Used alone or in conjunction with formal training programs, for groups or individuals, the **Handbook** supplies readily accessible, easy-to-read, common sense instructions on how to deal with every aspect of bank security: cashing checks…safeguarding cash…armed robbery…check forging …kiting…credit card fraud…electronic funds transfer…customer security…audit procedures…vault security and timelocking procedures…bomb threats…confidence schemes and fraud… embezzling…kidnapping…and extortion. **$64.00**

Bank Teller's Handbook, Donald R. German and Joan W. German

This clear and concise guide answers the critical need of bank management for an excellent training tool that improves teller performance, reduces costly turnover, and saves supervisory time. Your tellers will appreciate the no-nonsense approach of a manual that explains the importance of their job in meaningful terms, including: ■the elements of success ■basic mathematics and operations of banking ■on-target customer relations pointers ■various bank services and how they operate ■a wide variety of security situations.

This highly readable **Handbook** reflects the years of banking experience of author Joan German, who has contact with thousands of tellers and bank managers across the country. **$36.00**

Bank Teller's Report

A timely training tool for bank tellers, this monthly newsletter motivates your tellers with practical pointers on all phases of banking from cross-selling bank products and services to banking operations, money-handling techniques and customer relations. **Bank Teller's Report** offers helpful hints and features comments and stories that get tellers involved in their work. Your tellers will look forward every month to a newsletter that: ■boosts teller morale ■continually trains tellers easily and effectively ■gives tellers valuable tips on all aspects of banking ■keeps tellers up-to-date on the latest banking developments.
One-year subscription/12 issues **$85.00**

No-Risk Offer

To place your order immediately, call toll free: 1-800-950-1216.

Please send me the book(s) checked below for a free trial examination. Within 30 days, I will either return the book(s) to you at no cost to me, or honor your invoice for the prices specified, plus postage and handling.

☐ BSMN/1 **Bank Security Desk Reference, Second Ed.** $84.00
☐ BESH/1 **Bank Employee's Security Handbook, Revised Edition** $64.00
☐ BTH/1 **Bank Teller's Handbook** $36.00

Mail to: Warren, Gorham & Lamont, Inc., 210 South Street, Boston, Massachusetts 02111.

Please rush me the current issue of **Bank Teller's Report** (checked below) and enter my subscription for the price specified plus postage and handling. If I am not completely satisfied, I'll return the invoice marked "cancel" and keep the sample copy without obligation.

☐ BTR/12 **Bank Teller's Report** **$85.00** per year/12 issues

☐ Bill me. ☐ SAVE! WG&L pays postage and handling on prepaid orders. Check enclosed payable to Warren, Gorham & Lamont, Inc. (CA, CT, FL, MA, and NY residents please add applicable sales tax on prepaid *book* orders. CT, FL, and MA residents add 5% sales tax on prepaid *newsletter* orders.)

Name ☐ Mr. ☐ Ms. ____________ (Please print.)
Title ____________
Firm ____________
Address ____________
City ____________ State ________ Zip ________
Telephone (   ) ____________ ☐ Office ☐ Home
2908/AMBK 052590 MV0491

Top 100 Thrift Earners in 1989

Ranked in order of their 1989 return on average assets and listed in asset-size peer groups and geographically within region

Return on Average Assets (%)

1989 ROA Rank	PEER GROUP 1: ASSETS OVER $10 BIL.	1989 ROA%
21	American Savings Bank, FA, Irvine, Calif.	1.37
52	World Savings, FS&LA, Oakland, Calif.	0.84
63	Homefed Bank, FSB, San Diego, Calif.	0.66
72	Home Savings of America, FA, Irwindale, Calif.	0.52
77	Glendale Federal Bank, FSB, Calif.	0.48
91	California Federal Bank, FSB, Los Angeles	0.34
95	Great Western Bank, Beverly Hills	0.30
100	First Federal of Michigan, Detroit	0.17
	PEER GROUP 2: ASSETS BETWEEN $5-$10 BIL.	
25	First Gibraltar Bank, FSB, Houston	1.25
34	Citicorp Savings of Illinois, FS&LA, Chicago	1.09
76	People's Bank, Bridgeport, Conn.	0.49
80	Standard Federal Bank, Troy, Mich.	0.46
81	Citicorp Savings, FS&LA, San Francisco	0.45
85	Long Island Savings Bank, FSB, Melville, N.Y.	0.38
92	Washington Mutual Savings Bank, Seattle	0.34
93	Talman Home Federal Savings & Loan Assn., Chicago	0.33
96	Perpetual Savings Bank, FSB, McLean, Va.	0.30
97	Pacific First Federal Savings Bank, Seattle	0.27
99	Household Bank, FSB, Newport Beach, Calif.	0.19
	PEER GROUP 3: ASSETS BETWEEN $1-$5 BIL.	
2	Washington Federal Savings & Loan Assn., Seattle	2.49
7	Citicorp Savings of Washington D.C., FS&LA	1.81
9	Green Point Savings Bank, Brooklyn, New York	1.79
10	Firstrust Savings Bank, Philadelphia	1.78
13	Metropolitan Federal Bank of Iowa, Mason City	1.75
14	Northwestern Savings & Loan Assn., Chicago	1.46
15	Third Federal Savings & Loan Assn., Cleveland	1.45
17	Provident Institution for Savings, Boston	1.44
18	United Postal Savings Assn., St. Louis	1.43
20	Williamsburgh Savings Bank, Brooklyn, New York	1.42
22	Hawthorne Savings & Loan Assn., Calif.	1.31
24	Ridgewood Savings Bank, Queens, New York	1.29
26	EurekaBank, Foster City, Calif.	1.25
27	South Boston Savings Bank, Boston	1.23
28	Home Savings Bank, Brooklyn, New York	1.19
29	Norstar Bank of Central New York, Syracuse	1.16
30	State Savings Bank, Columbus, Ohio	1.14
31	Bluebonnet Savings Bank, FSB, Dallas	1.10
32	Citizens Savings Bank, Providence, R.I.	1.10
33	Santander Federal Savings Bank, Bayamon, P.R.	1.10
35	Capitol Federal Savings & Loan Assn., Topeka, Kan.	1.09
36	Chevy Chase Savings Bank, FSB, Md.	1.08
37	Society for Savings, Hartford, Conn.	1.08
38	Champion Federal Savings & Loan Assn., Bloomington, Ill.	1.04
39	New Bedford Institution for Savings, Mass.	1.03
40	Columbia Savings, FS&LA, Englewood, Colo.	0.99
41	Metropolitan Federal Bank, FSB, Fargo, N.D.	0.99
42	Astoria Federal Savings & Loan Assn., Queens, New York	0.96
43	Hudson City Savings Bank, Paramus, N.J.	0.94
44	Cardinal Federal Savings Bank, Cleveland	0.94
45	Security Savings Bank, SLA, Vineland, N.J.	0.94
46	Peoples Heritage Savings Bank, Portland, Me.	0.93
47	New Haven Savings Bank, Conn.	0.93
48	First Federal Savings Bank, Cleveland	0.89
49	Fidelity New York, FSB, Floral Park, N.Y.	0.88
50	Jamaica Savings Bank FSB, Lynbrook, N.Y.	0.87
51	First Federal Bank of California, Santa Monica	0.86
53	Emigrant Savings Bank, New York	0.83
54	Union Federal Savings Bank, Los Angeles	0.83
55	Security Savings & Loan Assn., Milwaukee	0.82
56	Bell Federal Savings & Loan Assn., Chicago	0.76
57	United Savings Assn. of Texas, FSB, Houston	0.72
58	Apple Bank for Savings, New York	0.72
59	American Savings Bank, FSB, Honolulu, Hawaii	0.69
60	Ohio Savings Bank, Cleveland	0.69
61	Cragin Federal Bank For Savings, Chicago	0.68
62	First Financial Bank, FSB, Stevens Point, Wis.	0.67
64	Western Federal Savings & Loan Assn., Marina Del Rey, Calif.	0.66
65	First Federal Savings Bank, Santurce, P.R.	0.63
66	Sacramento Savings & Loan Assn., Calif.	0.62
67	Greater New York Savings Bank, New York	0.62
68	Southern California Savings, FS&LA, Beverly Hills	0.58
69	Heights of Texas, FSB, Houston	0.58
70	Albany Savings Bank, FSB, N.Y.	0.56
71	American Federal Bank, FSB, Dallas	0.55
73	East New York Savings Bank, New York	0.52
74	PriMerit Bank, FSB, Las Vegas	0.51
75	Loyola Federal S&LA, Baltimore	0.50
78	Bay View Federal BanK, FSB, San Mateo, Calif.	0.48
79	Decatur Federal Savings & Loan Assn., Ga.	0.48
82	Georgia Federal Bank, FSB, Atlanta	0.45
83	Western Financial Savings Bank, Irvine, Calif.	0.45
84	Great Lakes Bancorp FSB, Ann Arbor, Mich.	0.40
86	Citizens Federal Bank, FSB, Miami	0.37
87	Rochester Community Savings Bank, N.Y.	0.36
88	Amwest Savings Association, Bryan, Tex.	0.36
89	Downey Savings & Loan Assn., Newport Beach, Calif.	0.36
90	River Bank America, New York	0.35
94	TCF Bank Savings, FSB, Minneapolis	0.31
98	Fidelity Federal Bank, FSB, Glendale, Calif.	0.21
	PEER GROUP 4: ASSETS LESS THAN $1 BIL.	
1	USAA Federal Savings Bank, San Antonio, Tex.	3.16
3	Pioneer Federal Savings Bank, Hopewell, Va.	2.26
4	Coastal Banc Savings Association, Houston	2.16
5	Main Line Federal Savings Bank, Villanova, Penn.	2.07
6	Butterfield Savings & Loan Assn., FSA, Newport Beach, Calif.	1.97
8	Long Beach Savings & Loan Assn., Calif.	1.80
11	Security Pacific Savings Bank, Tacoma, Wash.	1.77
12	Virginia Beach Federal Savings Bank, Va.	1.76
16	Roslyn Savings Bank, N.Y.	1.45
19	Heartland Federal Savings & Loan Assn., Ponca City, Okla.	1.43
23	American Savings Bank, New Britain, Conn.	1.31

Data Sources: See page 14. **1989 ROA Rank:** The 1989 return on average assets rank for the top 100 earners. When two or more thrift have the same ROA, the thrift with the larger net income receives the higher rank. **New England:** CT ME, MA, NH, RI, and VT. **Midwest:** IL, IN, IA, KS, KY, MI, MN, MO, NE, ND, OH, SD and WI. **Mid-Atlantic:** DC, DE, MD, NJ, NY, PA and PR. **Southeast:** AL, AR, FL, GA, MS, NC, SC, TN, VA, and WV. **Southwest:** CO, LA, NM, OK, TX and UT. **West:** AK, AZ, CA, HA, ID, MT, NV, OR, WA and WY

Compiled by American Banker, Copyright 1990.

Return on Average Assets (%)

1989 ROA Rank	NEW ENGLAND REGION	1989 ROA%
17	Provident Institution for Savings, Boston	1.44
23	American Savings Bank, New Britain, Conn.	1.31
27	South Boston Savings Bank, Boston	1.23
32	Citizens Savings Bank, Providence, R.I.	1.10
37	Society for Savings, Hartford, Conn.	1.08
39	New Bedford Institution for Savings, Mass.	1.03
46	Peoples Heritage Savings Bank, Portland, Me.	0.93
47	New Haven Savings Bank, Conn.	0.93
76	People's Bank, Bridgeport, Conn.	0.49
	MIDWEST REGION	
13	Metropolitan Federal Bank of Iowa, Mason City	1.75
14	Northwestern Savings & Loan Assn., Chicago	1.46
15	Third Federal Savings & Loan Assn., Cleveland	1.45
18	United Postal Savings Assn., St. Louis	1.43
30	State Savings Bank, Columbus, Ohio	1.14
34	Citicorp Savings of Illinois, FS&LA, Chicago	1.09
35	Capitol Federal Savings & Loan Assn., Topeka, Kan.	1.09
38	Champion Federal Savings & Loan Assn., Bloomington, Ill.	1.04
41	Metropolitan Federal Bank, FSB, Fargo, N.D.	0.99
44	Cardinal Federal Savings Bank, Cleveland	0.94
48	First Federal Savings Bank, Cleveland	0.89
55	Security Savings & Loan Assn., Milwaukee, Wis.	0.82
56	Bell Federal Savings & Loan Assn., Chicago	0.76
60	Ohio Savings Bank, Cleveland	0.69
61	Cragin Federal Bank For Savings, Chicago	0.68
62	First Financial Bank, FSB, Stevens Point, Wis.	0.67
80	Standard Federal Bank, Troy, Mich.	0.46
84	Great Lakes Bancorp FSB, Ann Arbor, Mich.	0.40
93	Talman Home Federal Savings & Loan Assn., Chicago	0.33
94	TCF Bank Savings, FSB, Minneapolis	0.31
100	First Federal of Michigan, Detroit	0.17
	MID-ATLANTIC REGION	
5	Main Line Federal Savings Bank, Villanova, Penn.	2.07
7	Citicorp Savings of Washington D.C., FS&LA	1.81
9	Green Point Savings Bank, Brooklyn, New York	1.79
10	Firstrust Savings Bank, Philadelphia, Penn.	1.78
16	Roslyn Savings Bank, N.Y.	1.45
20	Williamsburgh Savings Bank, Brooklyn, New York	1.42
24	Ridgewood Savings Bank, Queens, New York	1.29
28	Home Savings Bank, Brooklyn, New York	1.19
29	Norstar Bank of Central New York, Syracuse	1.16
33	Santander Federal Savings Bank, Bayamon, P.R.	1.10
36	Chevy Chase Savings Bank, FSB, Md.	1.08
42	Astoria Federal Savings & Loan Assn., Queens, New York	0.96
43	Hudson City Savings Bank, Paramus, N.J.	0.94
45	Security Savings Bank, SLA, Vineland, N.J.	0.94
49	Fidelity New York, FSB, Floral Park, N.Y.	0.88
50	Jamaica Savings Bank FSB, Lynbrook, N.Y.	0.87
53	Emigrant Savings Bank, New York	0.83
58	Apple Bank for Savings, New York	0.72
65	First Federal Savings Bank, Santurce, P.R.	0.63
67	Greater New York Savings Bank, New York	0.62
70	Albany Savings Bank, FSB, N.Y.	0.56
72	East New York Savings Bank, New York	0.52
75	Loyola Federal Savings & Loan Assn., Baltimore	0.50
85	Long Island Savings Bank, FSB, Melville, N.Y.	0.38
87	Rochester Community Savings Bank, N.Y.	0.36
90	River Bank America, New York	0.35
	SOUTHEAST REGION	
3	Pioneer Federal Savings Bank, Hopewell, Va.	2.26
12	Virginia Beach Federal Savings Bank, Va.	1.76
79	Decatur Federal Savings & Loan Assn., Ga.	0.48
82	Georgia Federal Bank, FSB, Atlanta	0.45
86	Citizens Federal [illegible] FSB, Miami	0.37
96	Perpetual Savi[illegible]k, FSB, McLean, Va.	0.30
	SOUTHWEST REGION	
1	USAA Federal Savings Bank, San Antonio, Tex.	3.16
4	Coastal Banc Savings Association, Houston	2.16
19	Heartland Federal Savings & Loan Assn., Ponca City, Okla.	1.43
25	First Gibraltar Bank, FSB, Houston	1.25
31	Bluebonnet Savings Bank, FSB, Dallas	1.10
40	Columbia Savings, FS&LA, Englewood, Colo.	0.99
57	United Savings Assn. of Texas, FSB, Houston	0.72
69	Heights of Texas, FSB, Houston	0.58
71	American Federal Bank, FSB, Dallas	0.55
88	Amwest Savings Association, Bryan, Tex.	0.36
	WESTERN REGION	
2	Washington Federal Savings & Loan Assn., Seattle	2.49
6	Butterfield Savings & Loan Assn. FSA, Newport Beach, Calif.	1.97
8	Long Beach Savings & Loan Assn., Calif.	1.80
11	Security Pacific Savings Bank, Tacoma, Wash.	1.77
21	American Savings Bank, FA, Irvine, Calif.	1.37
22	Hawthorne Savings & Loan Assn., Calif.	1.31
26	EurekaBank, Foster City, Calif.	1.25
51	First Federal Bank of California, Santa Monica	0.86
52	World Savings & Loan Assn, FS&LA, Oakland, Calif.	0.84
54	Union Federal Savings Bank, Los Angeles	0.83
59	American Savings Bank, FSB, Honolulu	0.69
63	Homefed Bank, FSB, San Diego, Calif.	0.66
64	Western Federal Savings & Loan Assn., Marina Del Rey, Calif.	0.66
66	Sacramento Savings & Loan Assn., Calif.	0.62
68	Southern California Savings, FS&LA, Beverly Hills	0.58
72	Home Savings of America, FA, Irwindale, Calif.	0.52
74	PriMerit Bank, FSB, Las Vegas	0.51
77	Glendale Federal Bank, FSB, Glendale, Calif.	0.48
78	Bay View Federal Bank, FSB, San Mateo, Calif.	0.48
81	Citicorp Savings, FS&LA, Oakland, Calif.	0.45
83	Western Financial Savings Bank, Irvine, Calif.	0.45
89	Downey Savings & Loan Assn., Newport Beach, Calif.	0.36
91	California Federal Bank, FSB, Los Angeles, Calif.	0.34
92	Washington Mutual Savings Bank, Seattle	0.34
95	Great Western Bank, Beverly Hills	0.30
97	Pacific First Federal Savings Bank, Seattle	0.27
98	Fidelity Federal Bank, FSB, Glendale, Calif.	0.21
99	Household Bank, FSB, Newport Beach, Calif.	0.19

The 50 Largest Losses in Thrift Industry in 1989

Includes thrifts that ceased operations and the combined losses of thrifts that were seized by the federal regulators, closed, and then reopened during 1989 (dollar amounts in thousands)

		Loss 1989	Net Inc./ Loss 1988
1	**University Federal Savings Assn., Houston**[1]	(1,327,778)	(334,649)
2	**Western Savings & Loan Assn., FA, Phoenix**[2]	(1,161,018)	(151,737)
2	**City Savings Bank, FSB, Somerset, N.J.**[3]	(1,121,572)	(25,412)
3	**Empire of America Federal Savings Bank, Buffalo, N.Y.**[4]	(1,105,205)	(64,540)
5	**Lincoln Savings & Loan Assn., FA, Los Angeles**[5]	(1,029,379)	(284,248)‡
6	**Atlantic Financial Savings, FA, Bala Cynwyd, Pa.**[6]	(544,882)	(29,720)
7	**Columbia Savings & Loan Assn., Beverly Hills**	(519,446)	64,959
8	**Gibraltar Savings, FA, Simi Valley, Calif.**[7]	(505,497)	(89,790)
9	**Hill Financial S & L Assn., Red Hill, Pa.**[8]	(504,972)	(66,488)
10	**First Federal Savings of Arkansas, FA, Little Rock**[9]	(472,961)	(176,885)
11	**Bright Banc Savings Assn., Dallas**[10]	(457,019)	(241,342)
12	**Midwest Savings Assn., FA, Minneapolis**[11]	(396,595)	(369,232)
13	**Peoples Heritage Savings, FS&LA, Salina, Kan.**[12]	(393,158)	(19,345)
14	**MeraBank, FSB, Phoenix, Ariz.**[13]	(387,102)	(208,566)
15	**Gill Savings Assn., San Antonio, Tex.**[14]	(374,631)	(455,855)
16	**Bexar Savings Assn., San Antonio, Tex.**[15]	(349,077)	(95,939)
17	**Imperial Savings Assn., San Diego, Calif.**[16]	(299,801)	(3,814)
18	**Community Federal Savings & Loan Assn., St. Louis**	(298,492)	(58,809)
19	**San Jacinto Savings Assn., Houston**	(277,201)	(75,052)
20	**Southwest Savings & Loan Assn., FA, Phoenix**[17]	(266,155)	(155,711)
21	**Coast Savings & Loan Assn., Los Angeles**	(264,562)	47,789
22	**Great American Bank, SSB, San Diego, Calif.**	(263,402)	57,822
23	**Goldome, Buffalo, N.Y.**	(253,027)	(119,058)
24	**Caprock Federal Savings & Loan Assn., Lubbock, Tex.**[18]	(240,192)	(9,440)
25	**Commonwealth Federal Savings Assn., Houston**[19]	(227,285)	(399,897)
26	**Horizon Financial, FA, Southampton, Pa.**[20]	(203,728)	(34,930)
27	**Seamen's Bank for Savings, FSB, New York**[21]	(195,338)	30,774
28	**CrossLand Savings FSB, Brooklyn, New York**	(191,696)	15,267
29	**Sun State Savings & Loan Assn., Phoenix, Ariz.**[22]	(190,124)	(9,823)
30	**Commerce Savings Assn., San Antonio, Tex.**[15]	(185,470)	(79,181)
31	**San Antonio Savings Assn., FA, Tex.**[23]	(167,798)	(262,547)
32	**Southwest Savings Assn., Dallas**	(161,212)	(77,310)
33	**Sandia Federal Savings Assn., Albuquerque, N.M.**[24]	(155,291)	(424,478)
34	**ABQ Bank, FSB, Albuquerque, N.M.**[16]	(153,135)	(9,629)
35	**Texasbanc Savings, FSB, Conroe, Tex.**	(146,589)	(506)
36	**Valley Federal Savings & Loan Assn., Van Nuys, Calif.**	(137,353)	(3,009)
37	**Security Savings & Loan Assn., FA, Scottsdale, Ariz.**[25]	(131,499)	(163,927)
38	**BancPlus Savings Assn., Pasadena, Tex.**[26]	(129,465)	(94,319)
39	**Great Southern Federal Savings & Loan Assn., Savanah, Ga.**[27]	(128,441)	(12,308)
40	**Sooner Federal Savings Assn., Tulsa, Okla.**[28]	(120,855)	(18,218)
41	**Pima Savings & Loan Assn., Tucson, Ariz.**[29]	(111,850)	(58,204)
42	**AmeriFirst Bank, FSB, Miami**	(111,435)	(8,456)
43	**Valley Federal Savings Assn., McAllen, Tex.**[30]	(111,329)	(11,536)
44	**Royal Palm Federal Savings & Loan Assn., West Palm Beach, Fla.**[31]	(110,896)	(33,385)
45	**Maine Savings Bank, Portland**	(105,735)	(989)
46	**First American Bank for Savings, Boston**	(104,941)	(22,822)
47	**Unifirst Bank for Savings, FS&LA, Jackson, Miss.**[32]	(104,010)	(4,666)
48	**Murray Federal Savings & Loan Assn., Dallas**[33]	(100,948)	(82,671)
49	**American Savings & Loan Assn. of Brazoria, Lake Jackson, Tex.**[25]	(95,614)	(41,388)
50	**First South Savings Assn., Port Neches, Tex.**[34]	(95,612)	(121,627)
	Total 1989 losses of the 50 largest losers	**($16.5 bil.)**	
	1,255 of the 3,556 thrifts operating during 1989 lost†	**($24.7 bil.)**	
	2,301 of the 3,556 thrifts operating during 1989 earned†	**$5.6 bil.**	
	Consolidated net losses of the thrift industry§	**($19.1 bil.)**	

Data sources: American Banker questionnaire sent to the 400 largest thrifts in the nation. In addition, federal regulatory data were used. The providers of these data were: **Sheshunoff Information Services Inc.,** Austin Texas; and **ADP Data Services Division,** New York; and **W.C. Ferguson & Co.,** Irving, Tex. Some institutions seized by the federal regulators were issued new titles and new charters. To obtain the total 1989 loss for these institutions, the losses incurred before seizure were added to the losses incurred after seizure. These amounts are reported in the notes below. (1)— Acquired by NCNB Texas National Bank, Dallas, 10/89. Changed title from University Savings Assn., 5/89. Lost $1,250 million under its former title and $78 million under its latter title. (2)— Seized by the federal regulators on 6/14/89. Prior to seizure it lost $100 million, and since seizure it lost $1,061 million. (3)— City Federal Savings Bank, Bedminster, was seized 12/8/89. Prior to seizure it lost $236 million, and since seizure it lost $885 million. (4)— Seized on 1/24/90 and placed in the RTC conservatorship program. (5)— Lincoln S&L Assn., Irvine, was seized 4/14/89. Prior to seizure it lost $841 million, and since seizure it lost $188 million. (6)— Formerly Atlantic Financial Federal. It was placed in the RTC conservatorship program in 1/90. (7)— Gibraltar Savings, Beverly Hills was seized 3/31/89. Prior to seizure it lost $435 million, and since seizure it lost $46 million. Also included in the 1989 loss total are the losses posted by Gibraltar's Washington-based thrift subsidiary. Prior to its seizure in 0/89, Gibraltar Savings, FA, Bellevue, lost $21 million, and since its seizure the new Gibraltar Savings Bank, FSB, Seattle has lost $3.7 million. (8)— Acquired by Meridian Bank, Reading, Pa., on 10/14/89. (9)— First Savings of Arkansas was seized on 2/10/89. Prior to seizure it lost $252 million, and since seizure it lost $221 million. (10)— Seized by the regulators on 2/10/89 and acquired by Bank One Texas NA on 2/3/90. (11)— Midwest Federal S&LA was seized on 2/13/89. Prior to seizure it lost $266 million, and since seizure it lost $131 million. (12)— Peoples Heritage Federal S&LA was seized on 8/10/89. Prior to seizure it lost $213 million, and since seizure it lost $180 million. (13)— Placed in RTC conservatorship 1/90. (14)— Seized 2/7/89. (15)— Seized 3/2/89. (16)— Seized and placed into RTC conservatorship on 2/23/90. (17)— Southwest S&LA was seized on 2/17/89. Prior to seizure it lost $52 million, and since seizure it lost $214 million. (18)— Caprock S&LA was seized 8/1/89. Prior to seizure it lost $58 million, and since seizure it lost $182 million. (19)— Commonwealth SA was seized on 3/9/89. Prior to seizure it lost $88 million, and since seizure it lost $139 million. (20)— In April 1990 Chase Manhattan Bank NA, New York, purchased certain assets and assume certain liabilities. (21)— Seized on 6/14/89. (22)— Seized on 6/14/89. (23)— San Antonio SA was seized on 3/2/89. Prior to seizure it lost $109 million, and since seizure it lost $59 million. (24)— Sandia Federal S&LA was seized on 2/10/89. Prior to seizure it lost $99 million, and since seizure it lost $56 million. (25)— Seized on 2/17/89. (26)— Seized 3/9/89. (27)— Great Southern FSB was seized on 6/22/89. Prior to seizure it lost $115 million, and since seizure it lost $13 million. (28)— Sooner Federal S&LA Was seized on 11/16/89. Prior to seizure it lost $119 million, and since seizure it lost $1.8 million. (29)— Seized and placed into RTC conservatorship on 3/2/90. (30)— Valley Federal S&LA was seized on 10/19/89. Prior to seizure it lost $59 million, and since seizure it lost $52 million. (31)— Royal Palm Savings Bank was seized on 3/16/89. Prior to seizure it lost $57 million, and since seizure it lost $54 million. (32)— Unifirst Bank for Savings, FA, was seized on 8/10/89. Prior to seizure it lost $48 million, and since seizure it lost $56 million. (33)— Seized on 4/5/89. (34)— Seized on 3/16/89. (‡)— Final restated loss. (†)— Of the 3,082 SAIF-insured thrifts operating during 1989, 1,157 lost $23.4 billion, and 1,925 earned $4.4 bil. And of the 474 state-chartered savings banks operating during 1989, 98 lost $1.3 billion, and 376 earned $1.2 billion. Aggregate data on SAIF-insured thrifts are from **Sheshunoff,** and the aggregate data on state-chartered BIF-insured thrifts are from **Ferguson.** (§)— According to **Sheshunoff** all SAIF-insured thrifts operating during the year (2,878 remained at yearend 1989, according to **OTS**) lost $19 billion in 1989 and all BIF-insured state chartered thrifts (469 remained at yearend, according to the **FDIC**) lost $130.8 million.

Compiled by American Banker, Copyright 1990.

Thrift Profitability by State

Based on the Return on Average Assets for SAIF-Insured Thrifts 1987-1989

	Return on Average Assets		
	1989	1988	1987
Alabama	(0.98)	(0.24)	(0.10)
Alaska	(13.18)	(15.28)	(7.24)
Arizona	(10.15)	(2.69)	(0.28)
Arkansas	(10.82)	(5.70)	(2.48)
California	(0.50)	0.20	0.09
Colorado	(3.73)	(3.14)	(0.77)
Connecticut	(0.11)	0.07	0.40
Delaware	(0.33)	0.32	0.51
District of Columbia	0.88	(0.26)	(0.19)
Florida	(0.68)	(0.43)	(0.06)
Georgia	(0.68)	0.26	0.41
Hawaii	0.40	0.88	1.20
Idaho	0.18	0.15	(2.25)
Illinois	0.04	0.18	0.20
Indiana	0.46	0.41	0.18
Iowa	(0.26)	(1.06)	(0.87)
Kansas	(2.75)	(0.17)	0.22
Kentucky	0.62	0.52	0.02
Louisiana	(3.21)	(1.46)	(1.97)
Maine	0.72	0.64	0.81
Maryland	0.18	0.31	0.05
Massachusetts	(0.66)	0.51	0.68
Michigan	0.19	0.36	0.40
Minnesota	(2.55)	(2.15)	(0.46)
Mississippi	(2.88)	(1.63)	(0.04)
Missouri	(1.82)	(0.38)	0.09
Montana	0.65	0.41	0.19
Nebraska	(0.97)	(0.71)	(0.28)
Nevada	0.41	0.64	0.68
New Hampshire	(0.48)	0.10	0.43
New Jersey	(2.13)	0.15	0.30
New Mexico	(7.08)	(8.57)	(2.48)
New York	(1.58)	0.32	0.67
North Carolina	0.05	0.46	0.70
North Dakota	(0.15)	0.15	0.35
Ohio	0.17	0.41	0.21
Oklahoma	(2.84)	(2.39)	(4.57)
Oregon	(0.22)	(0.15)	(1.31)
Pennsylvania	(2.48)	0.07	0.58
Rhode Island	(1.02)	0.56	0.43
South Carolina	(0.02)	0.41	0.48
South Dakota	(0.70)	0.57	0.32
Tennessee	(0.10)	0.17	0.49
Texas	(6.13)	(9.40)	(6.66)
Utah	(3.37)	(1.02)	(1.34)
Vermont	0.14	0.48	0.82
Virginia	0.05	0.06	0.33
Washington	0.39	0.33	0.53
West Virginia	0.66	0.51	(0.76)
Wisconsin	0.40	0.53	0.49
Wyoming	(0.42)	(3.06)	(3.32)
All Thrifts in U.S.	**(1.54)**	**(0.84)**	**(0.46)**

Data Source: S&L Quarterly published by **Sheshunoff Information Services Inc., Austin, Texas.** These data are from the Quarterly Financial Report filed by FSLIC-insured thrifts to the FHLBB. **Return on Average Assets:** is the sum of the net income (loss) for each thrift in the state divided by the sum of their average total assets. ( )— Indicates a net loss on average assets.

Compiled by American Banker.

THRIFT PROFITABILITY

Most Profitable Thrift Institutions in 1989

Listed in order of the return on average assets for 1989 (dollar amounts in thousands)

Rank 1989	Name of Thrift, City, State	Net Income 1989	Net Income 1988	Percent Change	ROA 1989	ROA 1988	Total Assets 12/31/89
1	**Capitol Federal Bank For Savings, Chicago[1]**	3,590	(84)	4373.81	9.61	-0.27	43,144
2	**South Side Savings Bank, FSB, Lima, Ohio[1]**	5,127	10	51170.00	7.15	0.06	67,741
3	**Mississippi Hill & Delta Savings & Loan Assn., Sumner[1]**	96	25	284.00	5.24	1.09	1,693
4	**Charter Federal Savings & Loan Assn., West Point, Ga.[1]**	5,915	360	1543.06	4.80	0.28	118,751
5	**City Savings & Loan Assn., San Antonio, Tex.[1]**	9,104	10,532	-13.56	4.45	8.12	208,477
6	**First Financial Savings Bank, SLA, Woodbridge, N.J.[1]**	3,083	1,994	54.61	3.87	2.34	72,630
7	**Continental Savings Bank, Seattle[1]**	6,880	459	1398.91	3.63	0.34	236,325
8	**Sterling Savings & Loan Assn., Irvine, Calif.[1]**	6,268	3,871	61.92	3.35	2.20	168,496
9	**Washington Savings & Loan Assn., Chicago[1]**	403	192	109.90	3.34	1.70	11,911
10	**Lakeview Savings & Loan Assn., Paterson, N.J.[1]**	5,605	2,709	106.90	3.25	1.86	200,974
11	**USAA Federal Savings Bank, San Antonio, Tex.[1]**	24,253	14,587	66.26	3.16	2.50	848,142
12	**Plaza Savings & Loan Assn., Santa Ana, Calif.[1]**	1,913	1,104	73.28	3.03	1.89	69,199
13	**World S&L Assn. of America, FS&LA, Lynnwood, Wash.[1]**	1,092	412	165.05	2.87	1.36	41,107
14	**Security Federal Savings & Loan Assn., Albuquerque, N.M.[1]**	7,392	464	1493.10	2.83	0.20	277,581
15	**Union Federal Savings Bank, Frankton, Ind.[1]**	980	(14)	7100.00	2.71	-0.08	39,630
16	**Fidelity Federal Savings Bank, Richmond, Va.[1]**	3,881	1,041	272.81	2.65	1.01	159,781
17	**Alpha Indian Rock Savings & Loan Assn., Philadelphia[1]**	275	(25)	1200.00	2.64	-0.34	11,070
18	**Atlantic Financial Savings, Las Vegas[1]**	2,301	2,475	-7.03	2.51	2.91	89,820
19	**Heartland Savings Bank, FSB, St. Louis[1]**	6,146	2,350	161.53	2.50	1.07	240,854
20	**Washington Federal Savings & Loan Assn., Seattle[1]**	58,643	55,407	5.84	2.49	2.71	2,515,746
21	**Elgin Federal Financial Center, FA, Ill.[1]**	5,493	2,042	169.00	2.49	0.93	211,040
22	**First Federal Savings & Loan Assn., Council Bluffs, Iowa[1]**	3,033	535	466.92	2.43	1.54	136,308
23	**Reisterstown Federal Savings Bank, Md.[1]**	4,736	3,464	36.72	2.38	2.02	210,086
24	**Glen Burnie Mutual Savings Bank, Md.[2]**	129	N.A.	......	2.38	N.A.	21,714
25	**Wichita Federal Savings & Loan Assn., Kan.[1]**	6,054	686	782.51	2.37	0.28	264,881
26	**Commercial Credit Savings Bank, Pittsburgh[2]**	721	3,253	-77.84	2.33	1.55	13,259
27	**Preferred Savings & Loan Assn., Chicago[1]**	877	483	81.57	2.30	1.30	39,018
28	**Metropolitan Bank for Savings, FSB, Arlington, Va.[1]**	1,341	381	251.97	2.28	0.74	63,761
29	**First Security Savings Bank FSB, Bloomfield Hills, Mich.[1]**	1,592	12	13166.67	2.27	0.03	91,114
30	**Pioneer Federal Savings Bank, Hopewell, Va.[1]**	13,977	11,070	26.26	2.26	1.75	544,288
31	**Portsmouth Savings Bank, N.H.[2]**	5,559	3,131	77.55	2.23	1.27	261,677
32	**Ulster Savings Bank, Kingston, N.Y.[2]**	5,806	4,422	31.30	2.20	1.76	280,497
33	**Coastal Banc Savings Association, Houston[1]**	14,378	1,639	777.24	2.16	0.56	698,390
34	**Beach Savings Bank, Huntington Beach, Calif.[1]**	2,140	300	613.33	2.11	0.39	112,800
35	**Metropolitan Federal Bank of Minnesota, Brainerd[1]**	6,687	542	1133.76	2.08	0.29	308,338
36	**Main Line Federal Savings Bank, Villanova, Penn.[1]**	15,677	4,116	280.88	2.07	0.62	783,132
37	**Fullerton Savings & Loan Assn., Calif.[1]**	7,188	5,749	25.03	2.05	1.69	351,032
38	**American Federal Savings Bank, Rockville, Md.[1]**	2,401	2,175	10.39	2.03	2.19	118,712
39	**American Bank of Connecticut, Waterbury[2]**	6,077	5,521	10.07	2.00	2.17	326,856
40	**Needham Co-operative Bank, Mass.[2]**	5,438	7,138	-23.82	2.00	2.65	280,758
41	**First Federal Savings Bank of Proviso Township, Hillside, Ill.[1]**	4,499	3,642	23.53	1.98	1.57	225,915
42	**Prince George's Federal Saving Bank, Upper Marlboro, Md.[1]**	522	530	-1.51	1.98	2.13	27,833
43	**Reliance Savings & Loan Assn., Milwaukee, Wis.[1]**	474	528	-10.23	1.98	2.30	25,199
44	**Butterfield Savings & Loan Assn. FSA, Newport Beach, Calif.[1]**	13,195	3,866	241.31	1.97	1.06	590,988
45	**Westside Savings & Loan Assn., Los Angeles[1]**	2,137	1,600	33.56	1.97	2.68	132,695
46	**Home Building & Loan Assn., Mountain Grove, Mo.[1]**	1,503	1,927	-22.00	1.97	2.65	77,970
47	**Standard Savings Bank, Los Angeles[1]**	3,821	3,294	16.00	1.94	2.05	214,350
48	**Luther Burbank Savings & Loan Assn., Santa Rosa, Calif.[1]**	3,717	4,321	-13.98	1.93	2.95	223,556
49	**Republic Savings Bank, FSB, Louisville, Ky.[1]**	6,690	1,568	326.66	1.90	0.51	332,358
50	**Abacus Federal Savings Bank, New York[1]**	846	393	115.27	1.88	1.26	51,686
51	**Regal Savings Bank, FSB, Owings Mills, Md.[1]**	769	952	-19.22	1.87	2.44	41,890
52	**NVR Savings Bank, McLean, Va.[1]**	6,938	0	......	1.82	0.00	399,596
53	**Citicorp Savings of Washington, D.C., FS&LA[1]**	20,646	(8,886)	332.34	1.81	-0.99	1,211,203
54	**Long Beach Savings & Loan Assn., Calif.[1]**	14,167	2,843	398.31	1.80	0.45	872,153
55	**Green Point Savings Bank, New York[2]**	77,954	71,020	9.76	1.79	1.88	4,607,061
56	**Firstrust Savings Bank, Philadelphia[2]**	20,344	21,882	-7.03	1.78	2.04	1,210,709
57	**Union Federal Savings Bank, Indianapolis, Ind.[1]**	3,079	336	816.37	1.78	0.38	153,652
58	**Security Pacific Savings Bank, Tacoma, Wash.[2]**	11,095	4,338	155.76	1.77	0.71	622,652
59	**Machias Savings Bank, Me.[2]**	2,252	1,799	25.18	1.77	1.63	136,323
60	**Virginia Beach Federal Savings Bank, Va.[1]**	14,198	2,229	536.97	1.76	0.29	782,520
61	**Metropolitan Federal Bank of Iowa, Mason City[1]**	21,142	(24,059)	187.88	1.75	-3.69	1,139,622
62	**First Public Savings Bank, Los Angeles[1]**	3,002	2,309	30.01	1.75	1.53	180,800
63	**Griffin Federal Savings Bank, Ga.[1]**	1,348	1,122	20.14	1.75	1.72	82,399
64	**Savetrust Federal Savings Bank, Dyersburg, Tenn.[1]**	848	(68)	1347.06	1.74	-0.19	47,088
65	**First Federal Savings Bank, Kalispell, Mont.[1]**	2,813	2,015	39.60	1.72	1.36	166,592
66	**First Federal Savings Bank, Boston[1]**	990	(260)	480.77	1.72	-0.88	71,083
67	**United Savings & Loan Assn., Wichita, Kan.[1]**	148	87	70.11	1.71	0.82	8,863
68	**Nantucket Savings Bank, Mass.[2]**	1,908	1,798	6.12	1.69	1.75	117,263
69	**Homewood Federal Savings & Loan Assn., Ill.[1]**	4,437	777	471.04	1.68	0.27	235,131
70	**First Federal Savings & Loan Assn., Forest City, N.C.[1]**	908	1,064	-14.66	1.68	1.98	54,739
71	**First Federal Savings Bank, Campbellsville, Ky.[1]**	2,454	1,269	93.38	1.66	0.87	149,131
72	**Andrew Jackson Savings & Loan Assn., Tallahassee, Fla.[1]**	4,716	1,820	159.12	1.65	0.80	303,818
73	**Greenville Federal Savings & Loan Assn., Ohio[1]**	1,349	420	221.19	1.64	0.48	81,373
74	**Dollar Savings & Loan Assn., Newark, N.J.[1]**	225	(247)	191.09	1.64	-1.75	13,912
75	**Calumet Federal Savings & Loan Assn., Chicago[1]**	6,311	4,944	27.65	1.62	1.27	393,548
76	**North American Savings Assn., Grandview, Mo.[1]**	6,325	(7,244)	187.31	1.59	-1.80	402,796
77	**Bethel Savings Bank, FSB, Me.[1]**	1,075	994	8.15	1.59	1.62	68,653
78	**Baltimore American Savings Bank, FSB[1]**	322	318	1.26	1.60	1.59	20,615
79	**Heritage Federal Savings & Loan Assn., Sparta, Ill.[1]**	842	155	443.23	1.58	0.27	52,044
80	**Mercantile Savings Bank, Cincinnati[1]**	621	102	508.82	1.58	0.31	45,568
81	**Horizon Bank, SB, Bellingham, Wash.[2]**	4,366	4,061	7.51	1.57	1.57	293,983
82	**Deerfield Federal Savings & Loan Assn., Ill.[1]**	4,081	3,857	5.81	1.57	1.52	261,476
83	**First Federal Savings Bank, Fort Dodge, Iowa[1]**	2,128	1,829	16.35	1.57	1.34	135,969
84	**Woodruff Federal Savings & Loan Assn., S.C.[1]**	1,295	1,180	9.75	1.57	1.47	84,640
85	**Kearny Federal Savings & Loan Assn., N.J.[1]**	7,997	10,097	-20.80	1.55	2.06	518,552
86	**First Federal Savings Bank, Elizabethtown, Ky.[1]**	2,899	2,757	5.15	1.55	1.53	192,452
87	**First Federal Savings & Loan Assn., Lincolnton, N.C.[1]**	1,330	1,023	30.01	1.55	1.24	88,515
88	**Citizens Federal Savings & Loan Assn., Bellefontaine, Ohio[1]**	1,184	862	37.35	1.55	1.17	79,191
89	**Kennebec Savings Bank, Augusta, Me.[2]**	1,710	1,723	-0.75	1.54	1.71	121,105
90	**Southeast Bank for Savings, Dover, N.H.[2]**	4,521	3,484	29.76	1.53	1.21	298,296
91	**Sterling Savings Bank, FSB, Royal Oak, Mich.[1]**	1,758	1,197	46.87	1.53	1.21	127,116
92	**First Federal Savings Bank, Frankfort, Ky.[1]**	1,467	1,158	26.68	1.53	1.27	97,474
93	**First Federal Savings Bank, La Follette, Tenn.[1]**	1,027	737	39.35	1.53	1.15	68,794
94	**Home Trust Savings & Loan Assn., Vermillion, S.D.[1]**	529	210	151.90	1.53	0.60	34,715
95	**Heartland Federal Savings & Loan Assn., Ponca City, Okla.[1]**	15,343	3,262	370.36	1.52	0.56	925,387
96	**Fredericksburg Savings & Loan Assn., Va.[1]**	6,002	5,136	16.86	1.51	1.40	413,668
97	**Newton Federal Savings & Loan Assn., Covington, Ga.[1]**	1,188	1,352	-12.13	1.51	1.91	82,548
98	**Nelson County Federal Savings & Loan Assn., Bardstown, Ky.[1]**	388	293	32.42	1.51	1.14	26,236
99	**Vigilant Federal Savings & Loan Assn., Baltimore[1]**	128	139	-7.91	1.51	1.74	9,057
100	**Hatboro Federal Savings & Loan Assn., Pa.[1]**	2,047	1,680	21.85	1.50	1.30	142,409

Data Sources: Data are for all federally-insured savings banks and savings and loan associations snd were compiled from federal regulatory data provided by **W.C. Ferguson & Co.**, Irving, Tex. Data for BIF-insured thrifts are from the Reports of Condition and Income submitted to the FDIC; and data for SAIF-insured thrifts and federally-chartered FDIC-insured savings banks are from the Quarterly Financial Report submitted to the Office of Thrift Supervision. **Rank 1989:** Profitability rank based on 1989 ROA. When two or more thrift have the same ROA, they are listed in order of their net income for 1989, with the thrift earning the larger, absolute amount receiving the higher rank number. **Net Income:** (1) for the BIF-insured thrifts its income after taxes but before extraordinary items; (2) for the SAIF-insured thrifts its the sum of current net income for each of the four quarters of 1989 and 1988, respectively. **ROA:** is net income divided by total average assets as calculated by **Ferguson**. (1)— A SAIF-insured thrift. (2)— A BIF-insured, state chartered savings bank.

Compiled by American Banker, Copyright 1990.

THRIFT PROFITABILITY

The 100 Most Profitable U.S. Thrift Institutions

Based on the return on average assets for 1989. Thrifts are listed geographically in order of their ROA within states

1989 ROA RANK		ROA 1989	Return on Capital	Int. Earn. Assets-to-Liabilities	Spread
	CALIFORNIA				
8	**Sterling Savings & Loan Assn., Irvine[1]**	3.35	30.23	83.01	3.23
12	**Plaza Savings & Loan Assn., Santa Ana[1]**	3.03	45.31	122.65	2.20
34	**Beach Savings Bank, Huntington Beach[1]**	2.11	33.95	90.50	2.92
37	**Fullerton Savings & Loan Assn.[1]**	2.05	27.93	88.36	3.11
44	**Butterfield S&L Assn., FSA, Newport Beach[1]**	1.97	26.25	99.53	0.77
45	**Westside Savings & Loan Assn., Los Angeles[1]**	1.97	33.83	96.18	2.82
47	**Standard Savings Bank, Los Angeles[1]**	1.94	19.91	107.69	3.36
48	**Luther Burbank S&L Assn., Santa Rosa[1]**	1.93	25.35	102.12	2.63
54	**Long Beach Savings & Loan Assn.[1]**	1.80	50.63	95.22	2.59
62	**First Public Savings Bank, Los Angeles[1]**	1.75	20.05	106.31	4.12
	CONNECTICUT				
39	**American Bank of Connecticut, Waterbury[2]**	2.00	22.34	108.17	3.47
	WASHINGTON D.C.				
53	**Citicorp Savings of Washington D.C., FS&LA[1]**	1.81	7.87	119.34	2.25
	FLORIDA				
72	**Andrew Jackson S&L Assn., Tallahassee[1]**	1.65	26.75	96.62	2.19
	GEORGIA				
4	**Charter Federal Savings & Loan Assn., West Point[1]**	4.80	420.10	100.88	1.30
63	**Griffin Federal Savings Bank[1]**	1.75	21.64	105.23	3.35
97	**Newton Federal Savings & Loan Assn., Covington[1]**	1.51	12.20	113.36	2.50
	ILLINOIS				
1	**Capitol Federal Bank For Savings, Chicago[1]**	9.61	146.41	101.93	3.08
9	**Washington Savings & Loan Assn., Chicago[1]**	3.34	52.54	109.56	2.30
21	**Elgin Federal Financial Center FA[1]**	2.49	60.97	103.73	2.34
27	**Preferred Savings & Loan Assn., Chicago[1]**	2.30	15.79	119.54	3.92
41	**First Fed. Svgs Bank of Proviso Township, Hillside[1]**	1.98	22.18	110.10	2.01
69	**Homewood Federal Savings & Loan Assn.[1]**	1.68	68.63	91.58	3.07
75	**Calumet Federal Savings & Loan Assn., Chicago[1]**	1.62	20.89	106.98	2.89
79	**Heritage Federal Savings & Loan Assn., Sparta[1]**	1.58	-197.19	95.89	2.31
82	**Deerfield Federal Savings & Loan Assn.[1]**	1.57	12.42	112.35	3.14
	INDIANA				
15	**Union Federal Savings Bank, Frankton[1]**	2.71	64.86	98.68	3.34
57	**Union Federal Savings Bank, Indianapolis[1]**	1.78	38.51	89.89	3.18
	IOWA				
22	**First Federal Savings & Loan Assn., Council Bluffs[1]**	2.43	12.3	129.01	2.36
61	**Metropolitan Federal Bank of Iowa, Mason City[1]**	1.75	43.19	96.51	2.54
83	**First Federal Savings Bank, Fort Dodge[1]**	1.57	28.78	104.14	2.63
	KANSAS				
25	**Wichita Federal Savings & Loan Assn.[1]**	2.37	49.32	101.20	1.58
67	**United Savings & Loan Assn., Wichita[1]**	1.71	10.80	121.96	3.79
	KENTUCKY				
49	**Republic Savings Bank FSB, Louisville[1]**	1.90	33.62	101.09	2.25
71	**First Federal Savings Bank, Campbellsville[1]**	1.66	51.44	98.80	2.88
86	**First Federal Savings Bank, Elizabethtown[1]**	1.55	9.49	117.16	2.55
92	**First Federal Savings Bank, Frankfort[1]**	1.53	12.57	111.93	2.21
98	**Nelson County Federal S&L Assn., Bardstown[1]**	1.51	14.34	111.30	2.07
	MAINE				
59	**Machias Savings Bank[2]**	1.77	15.43	112.68	5.72
77	**Bethel Savings Bank FSB[1]**	1.59	11.48	110.70	3.98
89	**Kennebec Savings Bank, Augusta[2]**	1.54	12.76	110.48	2.98
	MARYLAND				
23	**Reisterstown Federal Savings Bank[1]**	2.38	23.15	108.31	4.20
24	**Glen Burnie Mutual Savings Bank[2]**	2.38	21.37	112.17	10.50
38	**American Federal Savings Bank, Rockville[1]**	2.03	32.38	102.13	4.34
42	**Prince George's Federal Savings Bank, Upper Marlboro[1]**	1.98	11.60	115.47	3.06
51	**Regal Savings Bank FSB, Owings Mills[1]**	1.87	17.23	106.00	6.10
78	**Baltimore American Savings Bank, FSB[1]**	1.60	16.03	106.44	4.75
99	**Vigilant Federal Savings & Loan Assn., Baltimore[1]**	1.51	14.99	108.94	3.65
	MASSACHUSETTS				
40	**Needham Co-operative Bank[2]**	2.00	10.96	120.21	4.65
66	**First Federal Savings Bank, Boston[1]**	1.72	13.56	96.61	3.82
68	**Nantucket Savings Bank[2]**	1.69	16.27	111.84	5.20
	MICHIGAN				
29	**First Security Savings Bank FSB, Bloomfield Hills[1]**	2.27	48.20	93.57	3.10
91	**Sterling Savings Bank FSB, Royal Oak[1]**	1.53	23.60	97.79	1.61
	MINNESOTA				
35	**Metropolitan Federal Bank of Minnesota, Brainerd[1]**	2.08	41.77	103.02	2.09
	MISSISSIPPI				
3	**Mississippi Hill & Delta Savings & Loan Assn., Sumner[1]**	5.24	21.82	137.10	3.42
	MISSOURI				
19	**Heartland Savings Bank FSB, St. Louis[1]**	2.50	56.47	102.10	1.07
46	**Home Building & Loan Assn., Mountain Grove[1]**	1.97	18.25	106.79	2.55
76	**North American Savings Assn., Grandview[1]**	1.59	69.97	101.00	1.66
	MONTANA				
65	**First Federal Savings Bank, Kalispell[1]**	1.72	16.03	108.99	3.88
	NEVADA				
18	**Atlantic Financial Savings, Las Vegas[1]**	2.51	24.07	109.41	2.99
	NEW HAMPSHIRE				
31	**Portsmouth Savings Bank, N.H.[2]**	2.23	15.4	112.98	3.32
90	**Southeast Bank for Savings, Dover, N.H.[2]**	1.53	14.40	111.49	4.70
	NEW JERSEY				
6	**First Financial Savings Bank SLA, Woodbridge[1]**	3.87	48.38	104.97	5.92
10	**Lakeview Savings & Loan Assn., Paterson[1]**	3.25	43.80	105.05	2.16
74	**Dollar Savings & Loan Assn., Newark[1]**	1.64	12.85	107.82	4.07
85	**Kearny Federal Savings & Loan Assn.[1]**	1.55	12.90	111.86	2.28
	NEW MEXICO				
14	**Security Federal S&L Assn., Albuquerque[1]**	2.83	20.34	108.74	2.12
	NEW YORK				
32	**Ulster Savings Bank, Kingston[2]**	2.20	18.16	114.78	5.48
50	**Abacus Federal Savings Bank, New York[1]**	1.88	26.77	102.80	6.66
55	**Green Point Savings Bank, New York[2]**	1.79	16.28	111.46	3.72
	NORTH CAROLINA				
70	**First Federal Savings & Loan Assn., Forest City[1]**	1.68	11.18	115.95	2.33
87	**First Federal Savings & Loan Assn., Lincolnton[1]**	1.55	11.51	113.06	2.42
	OHIO				
2	**South Side Savings Bank FSB, Lima[1]**	7.15	80.84	102.62	2.50
73	**Greenville Federal Savings & Loan Assn.[1]**	1.64	55.67	101.95	2.43
80	**Mercantile Savings Bank, Cincinnati[1]**	1.58	18.86	107.06	4.73
88	**Citizens Federal S&L Assn., Bellefontaine[1]**	1.55	66.70	98.56	2.22
	OKLAHOMA				
95	**Heartland Federal Savings & Loan Assn., Ponca City[1]**	1.52	155.99	71.63	5.12
	PENNSYLVANIA				
17	**Alpha Indian Rock Savings & Loan Assn., Philadelphia[1]**	2.64	45.38	108.91	2.69
26	**Commercial Credit Savings Bank, Pittsburgh[2]**	2.33	7.19	129.97	6.77
36	**Main Line Federal Savings Bank, Villanova[1]**	2.07	39.96	98.96	1.93
56	**Firstrust Savings Bank, Philadelphia[2]**	1.78	12.52	115.56	4.07
100	**Hatboro Federal Savings Assn.[1]**	1.50	10.91	117.00	2.46
	SOUTH CAROLINA				
84	**Woodruff Federal Savings & Loan Assn.[1]**	1.57	12.46	113.07	2.13
	SOUTH DAKOTA				
94	**Home Trust Savings & Loan Assn., Vermillion[1]**	1.53	29.94	105.32	8.23
	TENNESSEE				
64	**Savetrust Federal Savings Bank, Dyersburg[1]**	1.74	25.46	108.74	2.78
93	**First Federal Savings Bank, La Follette[1]**	1.53	11.86	108.96	3.61
	TEXAS				
5	**City Savings & Loan Assn., San Antonio[1]**	4.45	51.78	81.12	0.59
11	**USAA Federal Savings Bank, San Antonio[1]**	3.16	16.03	120.30	5.57
33	**Coastal Banc Savings Association, Houston[1]**	2.16	60.49	67.04	6.88
	VIRGINIA				
16	**Fidelity Federal Savings Bank, Richmond[1]**	2.65	41.06	104.27	2.40
28	**Metropolitan Bank for Savings FSB, Arlington[1]**	2.28	30.98	110.72	2.23
30	**Pioneer Federal Savings Bank, Hopewell[1]**	2.26	31.07	106.28	1.58
52	**NVR Savings Bank, McLean[1]**	1.82	49.57	90.40	3.92
60	**Virginia Beach Federal Savings Bank[1]**	1.76	45.33	100.75	0.55
96	**Fredericksburg Savings & Loan Assn.[1]**	1.51	17.62	106.98	2.31
	WASHINGTON				
7	**Continental Savings Bank, Seattle[1]**	3.63	61.06	95.67	6.03
13	**World S&L Assn. of America FS&LA, Lynnwood[1]**	2.87	6.86	159.51	2.69
20	**Washington Federal Savings & Loan Assn., Seattle[1]**	2.49	22	108.83	3.07
58	**Security Pacific Savings Bank, Tacoma[2]**	1.77	21.22	109.09	3.56
81	**Horizon Bank SB, Bellingham[2]**	1.57	10.32	114.49	3.70
	WISCONSIN				
43	**Reliance Savings & Loan Assn., Milwaukee[1]**	1.98	6.85	139.31	2.40

Data Source: Federal regulatory data provided by **W.C. Ferguson & Co.,** Irving, Tex. from its data bases of SAIF-insured thrifts and BIF-insured state chartered savings banks. **ROA:** is net income divided by total average assets as calculated by **Ferguson**. **Return on Capital:** is net income divided by average capital. For SAIF-insured insured thrifts, the return on average estimated GAAP (generally accepted accounting principles) capital is used. For BIF-insured thrifts it is the return on average equity capital. **Int. Earn. Assets-to-Liabilities:** is the ratio of interest earning assets to interest bearing liabilities expressed as a percentage. **Spread:** For SAIF insured thrifts, the spread is the yield on earning assets minus the cost of funds. For BIF-insured thrifts, the net interest margin is shown. The margin is net interest income divided by average earning assets. **(1)**— A SAIF-insured thrift. **(2)**— A BIF-insured, state chartered savings bank.

Compiled by American Banker, Copyright, 1990.

Earnings of the Top 100 Thrifts

Top 100 compared with all thrifts over the period 1985-1989 (dollar amounts in millions)

Year	Net Income Top 100 Thrifts	All Federally Insured Thrifts		Income Ratio: Top 100-to-All	Breakdown of All Thrifts			
					BIF-Insured Thrifts		SAIF-Insured Thrifts	
		Net Income	Number		Net Income	Number	Net Income	Number
1989	$3,041	(19,131)	3,367	NM	(131)	489	(19,000)	2,878
1988	$3,356	(10,059)	3,441	NM	1,041	492	(11,100)	2,949
1987	$4,052	(3,796)	3,631	NM	2,004	484	(5,800)	3,147
1986	$5,126	3,724	3,692	139%	2,224	472	1,500	3,220
1985	$3,690	5,633	3,638	66%	1,433	392	4,200	3,246

Data Sources: The data on FDIC-insured thrifts were provided by the **Federal Deposit Insurance Corporation** and **Sheshunoff Information Services Inc.,** Austin, Texas. The data on SAIF-insured thrifts are also from **Sheshunoff** and the Office of Thrift Supervision. Data on Top 100 thrifts are from the American Banker data base. Bank Insurance Fund, formerly the Federal Deposit Insurance Corp. (FDIC). **SAIF:** Savings Association Insurance Fund, formerly the Federal Savings and Loan Insurance Corp. (FSLIC). Bothe BIF and SAIF was created under FIRREA. **Number:** the number of thrifts operating at yearend. For BIF-insured thrifts the number includes both state and federally chartered savings banks. **NM**— not meaningful. ( )— Indicates a loss.

Compiled by American Banker, Copyright 1990.

800

C01751

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 104 Tuesday, May 29, 1990 155th year

Franklin Failure Was Engineered By Regulators

By SANFORD ROSE

Will Ernie Fleischer win the battle but lose the war?

The chairman of Franklin Savings Association, the $11 billion Kansas thrift placed into conservatorship earlier this year, is suing to regain control of his institution. As is now well known, the Office of Thrift Supervision charged that Franklin should have booked some futures losses that it elected to defer. And, if booked currently, these losses would trigger a bond-indenture clause that would require Franklin to buy zero-coupon Treasury bonds with which to retire or "defease" its zero-coupon mortgage-backed liability bonds.

ANALYSIS: *Follow-up on the news*

The combination of the losses sustained in purchasing the zero-coupon Treasuries and those on the futures contracts would all but wipe out Franklin's book capital, pushing the institution into insolvency.

It now appears that the OTS acted improperly in throwing Franklin into conservatorship on the aforementioned grounds. But even if Fleischer is successful in persuading a court of law that this is in fact the case, his troubles will be far from over.

The government is now amassing evidence that Franklin is actually insolvent in a market-value sense. This evidence is, as this article will try to show, based on highly tenuous and questionable assumptions.

No Automatic Defeasance

But let us first discuss the impropriety of the OTS's decision to place Franklin into conservatorship. Though the regulators coupled the futures loss with that from bond defeasance, in point of fact the one need not have led to the other.

The mere fact that the regulators demanded that Franklin recognize currently its deferred futures losses would not have automatically triggered the bond-defeasance clause. Suppose that instead of placing Franklin in conservatorship, the OTS had confined itself to the demand for immediate futures loss recognition.

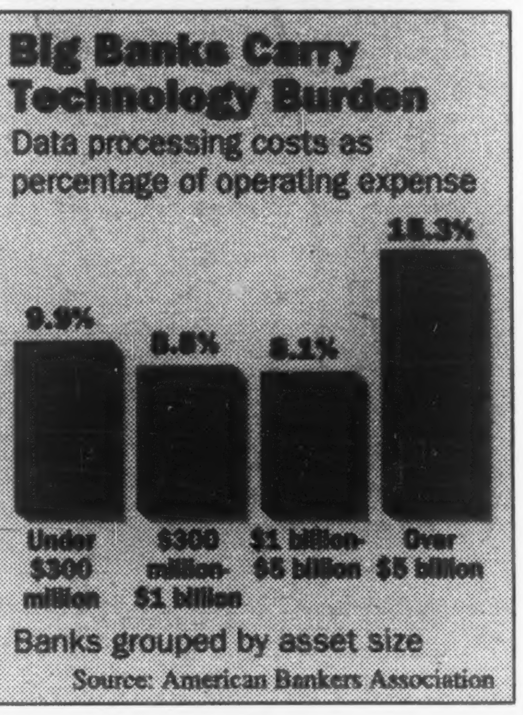
Franklin would have contested this demand, as is its right. And, as the *American Banker* article of March 5 points out, the institution had a good case that its prior accounting procedures were in conformity with GAAP.

While this dispute was being adjudicated, Franklin would have gone to the trustee and pro-

See **FRANKLIN** page 25

INSIDE NEWS

TECHNOLOGY



Source: American Bankers Association

LARGE BANKS continue to spend a much higher percentage of their budgets on data processing than small and medium-size banks, according to the ABA's latest national operations and automation survey. *Page 3*

CONSUMER

PNC FINANCIAL CORP. is shifting the focus to its retail banking operations and away from nonperforming corporate loans. *Page 14*

FINANCE

A FARE WAR among the nation's airlines is making already cautious bankers even more concerned about financing the proposed $4.4 billion buyout of UAL Corp., parent of United Airlines. *Page 30*

WEST ONE BANCORP is a notable exception in a poor year for bank stocks. *Page 32*

INTERNATIONAL

BIG JAPANESE commercial banks are aiming to increase their merger and acquisition activity in the United States. *Page 24*

REAL ESTATE

MORE NEW ENGLAND builders are opting to file for bankruptcy protection rather than turn over a property in foreclosure. *Page 20*

COMMENT

WITH JUNK BONDS on the ropes, companies will be increasingly dependent on banks to provide capital, writes Paul Nadler. *Page 4*

INDEX

People in the News 2
Company Index 2
Crime Blotter 4
Letters to the Editor 6
Weekly Index of Stories 17
Classified Advertising 28
Bank and Thrift Stocks 31

Big California Banks Said To Be Mulling Gibraltar Bid

By TERESA CARSON

LOS ANGELES — BankAmerica Corp., Security Pacific Corp., and Wells Fargo & Co. are among 11 potential bidders studying the books of Gibraltar Savings, the largest California thrift seized by the government, sources said.

Gibraltar's drawing card is its 83-branch network, mostly in Southern California. The thrift, based in Simi Valley, a Los Angeles suburb, has $7.4 billion in assets and $5.7 billion in deposits.

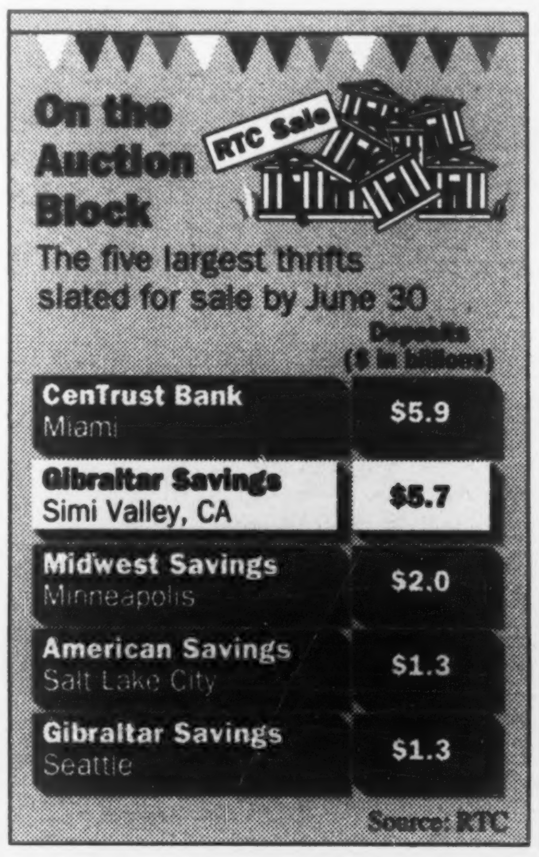
Bids on the thrift are due by June 10, said sources familiar with the proceedings.

Sale Due by June 30

Gibraltar is the second-largest of 11 thrifts the Resolution Trust Corp. has said it will sell by June 30. The largest is CenTrust Bank, Miami, with $5.9 billion in deposits.

The sources said that 11 potential buyers have inspected Gibraltar's financial records and that five others have expressed interest. It is unclear how many will actually submit bids.

Large financial institutions that already operate in California will have an edge in the bidding. Investment bankers say these institutions can wring cost savings out of the operations that out-of-state bidders or investor groups cannot.


On the Auction Block
RTC Sale
The five largest thrifts slated for sale by June 30

	Deposits ($ in billions)
CenTrust Bank Miami	$5.9
Gibraltar Savings Simi Valley, CA	$5.7
Midwest Savings Minneapolis	$2.0
American Savings Salt Lake City	$1.3
Gibraltar Savings Seattle	$1.3

Source: RTC

BankAmerica, Security Pacific, and Wells declined to comment. Phone calls to the RTC were not returned.

Gibraltar was put into conservatorship on March 31, 1989, and into receivership on October 31, 1989.

At yearend 1989, Gibraltar Savings had $7 billion in deposits, making it the largest California thrift in conservatorship. The next largest, Imperial Savings Association, San Diego, had

See page 16

Agent Banks Forced to Restructure Revlon Loan

By STEVEN LIPIN

NEW YORK — Barely a month into syndication, a $1.8 billion refinancing of the Revlon Group's bank loans is being restructured, the latest victim of the skittish market for highly leveraged transactions.

The restructuring became necessary, sources said, when the agent banks – the banking units of Chemical Banking Corp., Chase Manhattan Corp., Citicorp, and Manufacturers Hanover Corp. – ran into heavy resistance from prospective lenders.

On Friday, the four agents confirmed that revisions in the deal were being made. In a joint statement, they said: "In order to respond to current market conditions, Revlon and the co-agents are making certain structural and pricing adjustments to the $1.8 billion transaction currently in the marketplace."

However, informed sources said that the revisions will not change the cost of the loan for Revlon. Rather, any changes in fees or pricing will come out of

See **LENDERS** page 10

GE Acquires Rights to Service Huge Portfolio

By STEPHEN KLEEGE

NEW YORK — Making a bold entry into the turbulent world of mortgage servicing, GE Mortgage Capital Corp. said Friday that it had agreed to buy the $12 billion portfolio of Travelers Mortgage Services Inc. from the Travelers Corp.

The companies did not disclose the price. Recent acquisitions of mortgage-servicing rights have cost between 160 and 185 basis points of the portfolio size. On that basis, the Travelers business would cost between $192 million and $222 million.

Industry experts said GE is taking advantage of a dip in the market to acquire one of the nation's largest servicing portfolios at a favorable price.

Officials of GE Mortgage Capital, a General Electric Capital Corp. unit in Raleigh, N.C., said the Travelers acquisition will enable it to provide a more complete service to its thrift and bank customers.

GE Mortgage Capital, known as Gemcap, is parent of GE Cap-

See **GE** page 22

Ed Kashi

EXIT TRIUMPHANT: A.W. Clausen, who shepherded BankAmerica Corp. through some of its stormiest years, proudly noted that "BankAmerica is back" as he retired last week.

Clausen Exits Triumphantly, Having Salvaged Reputation

By SAM ZUCKERMAN

SAN FRANCISCO — At BankAmerica Corp.'s annual shareholder meeting last Thursday, Richard M. Rosenberg was installed as chairman and chief executive officer, but outgoing chief A.W. Clausen was man of the hour.

Three years ago, just months after he returned for a second tour of duty as BankAmerica chief, Mr. Clausen was booed and hissed by angry stockholders. They had seen their dividends dry up and the value of their holdings tumble as a result of the devastating financial crisis that rocked the company in the mid-1980s.

This time – after a partial restoration of the dividend, recovery of the stock, and record earnings of $1.1 billion in 1989 – a

See **CLAUSEN** page 29

In Computer Spending, Size Counts

But Small Banks Also Are Increasing Their Outlays

By JEANNE IIDA

SAN DIEGO — Big banks continue to spend much more of their budgets on data processing than small- and medium-sized banks, according to the American Bankers Association's latest national operations and automation survey.

For banks with at least $5 billion in assets, data processing accounted for about 15.3% of operating costs in 1989.

That's a bit less than the 16% calculated in 1986, the last year the ABA conducted its automation survey.

Big Jump for Small Banks

But community banks with under $300 million in assets spent proportionately much less – only 9.9%. That is up, however, from 6.9% in 1986.

Since the previous survey, it was the community banks that changed their approach to technology the most. In addition to boosting their spending on data processing more sharply than big banks, they reduced their reliance on outside processors.

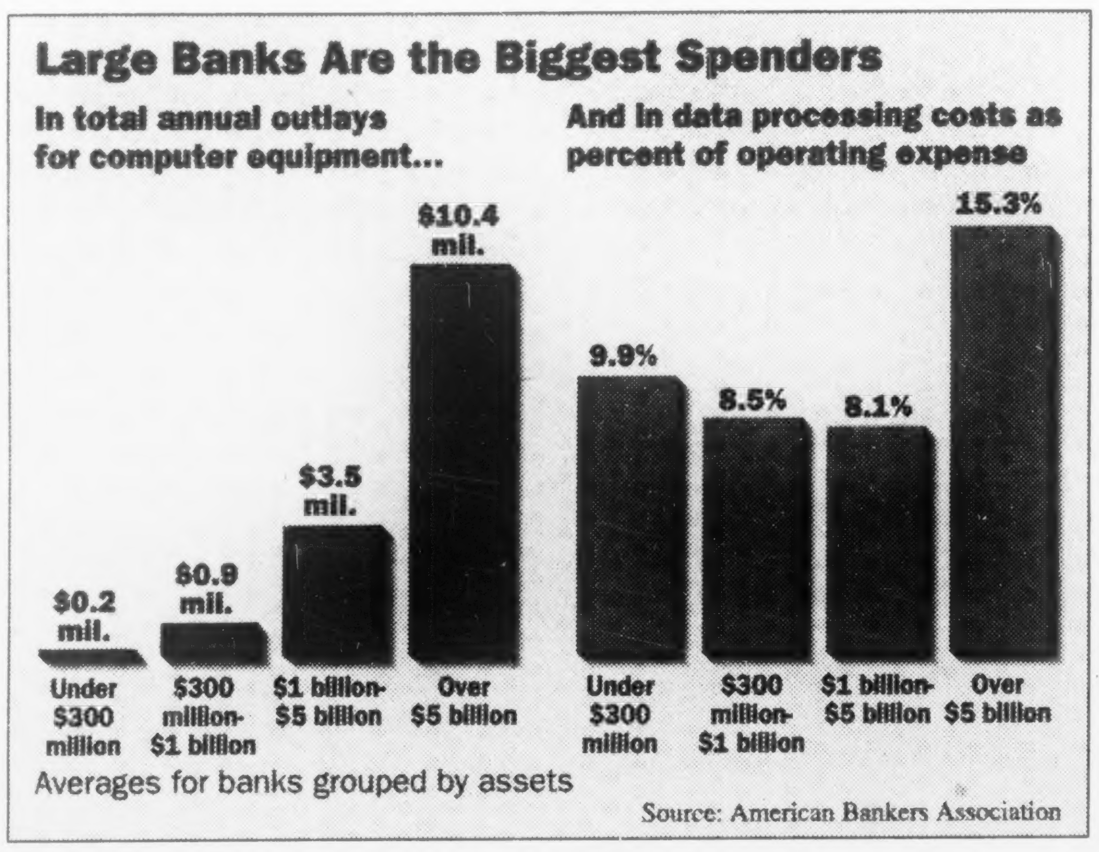
373 Institutions in Survey

The ABA study looked at data processing operations in 373 banks of all sizes.

The association tabulated its results in four categories – community banks, with assets of less than $300 million; medium-sized banks, with assets of between $300 and $999 million; large banks, with assets of $1 billion to $4.99 billion; and very large banks, with assets of at least $5 billion.

PCs Proliferate

The study found that banks, like corporations in other industries, have generally reduced their reliance on large mainframe computers, while minicomputers and personal computers have proliferated.


Large Banks Are the Biggest Spenders

Averages for banks grouped by assets

Source: American Bankers Association

The study also showed that big banks – typically the most dependent on consultants – plan to reduce that dependence sharply over the next two years. Smaller banks plan to keep their use of consultants roughly even.

Moving In-House

Community banks, taking advantage of smaller and cheaper computers, have brought more of their processing in-house. Nearly 58% of community banks did their processing in-house in 1989, up from 42% in 1986. Small banks' use of facilities managers, who are contracted to run computer departments, dropped from 20% in 1986 to 10.4% in 1989.

For data processing consultants, banks with assets of $1 billion to $4.99 billion spent $184,000 on average last year. The average for the smallest banks was $18,000.

Banks with assets of $5 billion or more spent about $366,000 on the consultants.

Telecommunications costs rose for all banks and represented an average 3% of operating budgets. Telephone services, the biggest chunk of the telecommunications total, cost community banks $30,000 on average and the biggest banks about $8 million.

Mainframes Pace Spending

Mainframe computer expenses outstripped expenditures on minicomputers and microcomputers.

Average spending for mainframe equipment ranged from $150,000 at community banks to $7.5 million at the largest banks; the latter projected 1990 increases in mainframe budgets averaging 7.5%.

Personal computers proliferated among institutions of every size; all the very large banks in the survey and about 70% of the community banks were using them last year. Community banks spent about $15,000 annually on PCs, of which they had deployed 12 on average. The largest banks averaged $1.5 million in PC spending and 1,100 machines distributed throughout the institution. □

---

2 Systems Attract Bankers Beset by Pressure on Profits

By RICHARD LAYNE

In a year marked by the eruption of problem loans and increased pressure on banks to cut costs, it comes as no surprise that two technology themes recurred at the National Operations and Automation Conference in San Diego.

The conference, sponsored by the American Bankers Association, reportedly attracted 4,000 people last week.

Two rapidly emerging technologies – commercial-loan automation systems and image processing – have been the focuses for bankers intent on streamlining operations and better tracking profitability. Never before have bankers been so ready to use automation not just to process transactions but also to monitor and improve business performance.

In loan automation, bankers are buying sophisticated systems that handle some or all steps in lending, from sales calls and credit evaluation through loan review and profitability analysis.

Manual Check Handling

The interest-margin squeeze on commercial loans is not the only pressure bankers feel. Check processing is one of the last bastions of manual operations, with almost 1,000 people in some big banks coding checks in preparation for reading and sorting machines.

New imaging equipment from International Business Machines Corp. and Unisys Corp. could make check processing far more efficient and eliminate many jobs.

Imaging, in the words of one banker, threatens to separate the industry into haves and have-nots. Image-based check processing equipment comes with a high price tag – as much as $40 million.

Some bankers predicted that only the top tier of banks would be able to use imaging technology for check processing. They will sell their capability to the rest of the industry, these bankers said.

IBM System Unveiled

Bankers saw the first public showing of a prototype IBM system designed to automate major aspects of commercial lending by tying together existing software. IBM had previously shown the prototype, which runs on a personal computer, to executives at its invitation-only financial services industry conference two months ago.

> **"Officers Workbench is an attempt to give the loan officer more time with the client."**
>
> **Joseph Filoseta**
> *BancA*

Bill Reid, an IBM manager, said the new system, called Officers Workbench, will be commercially available in six months. He said he hopes soon to find a bank willing to test the new system, which links three software packages.

As do other computer companies, IBM believes an opportunity exists to sell automation to commercial lenders. For IBM, which has had moderate success in selling applications software, the easiest way was to repackage existing software.

See **AUTOMATED** *page* **8**

GET WHAT YOU PAY FOR

More financial institutions than ever are banking on our Pay for Performance incentive programs. Contact us to see how they can work for you, too. Call today for a consultation, 1-800-866-8622.

BANKING CONSULTANTS OF AMERICA

6584 Poplar Avenue
Memphis, TN
38138-3697

FULL SERVICE
FINANCIAL SOFTWARE

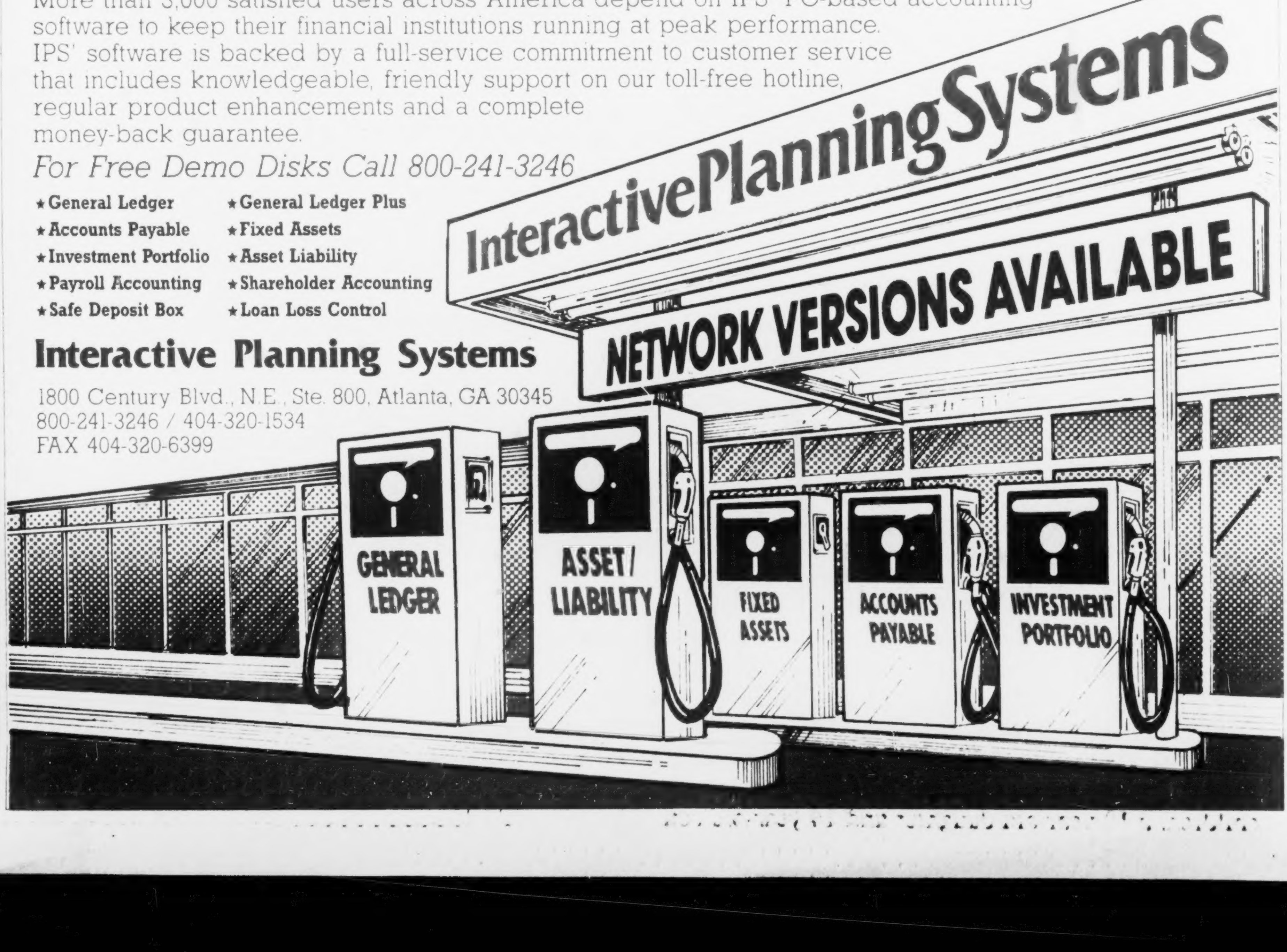
More than 3,000 satisfied users across America depend on IPS' PC-based accounting software to keep their financial institutions running at peak performance. IPS' software is backed by a full-service commitment to customer service that includes knowledgeable, friendly support on our toll-free hotline, regular product enhancements and a complete money-back guarantee.

For Free Demo Disks Call 800-241-3246

- ★General Ledger
- ★Accounts Payable
- ★Investment Portfolio
- ★Payroll Accounting
- ★Safe Deposit Box
- ★General Ledger Plus
- ★Fixed Assets
- ★Asset Liability
- ★Shareholder Accounting
- ★Loan Loss Control

Interactive Planning Systems

1800 Century Blvd., N.E., Ste. 800, Atlanta, GA 30345
800-241-3246 / 404-320-1534
FAX 404-320-6399



COMMENT/*By Paul S. Nadler*

With Junk Bonds' Waning Comes Era of Opportunity

Harry Keefe, the banking analyst and industry guru, has a wry smile on his lips as he reports:

"I sat with this CEO of a major bank that is breaking its chops to get into investment banking. And I said to him, 'You earn about 18% on capital, and there isn't a major investment banker who earns much more than a third of that. What do you want to expand into Wall Street activities again for?' "

An Unpromising Field

This is a real question. Many banks have looked at investment banking and said "no way." Others who have started discount brokerage operations have found the revenue is minuscule relative to the costs and risks involved.

Even the securities industry people who have long opposed the banks' effort to modify or eliminate the Glass-Steagall Act restrictions on their investment banking operations have finally said, "O.K. You can get into investment banking if you help us get back into commercial banking."

To people like Harry Keefe, that sort of trade would definitely benefit the Wall Street people.

The ideas above have been mouthed many times in this space and by many other banking observers. But what makes them even more poignant now is the financial environment we have generated after the junk bond era.

"Junk bonds," or "high-yield fixed-income securities" as their proponents prefer to call them, have had their ups and downs.

First, they were considered the godsend of America's capital-starved smaller companies. Entrepreneurs who could not tap Wall Street's traditional sources of capital found junk bonds, as they were first developed, a way of gaining the investment funds they needed to develop products and markets.

Abuses Crept In

It was only later that the phenomenon became identified with leveraged buyouts, speculating on brokered deposits guaranteed by the Federal Deposit Insurance Corp. or Federal Savings and Loan Insurance Corp., and the circular flow of funds from one junk bond issuer to the investment portfolio of another.

The sad point is that the collapse of the junk bond market due to its later abuse has left these undercapitalized newer and smaller companies without the funding vehicle that did them so much good.

With junk bonds dead or at least seriously sick, nonfinancial companies needing capital will be increasingly dependent on bank financing.

But as with any other dark cloud, the collapse of the junk bond market has its silver lining – and this is for the commercial banks. For with junk bonds dead or at least seriously sick, nonfinancial companies needing capital will be increasingly dependent on bank financing.

And this is just when banks' consolidation and their efforts to attract people capable of handling more complex capital market transactions are making banks more able to offer services competitive in price and quality with those of Wall Street firms.

In sum, the days of disintermediation – when money went directly to the capital and money markets, where it was placed with borrowers who needed capital – are ending. Traditional intermediation – with savers placing funds in banks, which then loan to companies that can no longer use the junk bond market – is back.

What has the decline in the junk bond market got to do with reducing the need for banks to enter investment banking? Plenty.

Institutions Can Act Alone

Banks will be able to handle the capital needs of smaller and newer companies directly, without using investment banking organizations to generate business.

As Henry Kaufman, head of the advisory company that bears his name, has put it: "The financing of mergers and acquisitions and leveraged buyouts will take a new turn. Instead of the plethora of new high-yield bond issues offered through the public market, much more financing will be consummated directly with major financial institutions such as commercial banks and insurance companies."

Instead of having to diversify into a difficult new arena to get capital market business, banks will be able to get this business just by being strong and competent.

In an era of so much bad news about banking, this is a welcome ray of sunshine. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

CRIME BLOTTER/*By Tom Leander*

Restitution Verdict Reversed

In a unanimous decision overturning lower courts, the U.S. Supreme Court has ruled that a credit card cheat need repay only the sum in the charge to which he'd pleaded guilty, not a much larger amount he allegedly stole.

The court said that Frasiel L. Hughey, a former post office worker in San Antonio, did not have to repay $90,431 that he allegedly stole through a credit card scam.

$10,422 or $147,646?

Mr. Hughey convinced the justices that he had pleaded guilty to only one count of making more than $1,000 in unauthorized charges on a card issued by MBank U.S.A., a former subsidiary of Dallas-based MCorp, and that he should have to pay only $10,422 in restitution.

Federal prosecutors said they had evidence that Mr. Hughey stole 21 MBank cards. They said that to persuade him to plead guilty to charges of mail theft and credit card fraud they warned him he might otherwise be ordered to pay the bank $147,646.

$90,431 Compromise Rejected

A federal judge initially sentenced Mr. Hughey to eight years in prison and, in a compromise, reduced the restitution amount to $90,431.

The U.S. Court of Appeals for the Fifth Circuit in Dallas upheld that ruling.

But Justice Thurgood Marshall, writing for the unanimous Supreme Court, said last Thursday that under the Federal Victim and Witness Protection Act of 1982 Mr. Hughey could not be forced to pay more than he admitted, in a plea bargain, to having stolen.

The Court of Appeals upheld the restitution order last year. In urging the Supreme Court to do the same, Justice Department lawyers said that limiting the amount of restitution in the Hughey case would violate Congress' intent to provide adequate compensation to crime victims.

* * *

Embezzlement Probe Is On

Federal agents are investigating an embezzlement from Connecticut Bank and Trust Co., according to U.S. Attorney Stanley A. Twardy.

He would not say how much money was taken, which bank office was involved, when the crime occurred, or whether any customer accounts were affected.

Sources close to the investigation said the case could involve as much as $500,000. The bank, a subsidiary of troubled Bank of New England Corp., Boston, would not confirm the amount.

Federal regulators placed Connecticut Bank and Trust under a cease-and-desist order last month, putting the bank under tight supervision, particularly of its lending practices.

Spokesman Richard DeNoia said bank officials discovered the embezzlement recently during internal reviews. Mr. DeNoia said the bank is conducting its own probe in tandem with Mr. Twardy's.

* * *

Cops Beat Taxi to the Suspect

A man who allegedly robbed a Marine Midland Bank office in Syracuse, N.Y., wanted to escape by taxicab but was foiled by a long wait for the cab, officials said.

Erich White, a 21-year-old Syracuse resident, walked into the branch and demanded money from a teller, according to police spokesman Rod Carr. Mr. White allegedly left shortly afterward, carrying an undisclosed amount of cash.

He crossed the street to telephone for a cab, Mr. Carr said. But bank employees had already alerted police, who arrived on the scene at the same time as the taxi.

Mr. White was arrested without incident, Mr. Carr said. No weapons were apparent during the robbery or found on Mr. White, who was charged with third-degree robbery.

* * *

Norwest Branch Scrutinized

Soon after federal agents seized records from a Norwest Bank branch in Great Falls, Mont., on May 18, prosecutors revealed that the bank is being investigated for alleged money-laundering violations.

No charges have been filed against the bank or its officers.

The records pertained to the account of Richard Kurth and his wife, Judith, now serving prison sentences, and five other family members. The Kurths pleaded guilty to drug charges in 1987 after police raided their Great Falls ranch in October of that year and found a marijuana crop and seven gallons of hashish oil.

The investigation of the Norwest Corp. unit stems from allegations by Mr. and Mrs. Kurth that a bank officer urged them to raise marijauna as a cash crop to help pay off $1.3 million in debt on their ranch.

Bank president Frank Shaw declined to discuss the case, but when the Furths were sentenced in 1988 he dismissed the story as preposterous. Interim U.S. Attorney Doris Poppler in Great Falls also declined to comment. ☐

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for space for a Letters to the Editor column or published separately as commentary.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

800

C0175 1

AMERICAN

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 105 Wednesday, May 30, 1990 155th year

Investors Fear U.S. May Force Dividend Cuts

By JED HOROWITZ

Concern is growing among bankers and investors that regulators may soon force banks to reduce or suspend dividends on stock when earnings or capital are under pressure.

Relatively high quarterly dividends are the glue that keeps many an investor attached to a poorly performing bank stock. In fact, the dividends of companies such as Chemical Banking Corp., Manufacturers Hanover Corp. and Bank of Boston Corp. recently have been yielding between 10% and 11%.

A harder line on dividends, of course, could send prices falling even further, making it even more difficult for banks to raise new equity capital.

ANALYSIS: *Follow-up on the news*

Bank regulators have long had policies prohibiting dividend payments if a bank or holding company is suffering from weak capital or low-quality earnings that threaten future profitability.

Exemptions Once Granted

However, both the Federal Reserve Board and the Office of the Comptroller of the Currency have often winked and nodded – or granted formal exemptions from the law – when banks declared dividends in spite of poor earnings, according to analysts and lawyers.

If a bank was experiencing a short-term setback, the argument went, the last thing it needed was further erosion of shareholder confidence through a dividend cut.

Talk Is About Forced Cuts

In recent months, however, evidence of a change in regulatory attitude has surfaced. Analysts are openly talking about the likelihood of forced cuts in dividend payments at certain money-center banks as well as hard-hit regionals.

Paying out less income in the form of dividends may be mandated by the regulators in the face of deteriorating loan quality and higher risk-based capital requirements, say analysts.

"Regulators are reminding boards of the tougher capital standards they have to face under the 1992 requirements," said Carole Berger, an analyst at C.J. Lawrence Morgan Grenfell. " I expect a significant amount of dividend cuts over the next two years at banks."

Banking lawyers say they are getting anxious calls from bankers about the new attitude. "People are more concerned about

See **INVESTORS** *page* **21**

INSIDE NEWS

TECHNOLOGY

A HIGH-TECH FOCUS has helped State Street Boston Corp. roar while rivals reel from real estate woes. *Page 8*

STEERING CLEAR of real estate has helped State Street to a 1.6% dividend yield, among the lowest. *Page 24*

CONSUMER

THE MAC NETWORK of ATMs has a new member, First Federal Savings and Loan of Rochester – also a member of the rival New York Cash Exchange. *Page 6*

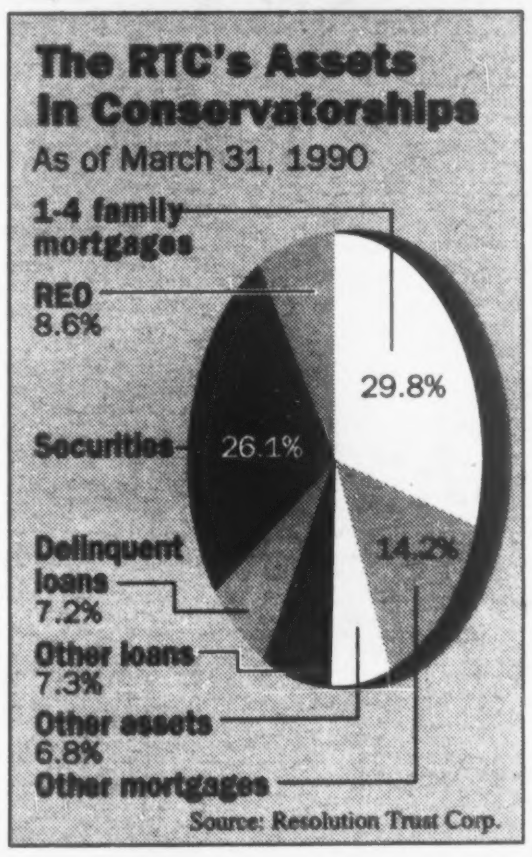
INTERNATIONAL

JAPAN'S TOP commercial banks, posting sharply lower earnings for 1989-90, blamed rising interest and new provisions for exposure to Third World lending. *Page 10*

FINANCE

BANK OF BOSTON Corp.'s attempt to boost liquidity has narrowed its net interest margin. *Page 24*

THRIFTS


The RTC's Assets In Conservatorships
As of March 31, 1990

Source: Resolution Trust Corp.

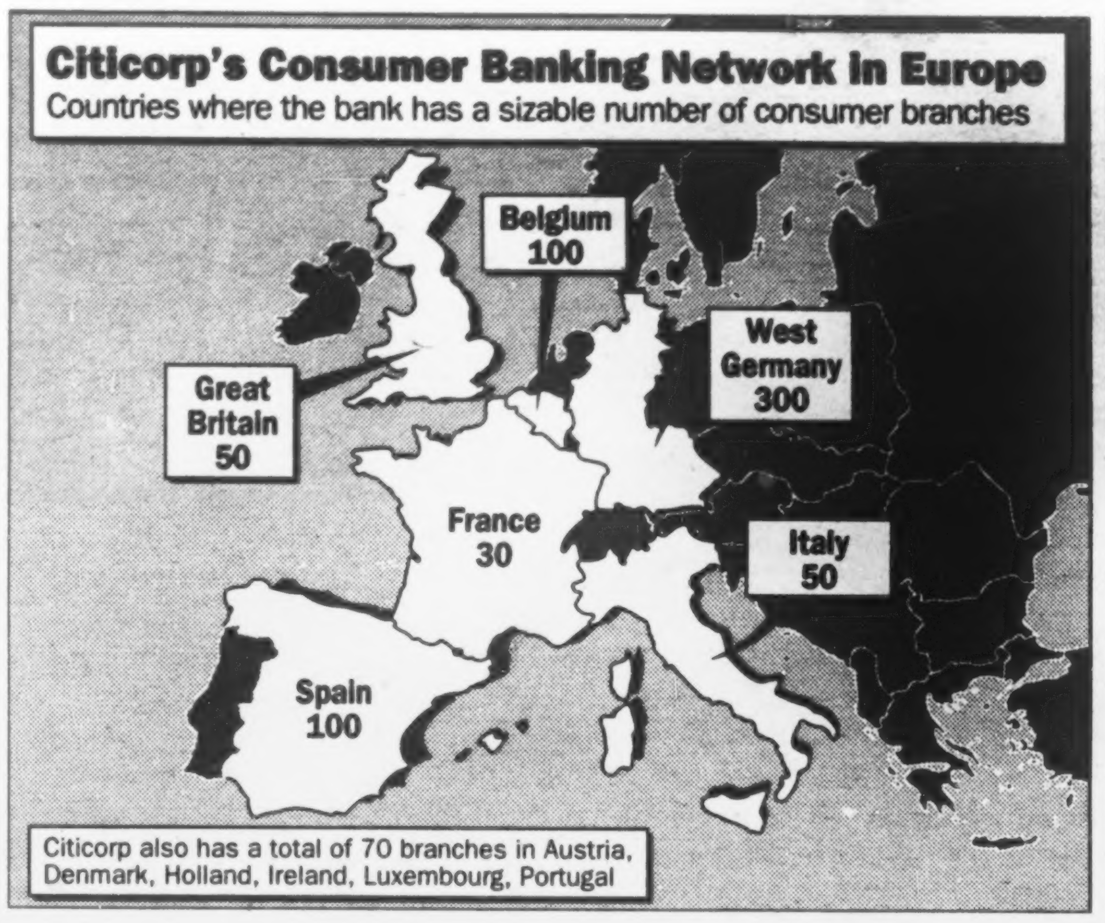
THE RESOLUTION TRUST Corp. issues a report on its activities. *Page 16*

COMMENT

SNAKE OIL for the financial industry is William M. Isaac's view of proposals that assets be marked at market and intervention be mandatory if capital falls below benchmarks. *Page 4*

INDEX

People in the News 2
Classified Advertising 20
Bank and Thrift Stocks 23


Citicorp's Consumer Banking Network in Europe
Countries where the bank has a sizable number of consumer branches

Citicorp also has a total of 70 branches in Austria, Denmark, Holland, Ireland, Luxembourg, Portugal

Citicorp Driving to Open Network Of 1,000 Branches Across Europe

By JOHN EVANS

LONDON — Citicorp is on the prowl in Europe.

As many U.S. banks continue to retreat from the Continent, Citicorp is bent on acquiring banks and other financial service companies throughout the European Community.

The bank wants to capture about 6% of the European market through a 1,000-strong branch network, outstripping the penetration of Europe's big banks.

Significance Is Increasing

This reflects the commitment "to make Citicorp Europe an increasingly important part of the corporation," said Robert Selander, vice president and chief of staff for the bank's European consumer banking group.

With 700 branches in 11 countries, Citicorp is well on its way toward achieving its goals. It already services more than eight million accounts, equivalent to 3% of all European households. Indeed, Citicorp has as many customers at branches in Europe as it does in its U.S. branches.

"Citicorp will emerge as the most effective, cost-efficient U.S. pan-European banking organization servicing both the wholesale and retail markets," predicted Thomas H. Hanley, managing director and banking analyst at Salomon Brothers Inc., in a recent report.

See **CITICORP** *page* **10**

Court Ruling On Liability May Spook Wary Banks

By STEPHEN KLEEGE

NEW YORK — Already wary of making many new loans, bankers are likely to become even more cautious in the wake of a court ruling broadening the boundaries of lender liability, industry experts said Tuesday.

These experts said that, in deciding late last week against a unit of Fleet/Norstar Financial Group, the 11th U.S. Circuit Court of Appeals in Atlanta ruled in effect that banks were liable for environmental cleanup costs merely because their normal lending relationships put them in a position to make companies take preventive action.

'Completely Paranoid'

"Lenders are already completely paranoid. This is going to heighten the paranoia," said Alan Vollmann, a lawyer at Morrison & Foerster in Washington, who is following the case.

Even as officials of Fleet/Norstar considered their next move – which could include an appeal to the U.S. Supreme Court – experts said the decision is likely to chill lending to certain types of business. It may also spur Congress to consider legislation lim-

See **CLEANUP** *page* **18**

BankAmerica Builds Network Of 18,000 PCs

By KAREN GULLO

NEW YORK — BankAmerica Corp. has nearly completed installation of a network of 18,000 personal computers in 1,300 California locations.

The personal computers are part of an ambitious multi-million-dollar program to improve productivity with a system that delivers, to any teller or customer-service representative, information about a customer's entire relationship.

Leader in Movement

The system puts the bank in the forefront of the movement to PCs and away from older-technology terminals that are unable to operate independently of a central computer or controller. PC advocates say the machines will help branches generate sales rather than just process transactions.

See **BANKAMERICA** *page* **3**

Judith Fellheimer Relinquishes A High-Echelon Post at Equibank

By TOM LEANDER

NEW YORK — Judith E. Fellheimer, vice chairman of the Equibank subsidiary of Equimark Corp. and a member of one of the few husband-and-wife management teams in banking, has resigned her post to "pursue other interests," the company announced Tuesday.

Her husband, Allan S. Fellheimer, remains chairman and chief executive officer of Pittsburgh-based Equimark.

Mrs. Fellheimer, who held several posts at Equimark companies since 1984, was a casualty of Equimark's recent failure to complete its planned acquisition of National Bancshares Corporation of Texas, San Antonio, from the Federal Deposit Insurance Corp. As vice chairman of Equibank since February, she was to have had a hand in the Texas operation.

Neither Mrs. Fellheimer nor her husband could be reached for comment Tuesday. Her position will not be filled, according to Claire W. Gargalli, president and chief operating officer of Equimark and chairman of Equibank.

Judith E. Fellheimer
Equibank

"We found ourselves with too many people at the top of the company," said Ms. Gargalli. Mrs. Fellheimer left of her own accord, "in the best interests of

See **FELLHEIMER** *page* **14**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 4

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 16

COMMENT/*By William M. Isaac*

Early Intervention Proposal Is a Snake Oil Prescription

For decades to come, students of American financial history will study and debate the 1980s, particularly the destruction of the thrift industry.

They will probably divide, in general, into two camps:

- Those who believe the debacle was primarily a result of the excesses of the private sector and demonstrates the need for further government control.
- Those who believe that government interference with free markets led to the financial meltdown, and that the proper response is to curtail government involvement.

How Government Hurt

Proponents of more intervention would have us ignore the role government played in bringing us the S&L fiasco – restrictions on sensible diversification, controls on deposit and loan interest, utter failure to properly supervise marginal S&Ls, refusal to reform the deposit insurance system.

They would have us rely even more on the government by accepting such notions as narrow banks, market value accounting, early intervention, and credit allocation schemes (including capital standards).

I'm particularly concerned about a proposal advanced by some academics that the asset portfolios of banks and thrifts be marked to market by the government, which would be required to intervene in prescribed ways whenever an institution's "true capital" falls below statutory benchmarks.

Much to my chagrin, this notion has gained some currency in otherwise respectable circles, including among some bankers.

In most ways, the proposal represents nothing new. Bank supervisors have always tried to ascertain the true value of an institution, and they have implemented increasingly severe enforcement actions as net worth has deteriorated.

The Same But Worse

The proposal varies from past and current practice mainly in its rigidity. If capital, marked to market, fell below the benchmarks, certain actions by the regulators would be mandated.

Had such a system been in place during the early 1980s, the Federal Deposit Insurance Corp. would have been required to shut down virtually the entire savings bank industry, as rising interest rates rendered most of it insolvent on a mark-to-market basis. The FDIC would have been needlessly bankrupted several times over.

Mercifully, the academics were not in charge, and the FDIC was able to use judgment.

Insolvent savings banks were merged into stronger institutions with FDIC financial aid. Undercapitalized savings banks that had some prospect of being viable once interest rates declined were allowed to continue in existence, under close scrutiny by FDIC examiners, so long as they did nothing to increase the FDIC's exposure to loss. They were not permitted to grow, lead in interest rate wars, or engage in high-risk activities.

Because the FDIC was not required to mark savings bank portfolios to market in an extremely high rate environment and could exercise discretion on enforcement, it incurred relatively modest losses of $1.5 billion.

Many S&Ls careened out of control during this period and will ultimately cost the government far more than if they had been shut down. Wrongheaded policies and ineffective supervision by the government allowed it to happen. Now the proponents of early intervention want to use that failure to justify granting the government even more authority.

This leads to my next concern about the early intervention proposal. Proponents would mark asset portfolios to market not only on the basis of interest rate movements, but also on the basis of asset quality.

This is just what examiners have been trying to do for decades, but it is more art than science. The process broke down during the 1980s, grossly underestimating the S&L problems. Today, many bankers would argue that examiners are going too far in the other direction, greatly overstating problems.

The answer is not to rely more on the examination process (though I would like to see it improved). The answer is to supplement it by enlisting the support of the market.

The private sector would help control risk if we exposed sophisticated suppliers of funds to the risk of loss.

I favor the plan – endorsed by the Bush Task Group and the American Bankers Association – to require that depositors over the $100,000 insurance limit take some loss whenever any bank fails. I have no doubt the market would be a stern disciplinarian and make life considerably easier for the examiners.

The early intervention plan is snake oil. It might not, by itself, make the patient materially worse, but to the extent it lets people think they have entered effective treatment it could be very bad medicine indeed. ☐

Mr. Isaac was chairman of the Federal Deposit Insurance Corp. from 1981 to 1985. He now heads the Secura Group, a Washington-based consulting firm.

GRAPEVINE/*By Jed Horowitz*

BT Bounces Loan Unit. Bankers Trust Co. is out of the commodities lending business, a spokesman confirmed. The bank, which last year wrote off $105 million of loans to Julian Co., a Memphis cotton merchant, will now lend only to large commodity companies – such as Cargill Inc. – that also buy merchant banking services from it, said Thomas Parisi, the spokesman.

Bankers Trust's seven-person commodities group was led by Richard Marin, who has recently been assigned to head BT Canada, the Canadian bank subsidiary of Bankers Trust New York Corp. Others in the group are being relocated to the financial institutions department and elsewhere.

Mr. Parisi would not comment on links between the Julian incident and the commodities group's demise. Bankers Trust is fielding several lawsuits from parties connected to Julian and also expects to be sued by some fellow lenders for whom it acted as collateral agent. The bank, in turn, is suing Julian's principals. A source close to the bank said, however, that Julian and another case of alleged fraud "led to an investigation not only of these loans but of the whole question as to whether BT should lend to commodities companies."

* * *

Change in Germany. Deutsche Bank A.G. will soon announce a companywide "streamlining," according to analysts and sources close to the German giant. The revamping will in many ways mimic recent functional reorganizations at Manufacturers Hanover Trust Co., Citicorp, and other money-center banking companies.

The reorganization actually began a few months ago in the headquarters staff of the West German bank, the sources said. Some departments were scaled down, and responsibilities of certain executives were shifted.

Analysts who heard a presentation from bank officials last week said the reorganization is now shifting to Deutsche Bank's widespread branch system. The bank plans a functional realignment that will result in a more precise allocation of capital – to the point where internal rates of return are being assigned to small units and even individual loans, analysts said.

Although German labor law makes it difficult to reduce staffs, Deutsche Bank expects to "rationalize electronic and back-office systems" as part of its refined approach to profits, according to one source.

* * *

The Young and the Rested. In two weeks, Morgan Guaranty Trust Co.'s longtime head of foreign exchange trading, Bruno Eberli, will retire to "play golf and tennis, manage my money, and devote time to my family, charities, and other interests." Mr. Eberli, who joined the subsidiary of J.P. Morgan & Co. 15 years ago, is 41.

Meanwhile, at Bankers Trust, an interim head of global trading has been named to replace Jay Pomrenze, the bank's 40-year-old trading wizard, who is taking a one-year leave of absence to study archaeology in Israel. Kelly Doherty, Mr. Pomrenze's deputy and former head of the bank's London foreign exchange desk, is the replacement. Mr. Doherty, a grizzled veteran of Bankers Trust's lucrative trading units, will oversee 185 foreign exchange and bond traders. He is 32.

Mr. Eberli was one of the "key architects of Morgan's successful strategy over the past decade" and is "a brilliant tactician," said Christine Patton, a former colleague who now runs foreign exchange trading at Manufacturers Hanover Trust Co., the Manufacturers Hanover Corp. subsidiary.

Morgan, according to Mr. Eberli, is dividing his responsibilities among several executives. Timothy Teo, treasurer of the bank's Hong Kong office will move to New York to run spot and options trading; Pilar Conde, who had reported to Mr. Eberli as head of forward trading, will now report to managing director Marcus Meier; and John Arnold will head customer sales and report to Mr. Meier.

* * *

Your Money and Your Life. BankAmerica Corp. has a timetable, after all, for selling general insurance products through its new state bank, which opened this year in Concord, Calif.

Michael Moran, a vice president, told a conference of financial services executives that the unit, Bank of America State Bank, will begin selling general insurance products "very, very shortly." In a subsequent interview, he called January a "realistic start date."

— **Jeffrey Kutler**

* * *

The HLT Channel. NCNB Corp. reduced its portfolio of highly leveraged transactions by $700 million in the first quarter, though it still had $5.5 billion of loans and commitments to such deals on its books at quarter's end, according to a filing with the Securities and Exchange Commission.

The high number reflects the new regulatory definition of leverage, which forces banks to count loans to cable television borrowers in the high-leverage category. NCNB said that 24.2% of its loans outstanding in this category are to cable borrowers.

Using its own definition of high leverage, NCNB would have had just $1.8 billion of exposure, according to the filing. NCNB also said that it had loaned $50 million or more to just five borrowers under its high-leverage definition but under the regulatory definition had loaned that much to 26 borrowers. NCNB added that no leveraged loan under either definition has been charged off to date and that only $64 million in such loans were nonaccruing at March 31. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

REQUIRED READING

RTC Reports Just 3 Resolutions in March but 42 in April and Early May

Following is a report by the Resolution Trust Corp. on the agency's activities in March.

In March, 20 institutions were taken into conservatorship by the Resolution Trust Corp., and resolution transactions reduced the caseload by three. As a result, 350 institutions were in conservatorship at the end of March, compared to 333 a month earlier.

All three resolutions were purchase-and-assumption transactions in which all deposits, certain other liabilities, and a significant portion of assets were sold.

March resolution activity was slower than in previous months because of uncertainties stemming from legal challenges to the Office of Thrift Supervision's authority to act against institutions under its jurisdiction. From the inception of the RTC in August 1989 to the end of March, 52 cases were resolved.

Spring Pace Quickens

More recently, the pace of resolutions has quickened; 42 cases were resolved in April and early May, raising the total to 94 through May 14. The trend is expected to continue, with 141 resolutions planned from the end of March to the end of June.

In dollar terms, the 20 conservatorships established in March held a total of $6.8 billion in assets; the three March resolutions represented $2.3 billion in assets. At the end of March, the 350 institutions in conservatorship held $159.8 billion in assets.

Of that total, 26.1% was in cash, mortgage-backed securities, or other investments; 29.8% was in performing one- to four-family mortgages; 21.5% was in other performing loans; 7.2% was in loans delinquent more than 90 days; and 8.6% was in real estate.

Differing Asset Mixes

As might be expected, the asset composition of institutions in receivership differed from that of conservatorship institutions in a number of important respects.

Cash and securities, performing one- to four-family mortgages, and other performing loans were smaller proportions of total assets for receiverships than for conservatorships. And delinquent loans (20.6%) and real estate (17%) were considerably greater portions of receiverships' total assets.

Including both conservatorships and receiverships, the inventory of assets under RTC management at March 31 totaled $173.1 billion, according to preliminary data. This included $43.3 billion in cash and securities, $50.2 billion in performing one- to four-family mortgages, $37.1 billion in other performing loans, $14.3 billion in delinquent loans, and $16 billion in real estate.

Conservatorship Receipts

RTC conservatorships sold assets worth $2.1 billion in March, including $1.3 billion in securities, $417 million in loans, and $264 million in real estate. Maturities and other payments brought in another $3.0 billion.

Sources and Uses Of Funds

Inception through March 1990, dollars in billions

Sources	
Treasury appropriation	$18.8
FHLB contribution	$1.2
REFCORP borrowings	$9.5
FFB borrowings	$2.6
Total sources	$32.1
Uses	
Resolutions	$16.2
Advances	$12.7
Total uses	$28.9
Net funds available*	**$3.2**

*Includes funds for corporate administrative expenses

Source: RTC

From August to March, conservatorships collected $19.9 billion from asset sales – including $14.8 billion for securities, $2.7 billion for loans, and $1.8 billion for real estate. Maturities and other payments totaled $16 billion.

In the three March resolutions, the RTC sold $1.2 billion in assets – about half the total assets held by the institutions involved. Assets sold included $637 million in mortgages and $446 million in other loans.

Resolution Asset Sales

From August to March, the RTC sold $6.3 billion in assets as part of resolution transactions.

Regarding March receivership proceeds, the RTC got $107 million from sales and principal payments and collected $18 million in interest.

Combining conservatorships, resolutions, and receiverships, the proceeds of asset sales of all types amounted to $3.2 billion in March and $26.3 billion from August through March.

Major Real Estate Sales

The proceeds of real estate sales by conservatorships and receiverships totaled $283 million in March. The book value of the properties sold amounted to an estimated $403 million. Highlights of the RTC's March real estate activity include the following:

RTC March Caseload

Dollars in billions

	Number	Assets	Liabilities	Deposits
End of February	333	$155.2	$181.3	$133.6
New conservatorships	20	$6.8	$7.0	$5.6
Resolved cases	3	$2.3	$2.8	$2.1
End of March	350	$159.8	$185.5	$137.1

Assets based on preliminary 3/31/90 financial reports
Liabilities and deposits based on 1/31/90 financial reports

Source: RTC

- Five parcels in the Hastings Green area of Houston – an asset owned by Ameriway Savings Association, Houston – were sold for $2.7 million, or 101% of their appraised value. Ameriway had been operating under government supervision since March 9, 1989.

- The Hyatt Grand Champions Hotel, a 316-room, 20-villa luxury hotel on 34.5 acres in the Palm Springs area of California, was sold to Maruko Inc. The hotel was a real estate asset owned by Gibraltar Savings, Simi Valley, Calif., which has been operating under government supervision since March 31, 1989. Maruko paid $66.5 million, or 104% of the property's appraised market value.

- A 2.88-acre estate lot on Meadowood Drive in Dallas, which boasts tennis courts and a swimming pool. The residential-zoned lot, which sold for $1.4 million, was a real estate asset of Metropolitan Financial Savings and Loan Association, Dallas, which has been in government conservatorship since March 10, 1989. The buyer plans to build a home on the lot.

- A 224-unit apartment complex on 8.3 acres in Houston – an asset retained by the RTC after the sale of University Federal Savings Association, Houston, to NCNB Texas National Bank Oct. 13, 1989 – was sold for $1.6 million.

- Residential land totaling 11.3 acres in a suburb of Dallas was sold for $2.6 million. This land was also among assets the RTC retained after the sale of University Federal.

- Eastchase Apartments, a 272-unit complex in Fort Worth, and Oak Hill Apartments, a 244-unit complex in Irving, Tex., were sold to DMC Dallas Apartments, a Dallas-area management company, for $6.5 million and $7.9 million, respectively. Oak Run Apartments, a 160-unit complex in Pasadena, Tex., was sold to Oak Run Manor, a Texas investment group, for $3.3 million. These were all direct sales by the RTC of assets owned by Gill Savings Association, which has been operating under government conservatorship since Feb. 7, 1989.

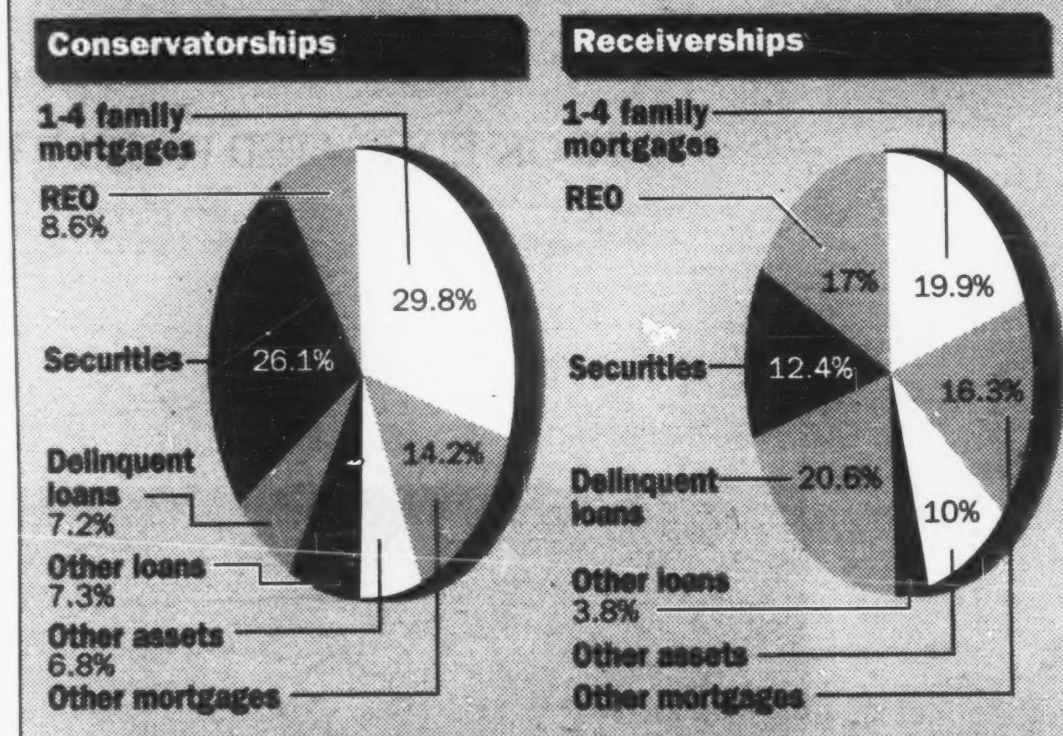
The RTC obtained funds from four sources from Aug. 9, 1989, to March 31, 1990: $18.8 billion in Treasury appropriations, $1.2 billion in Federal Home Loan Bank contributions, $9.5 billion in Resolution Funding Corp. borrowings, and $2.6 billion in Federal Financing Bank borrowings.

The 52 resolutions consummated through March required about $16.2 billion in RTC outlays. The agency also advanced $12.7 billion to conservatorship institutions as part of its high-cost funds replacement program and emergency liquidity loans.

The RTC carried about $3.2 billion into April to fund resolutions. □

Conservatorship Receivership Assets Under RTC Management

As of March 31, 1990. Dollars in billions



Conservatorship institutions

	Amount	% Gross assets
Cash and investment securities	21.4	13.39%
Mortgage-backed securities	20.2	12.66
Performing loans		
1-4 family mortgages	47.6	29.79
Other mortgages	22.8	14.24
Other loans	11.6	7.28
Total	82	51.31
Delinquent loans		
1-4 family mortgages	1.3	.84
Other mortgages	8.6	5.39
Other loans	1.6	1
Total	11.6	7.24
Real estate owned	13.7	8.59
Other assets	10.9	6.81
Gross assets	**159.8**	**100**

Data based on preliminary 3/31/90 information. Number of institutions: 350

Receivership institutions

	Amount	% Gross assets
Cash and investment securities	$1.1	7.96%
Other securities	0.6	4.40
Performing loans		
1-4 family mortgages	2.6	19.94
Other mortgages	2.2	16.32
Other loans	0.5	3.81
Total	5.3	40.06
Delinquent loans		
1-4 family mortgages	0.4	2.74
Other mortgages	2.0	14.89
Other loans	0.4	2.99
Total	2.7	20.63
Real estate owned	2.3	16.98
Other assets	1.3	9.97
Gross assets	**13.3**	**100**

Data based on preliminary 3/31/90 information. Number of institutions: 52

Source: Resolution Trust Corp.

Pennsylvania Thrift's Branches Sold with Deposits to 2 Banks

By PHIL ROOSEVELT

NEW YORK — Two Pennsylvania banks have bought the 37 branches of Horizon Financial, a Southampton, Pa., thrift, from the Resolution Trust Corp.

Bethlehem-based First Valley Bank, a unit of New Jersey-based UJB Financial Corp., acquired 21 Horizon branches with $935 million in deposits. And Pittsburgh-based Union National Bank, a subsidiary of Integra Financial Corp., acquired 16 Horizon offices with $550 million in deposits.

$26.5 Million to RTC

The RTC, the federal government's thrift liquidation unit, said it will get total premiums of $26.5 million from the acquirers, the equivalent of 2.07% of Horizon's core deposits.

Horizon had total assets of $1.76 billion and total liabilities of $2.1 billion.

"This transaction represents a low-cost entry into the attractive suburban Philadelphia and Lancaster markets," said T. Joseph Semrod, chairman and chief executive of UJB Financial.

Boosting Market Share

"The Horizon purchase will allow us to increase our deposit base consistent with our desire to boost market share in the Pittsburgh area," said Gayland B. Cook, chief executive of Union National.

In another RTC sale announced Tuesday, Zions First National Bank, lead subsidiary of Salt Lake City-based Zions Bancorp., said it agreed to acquire the deposits and certain assets of Deseret Federal Savings and Loan Association from the bailout agency.

Zions, which added $150 million in deposits, said all Deseret Federal offices have reopened as Zions branches.

800

C01751

AMERICAN BANKER

155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 106 Thursday, May 31, 1990 155th year

Monetary Policy May Ease Soon, Analysts Believe

By ROBERT TRIGAUX

WASHINGTON — While stubborn inflation rates have all but forced the Federal Reserve to keep its hands off the economy since December, Fed watchers say new signs of business weakness could prompt the central bankers to ease monetary policy as early as this summer.

Data released Wednesday by the Commerce Department show the latest signals of slower growth. The index of leading economic indicators plunged two-tenths of 1% in April as new building permits declined for the third straight month. The index is the government's main barometer of future economic trends and is designed to show the direction of the economy in six to nine months. Also, sales of single-family homes fell 1.6% in April, to a seasonally adjusted annual rate of 546,000 units, the lowest since 521,000 in December 1982.

ANALYSIS: *Follow-up on the news*

If such a fall-off in activity is supported by other data in coming weeks – as a number of economists suggest will be the case – the Fed's inflation hawks on the Federal Open Market Committee will be hard put to convince fellow committee members that an easing of short-term interest rates is inappropriate.

A Rate of 8%

Rates in the short-term federal funds market have averaged 8.25% since December and further easing by the Fed would reduce the rate to about 8.0%

Analysts caution that with U.S. economic growth hovering below 2%, Fed policymakers have little downside cushion before the United States falls into a recession.

'Inflation Numbers Improving'

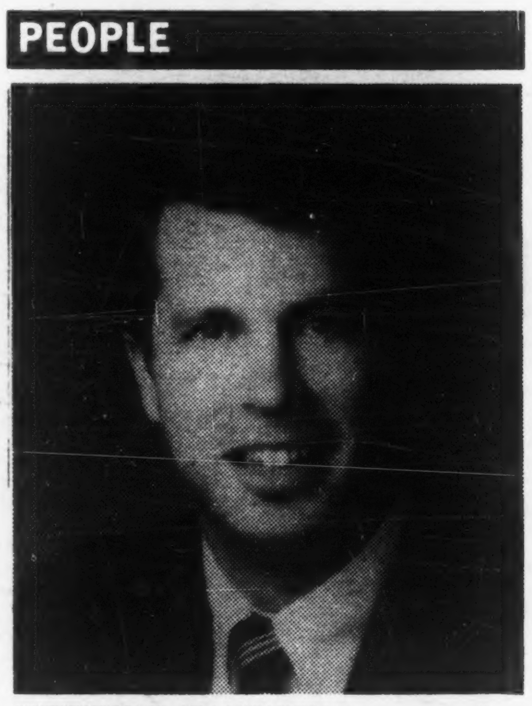
Nevertheless, the same inflation fears that drove long-term interest rates up near 9% earlier this year remain in the markets, economists said. Any easing of short-term interest rates will not occur without some accompanying signals that inflation is falling. Inflation roared in early 1990 at an 8.5% annual clip, aggravated by high energy and food costs, but has since fallen to the more familiar and stubborn range of just under 5%.

"Inflation numbers are improving and should continue to improve," predicted Mickey D. Levy, chief economist, First Fidelity Bancorp., Newark, N.J. "FEDgish economic growth is

See **FED** page 21

INSIDE NEWS

PEOPLE



KEITH P. RUSSELL, named president of Glenfed Inc. last week, is one of a number of rising thrift stars who got their start outside the industry. *Page 2*

MANAGEMENT

KEY TRUST's Henry M. Gridley has aggressively promoted a sales culture similar to the one he encountered in the packaged-goods industry. *Page 10*

CONSUMER

A SHARPER FOCUS on marketing and the high level of technical expertise it demands is transforming the bank marketing profession, says the head of the Bank Marketing Association. *Page 8*

TECHNOLOGY

FIRST FINANCIAL Management Corp. is spending some of its war chest to widen its lead in the merchant card processing business and expand into new processing areas. *Page 3*

FINANCE

WASHINGTON BANCORP., struggling to maintain liquidity, is planning to privately place $45 million in new debt. *Page 24*

INTERNATIONAL

UNION BANK of Switzerland is looking to make more loans for highly leveraged transactions, just when U.S. banks have cut back. *Page 14*

COMMENT

A BUDGET DEFICIT PACT may finally be in the offing now that the President has put his prestige on the line, Stephen H. Axilrod writes. *Page 4*

INDEX

Company Index 2
The Lobbyists 4
Executive Changes 12
Classified Advertising 20
Bank and Thrift Stocks 23

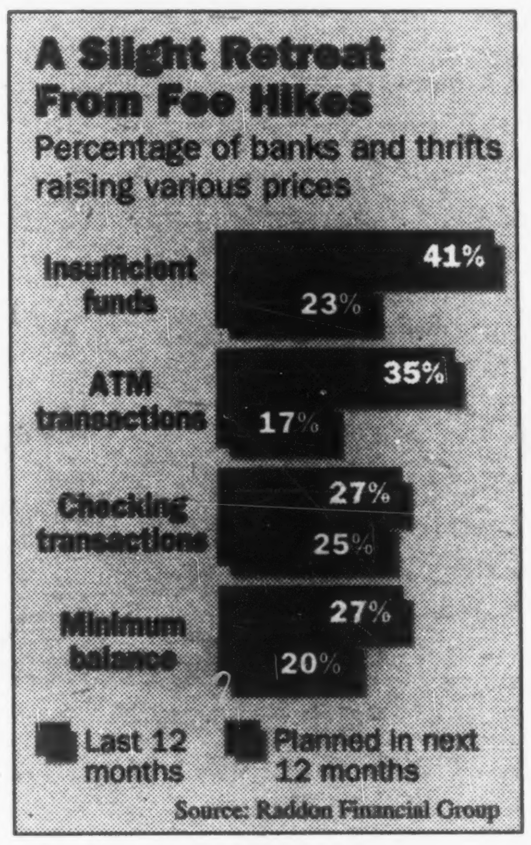
After Years of Raising Fees, Banks Plan to Slow Down

By ELLEN MEMMELAAR

NEW YORK — After significant gains in fee income from retail services in the past few years, banks and thrifts are showing signs that they will ease their aggressive fee-increase policies, according to a recent survey by the Raddon Financial Group.

The survey shows a slight decline in the number of banks planning fee increases on various consumer services. For example, 38% of commercial banks in the study said they raised checking-account fees over the past 12 months, but only 10% expect to do the same in the coming year.

Financially strapped thrifts have become more inclined than banks to keep raising fees. While 24% increased checking fees in the past year, 31% expect to do so in the next 12 months.



Source: Raddon Financial Group

Steady price increases on bank deposits, credit cards, and other services have come under intense criticism from consumer advocates and members of Con-

See **SLOWDOWN** page 8

FDIC Near Deal for 9 Texas Banks

By STEVE KLINKERMAN

DALLAS — Federal regulators are nearing the sale of nine troubled banks owned by National Bancshares Corp. of Texas, wrapping up a two-year struggle during which two proposed deals collapsed and the rescue cost mounted.

According to industry sources, the Federal Deposit Insurance Corp. late Wednesday was to select the winning bid for the insolvent units of National Bancshares, which is based in San Antonio. Barring any last-minute snags, the agency plans to consummate the deal on Friday.

Among the contenders, sources said, are Hibernia Corp., New Orleans; Chemical Banking Corp.'s Texas Commerce Bancshares subsidiary in Houston; First City Bancorporation of Texas, also of Houston; and Team Bank and Banc One Corp.'s Texas subsidiary, both based in Dallas. Officials of the five banking companies declined to comment.

More than a dozen organiza-

See **FDIC** page 21

State Banks Face Tighter Fed Policy On Dividends

By LINDA CORMAN

WASHINGTON — The Federal Reserve Board on Wednesday proposed a rule that would make it harder for thinly capitalized state-chartered banks to pay dividends.

The proposal parallels one floated by the Comptroller of the Currency for national banks and reflects a harder line by regulators on dividend payouts that would drain needed capital.

The regulators' actions have fueled speculation that banks will be forced to reduce or suspend stock dividends when earnings or capital are under pressure.

Chase Notes Impact

Chase Manhattan Corp. said in a recent regulatory filing that its lead bank's "ability to pay dividends during the remainder of 1990 and in 1991 is likely to be severely impacted" under both existing and proposed limitations.

However, Chase said it expected to continue to pay dividends with money from sources other than its lead-bank subsidiary.

The Fed said its proposal would result in a "moderately stricter" limitation of dividend payments.

Currently, the maximum dividend a bank can pay is tied to its earnings and capital level. The Fed proposal would change how

See **STATE** page 18

California Rivals Covet Carson's Empire

By TERESA CARSON

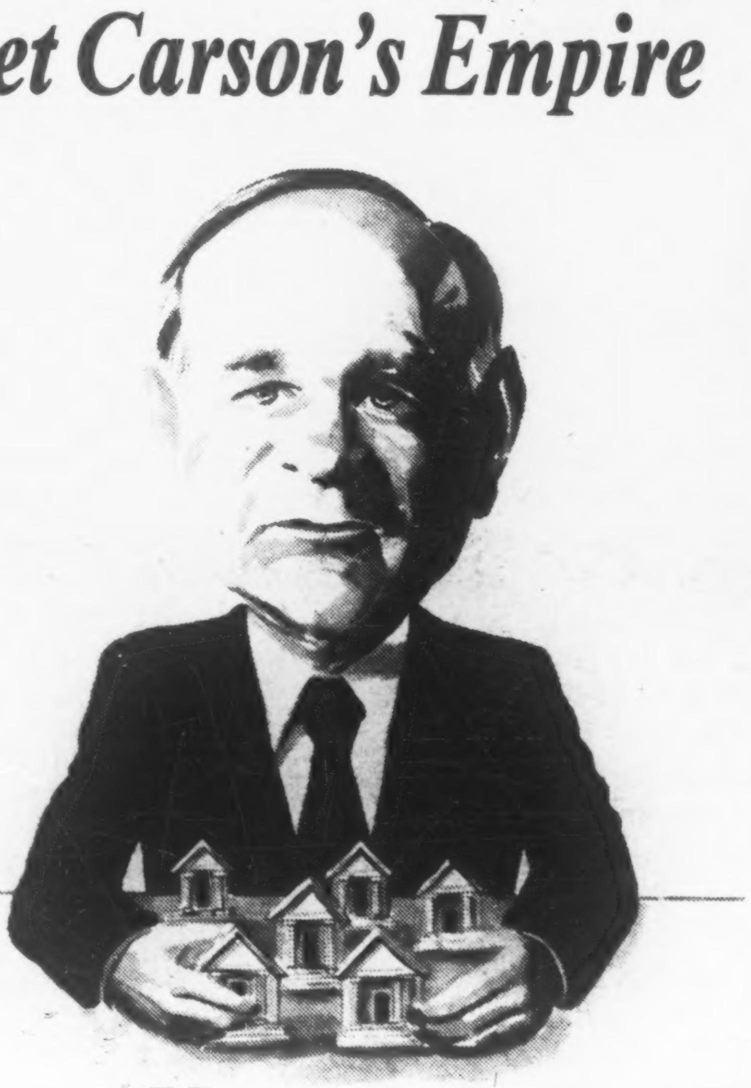
LOS ANGELES — After 39 years of climbing up the company's ladder, Edward M. Carson takes charge of First Interstate Bancorp on Friday. But observers are wondering if his newly gained $57.4 billion empire will be snatched away.

Takeover rumors have eddied around the chronically underperforming First Interstate for some time. The retirement of long-time chairman and chief executive Joseph J. Pinola is renewing speculation.

Mr. Carson dismisses the talk as media hype and says First Interstate has not received any offers. In an interview, the 60-year-old banker says he is convinced "after a lot of soulful thought" that he and new president William E.B. Siart will be better for shareholders than a takeover.

But in the highly competitive, overbanked California market, First Interstate may prove to be the odd man out. Most industry observers interviewed give the bank only a fifty-fifty chance of surviving as an independent company.

See **FIRST** page 16



Jeffrey Wong

PROTECTOR: Edward M. Carson is shielding First Interstate Bancorp from acquirers.

COMMENT/*By Stephen H. Axilrod*

Budget Agreement Could Finally Be Close at Hand

The administration and Congress are slowly approaching the immense problem of the budget deficit. Of course, that is not new. They have been slowly approaching for some years now.

But it is new that the President has now put his prestige behind finding a solution. This gives some hope that there will be a successful outcome and that this seemingly perennial issue will be resolved. Maybe that is too much to hope, but if a deficit agreement involving cuts on the order of $50 billion or more for the next fiscal year can be obtained, we will have achieved a substantial down payment toward a viable budget.

Taxes Will Rise

I have little doubt that a budget agreement will require significant tax increases. The public now appears to be resigned to them, even including some form of income tax increase. There are simply not enough spending cuts available.

While our domestic social problems cannot be resolved merely by throwing money at them, large-scale spending cutbacks in that area cannot be helpful. Defense spending will wind down only gradually, and in any event cannot in and of itself reduce the deficit nearly as much as needed.

How much of a budget deficit we can afford is a complicated question. It depends in part on private saving in the country. The more saving we have, the bigger the deficit that can be absorbed.

Since the stock market crash of 1987, the personal saving rate in the United States has risen. Most recently, however, it seems to be flattening out – a personal saving rate of 5.6% in the first quarter of 1990 is only a little higher than 5.4% for 1989 as a whole.

Moreover, the distinct decline in corporate profits over the past year weakens private saving as a whole. Thus, by the first quarter, total private saving, including business capital consumption allowances, was running somewhat lower as a percent of GNP than it had last year.

State and Local Pressures

The flattening trend of private saving, as well as the growing fiscal problems of states and municipalities, makes it more urgent to reduce the federal budget deficit. If not, we will not be able to increase the proportion of our resources devoted to the new domestic plant and equipment that are needed to increase national productivity and the growth in our standard of living. Or at least we will not be able to do so without generating an excessive, and ultimately self-defeating, dependence on foreign funds – a dependence that has already gone far enough.

A budget compromise of trivial dimensions was reached following the October 1987 stock market crash, partly because of pressure from other leading foreign countries. They feared that a weak dollar and high U.S. interest rates would undermine equity values in all major markets and threaten world economic expansion. Since that time, the dollar has stabilized on exchange markets, and the U.S. stock market has exhibited underlying strength.

Pressure to correct our budgetary situation does not now stem from an actual or imminent international monetary crisis. It comes because we are running out of money to do what is best for our domestic concerns and also to maintain our leading place in the international economic and political spheres. Perhaps that will provide an even stronger incentive to reach a nontrivial agreement.

Threat of Recession

A budget agreement in the current relatively fragile economic environment involves some threat of recession. If the deficit cut is as large as it should be, economic activity could be retarded for a while. But that should not last long; the lower interest rates from the cut will be an offsetting force.

In any event, the improved international competitiveness of U.S. industry, and a relatively low dollar, will buffer the economy against any cumulative weakness.

Budget cutting might have quite limited effects on overall economic activity if the Federal Reserve were in a position to ease monetary policy, and push interest rates down even faster, in anticipation of the cuts once they are agreed on. But that is plainly impractical under current conditions. Too much inflation has already been allowed to creep back into the economy to take that risk.

"The public now appears to be resigned to [tax increases], even including some form of income tax increase. There are simply not enough spending cuts available."

The basic threat of recession in fact is less from a budget agreement than from financial dislocations and efforts to contain inflation. A budget agreement would ease both problems. It would not make a recession or economic slowdown less likely, but it would make the ensuing recovery much more sustainable and long lasting. ☐

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

THE LOBBYISTS

Cities Present RTC With Blueprint for Asset Disposition

Fearing that U.S. cities have the most to lose with the federal government's high-stakes sale of troubled real estate, the **National League of Cities** is urging the **Resolution Trust Corp.** Oversight Board to reconsider recently adopted asset disposition policies on price discounting and auction sales.

Bob Bolen, president of the league and mayor of Fort Worth, Tex., sent letters this month to oversight board members, including Federal Reserve Board Chairman Alan Greenspan and Treasury Secretary Nicholas F. Brady 3d, telling them that the cities "have the most to lose" if the sale is not executed properly.

Bob Bolen

Mr. Bolen suggested several guidelines for the RTC. First, make disposition of commercial properties to the private sector a priority. Second, reject scheduled or progressive discounting. Third, schedule quarterly auctions for properties that could have the best or healthiest impact on local economies. Also, immediately discount affordable housing by 50% and ensure better notification of the availability of these properties.

The trade group also wants the agency to hire people to work directly with local governments.

One of the association's major concerns is the plan known as progressive discounting. Under this policy, property is discounted if it fails to attract buyers.

"What that means is if you are a potential investor, you can say, 'Why should I buy that today when the price will drop?' " said Frank Shafroth, director of federal relations for the National League of Cities. "It sort of puts a deep freeze on any money coming into the market."

The league will soon meet with several other groups, including the **Association of Community Organizations for Reform Now,** the **Low Income Housing Coalition**, and the **Consumers Union.**

* * *

Ashley Goes to Bat For President's Son

As if Thomas "Lud" Ashley doesn't have enough clout with the White House.

Earlier this month, when the President's son Neil was called before the House Banking Committee to explain his dealings as director of a Denver thrift, he was accompanied by none other than Mr. Ashley, president of the **Association of Bank Holding Companies**.

Mr. Ashley, a former Democratic member of Congress who served on the banking committee, also made calls around Capitol Hill on behalf of Mr. Bush, who has been accused of voting on loans to business associates while a director of Silverado Banking, Savings and Loan Association.

Lud Ashley

Mr. Ashley has not lacked for White House access since Mr. Bush was elected President. The two men have been close friends since their college days at Yale.

* * *

Group Backs Unified Market Regulation

A coalition has been formed to back up the Bush administration's efforts to unify the regulation of stocks, stock options, and stock index futures. The **Coalition for Intermarket Coordination** comprises all the major stock exchanges, with the notable exception of the Big Board in New York, plus the **National Association of Securities Dealers** and the **Options Clearing Corp.**, Chicago.

"The market breaks of October 1987 and October 1989 clearly demonstrated what we have known for some time – that the markets for stocks and stock derivatives constitute, in economic terms, a single market," said Wayne P. Luthringshausen, head of the coalition.

A spokesman for the organization said its day-to-day lobbying activities will be handled by Thomas Boggs, a well-known lawyer with the firm of **Patton, Boggs & Blow**.

Testifying last week before the House Energy and Commerce subcommittee on telecommunications and finance, Mr. Luthringshausen, chairman of Options Clearing Corp., said the close linkages between equities and derivative products create a "compelling need for increased intermarket coordination."

The administration bill, which the coalition supports, would give the Securities and Exchange Commission jurisdiction over trading of stock index futures, which are now regulated by the Commodities Futures Trading Commission. It would also give the SEC authority to set margin requirements for stocks, options and index futures, responsibilities that are now shared by the Federal Reserve and the individual futures exchanges.

— Bill Atkinson and Robert M. Garsson.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

MARKETING/ADVERTISING

Bull Market Is Predicted For Bank Marketing Pros

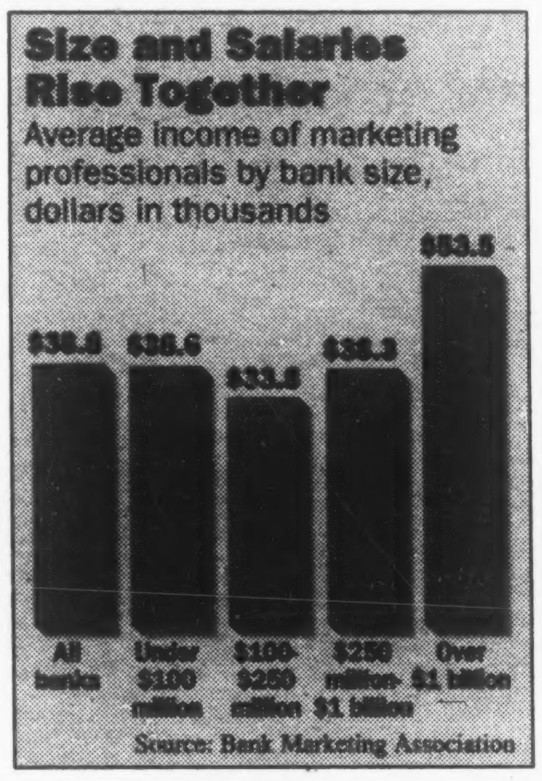
By ELLEN MEMMELAAR

NEW YORK — Banks' closer focus on marketing and the high level of technical expertise it demands is transforming the bank marketing profession, according to J. Douglas Adamson, president of the Bank Marketing Association.

But the total number of marketing executives will increase only slightly during the next several years, he said.

Already, the proportion of banks increasing their staffs of marketing professionals is falling. Eleven percent of the 471 banks in the survey expect to increase the number of marketing positions in the next 12 months, down from 14% during the previous 12 months, according to *Inside Bank Marketing*, a publication on the study by the Chicago-based BMA.

However, the changing face of retail banking can be expected to generate much turbulence below the surface of this seemingly placid projection, creating ample opportunities for marketers in the industry, Mr. Adamson said.


Size and Salaries Rise Together
Average income of marketing professionals by bank size, dollars in thousands

Source: Bank Marketing Association

Decentralization Expected

Overall, bank marketing will continue to receive increased shares of senior executives' attention and budget due to the sharply competitive environment in the financial services sector, said Mr. Adamson. But he sees the marketing function becoming increasingly decentralized at larger institutions as individual departments assume more responsibility. Also, these banks will continue to rely more on out-sourcing, replacing permanent workers with consultants and specialists on a single-project basis.

At banks in the survey with less than $100 million in assets, most chief executive officers indicated that they alone were responsible for marketing decisions. With the advent of more sophisticated marketing needs, these banks will be hiring a specialized executive, he said.

While Mr. Adamson expects headhunters to fill some of the needs of banks searching for qualified marketing executives, he firmly believes that many new marketing professionals will come from within existing ranks. Currently, 14% of experienced professionals and 38% of entry-level marketers are found this way.

Recruitment Efforts

In the search for experienced marketers, 19% use trade advertisements and 20% use search firms.

"All things considered, it is more difficult for a marketing professional to learn banking than it is for a banker to learn marketing," said Mr. Adamson. "How can a guy who used to sell soap come in and expect to manage a credit card portfolio?"

Mr. Adamson said he expects the average salaries of bank marketers to rise along with their status in the banking industry.

Regionally, the highest-paid bank marketing executives can now be found in the Northeast, where they average $57,800 a year. In other regions they earn $38,900 or less.

The larger the bank, the higher the pay. Banks with more than $1 billion in assets pay their marketing executives an average salary of $53,500, compared with $38,600 at banks with lower assets, the study showed. ☐

---

2 Firms Join Forces to Offer Segmentation Package

Two of the nation's major marketing information companies have joined forces to offer a computer-based segmentation package of use to bankers and other financial marketers.

The **Arbitron Co.** and the **Claritas Corp.** announced a joint marketing agreement last week that will result in their products being available through one unit.

New York-based Arbitron is known for its Compass product, which allows users to access and analyze multiple data bases. It combines demographic, cartographic, primary-client data, and syndicated third-party data to produce reports, analyses, and full-color marketing maps of any area in the United States.

The agreement lets Arbitron market Claritas' popular PRIZM product. PRIZM is the Alexandria, Va., company's lifestyle segmentation system that defines each neighborhood in the United States according to 40 distinct types. Using the combination of Arbitron and Claritas products, users will be able to analyze media viewers and listeners by lifestyle cluster. ☐

A Slowdown in the Bank Fee Spiral

Continued from *page* **1**

gress. There is no direct indication in the Raddon data that bankers are responding with smaller or fewer increases.

But some bank marketing experts are warning that the industry runs the risk of overdoing price increases and chasing customers away.

"Until this point, bank marketers have kept consumers sullen but not rebellious" when introducing or raising fees, said Edward Furash, a Washington-based management consultant. "Now consumers are rebellious."

Group Tracks Prices

Some of the rebelliousness is articulated by consumer advocates such as Consumer Action, a San Francisco group that monitors price increases by California financial institutions. Consumer Action surveys, which are widely reported in California news media, have shown steady increases in checking, savings account, and credit card pricing over the past five years.

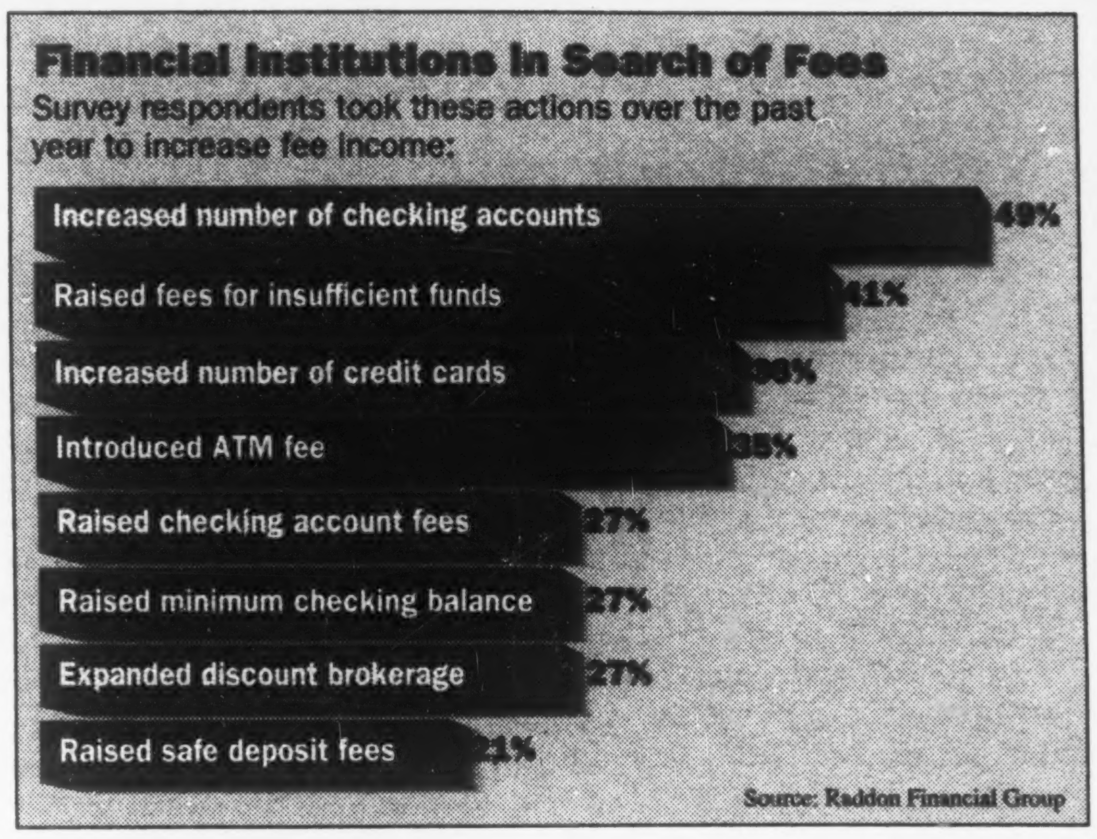
"It is getting harder for consumers with limited incomes to find a bank that offers competitive rates without charging exorbitant fees," Amy Rosewarne, Consumer Action survey coordinator, said earlier this year.

The concern about services for poor people has spawned several proposals, now being debated in Washington, to require that banks offer a basic, low-cost package of lifeline services to anyone who requests it.

Price Hikes Still a Priority

Still, 65% of the 75 banks, thrifts, and credit unions in the recent national study by the Raddon group, a Chicago-based consulting and research firm, said fee increases were important to their earnings- and capital-improvement strategies. By contrast, cuts in operating budgets were mentioned by 55% of the respondents, staff reductions by 48%.

Commercial banks were slightly more aggressive than thrifts in projecting fee-increase strategies. Almost three-fourths of the 21 banks in the Raddon survey said they expected to use pricing to bolster earnings, compared with 63% of 51 thrifts. Half the banks also planned to cut operating costs, compared with six of 10 thrifts.


Financial Institutions in Search of Fees
Survey respondents took these actions over the past year to increase fee income:

Source: Raddon Financial Group

Over the last year, 57% of the banks and 45% of the thrifts got the bulk of their fee growth from increased checking-account business, according to the research company. A total of 38% of banks and 24% of thrifts raised their existing checking account fees to generate income; 52% of banks and 37% of thrifts raised NSF (insufficient funds) fees; and 43% of banks and 29% of thrifts increased their automated teller machine transaction fees.

In the year to come, the picture changes slightly. About half of both banks and thrifts plan to increase their numbers of checking accounts to strengthen fee income. A smaller group – 29% of banks and 24% of thrifts – plans to increase its credit card base to generate fees. Some 10% of banks and 31% of thrifts are seeking to raise their checking account fees in the coming year as well.

Despite the diminishing inclination to raise checking fees, the plans may backfire on banks, said Mr. Furash, president of Furash & Co.

"There was a point where all the stress and emphasis on service made the changes in fee income pay off" for the consumer, he said. "But now we're at the edge where the consumer may feel that it has been overdone."

Mr. Furash cautions that his condemnation is not across the board. In some markets, there is still room for fee increases. However, in most markets, fee income has hit a ceiling, and any moves to raise fees higher may result in customer flight, he said.

For most institutions, shrinking or eliminating retail fees is not an option. They have generated substantial income and turned formerly unprofitable or marginally profitable products such as credit cards into the black.

Institutions also use differential pricing or incentives to steer customers toward higher-margin products such as certificates of deposit and money market accounts, said David Bennett, president of Omega, a consulting firm based in San Francisco.

While some institutions eliminate fees to stimulate sales of a particular product, most of these promotions are temporary, Mr. Bennett said.

"Up-front fees and the cost of marketing a product are of more concern to bank marketers than interest rates right now," said Gary Raddon, president of Raddon Financial Services. But he said he believes that this will pass as bank marketers become more expert in pricing strategies and techniques.

Mr. Bennett said that he, too, thinks that consumers will become less resistant as "banks find different ways to hide [fees] so that they are not as visible as they are now." This includes using flat monthly service charges and packaged account products to spread out the cost to both the consumer and the bank, he said. ☐

AMERICAN BANKER */Bank Rate Monitor's™*

Consumer Money Index

Auto, personal and credit card rates

Market	CREDIT CARD 5/29/90	CREDIT CARD 5/22/90	PERSONAL 5/29/90	PERSONAL 5/22/90	AUTO 5/29/90	AUTO 5/22/90
New York	18.79	18.79	18.71	18.71	13.79	13.79
Los Angeles	19.16	19.16	19.94	19.94	13.16	13.16
Chicago	18.85	18.85	17.10	17.10	11.96	11.96
San Francisco	19.74	19.74	19.94	19.94	12.85	12.85
Philadelphia	18.03	18.03	14.68	14.90	11.76	11.73
Detroit	18.00	18.00	15.50	15.50	12.13	12.13
Boston	17.35	17.35	17.56	17.56	12.84	12.84
Houston	18.12	18.12	15.56	15.56	11.70	11.70
Dallas	18.19	18.19	16.75	16.75	11.29	11.29
Washington D.C.	18.71	18.71	16.55	16.55	11.45	11.45
BRM Index	18.49	18.49	17.23	17.25	12.29	12.29

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $9,000, 48-month, new-car loan with a 20 percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

SOURCE: © Bank Rate Monitor, North Palm Beach, 33408
All inquiries: (407) 627-7330

LOWEST PERSONAL LOAN RATES	5/29/90
Philadelphia National Bank	12.49%
First Pennsylvania, Philadelphia	12.49
Beneficial Svgs Bk, Philadelphia	13.00
HIGHEST PERSONAL LOAN RATES	
Manufacturers Hanover Trust, NY	24.00%
Bank of America, San Francisco	21.00
First Interstate Bk, Los Angeles	21.00
LOWEST AUTO LOAN RATES	
Team Bank, Dallas	9.95%
First City, Texas, Dallas	10.75
LaSalle Nat'l Bank, Chicago	11.00
HIGHEST AUTO LOAN RATES	
Citibank, NY	15.90%
Manufacturers Hanover Trust, NY	15.50
Chemical Bank, NY	14.90
LOWEST CREDIT CARD RATES	
Provident Inst. for Svgs, Boston	14.90%
St. Paul Fed. Bank, Chicago	15.90
Benjamin Franklin Svgs, Houston	15.90
HIGHEST CREDIT CARD RATES	
World S&L, Oakland, Calif.	20.90%
Homestead Savings, San Francisco	20.90
Riggs Nat'l Bank, Washington	19.80

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 8

800
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

1989 PAY FOR EXECUTIVES AT TOP THRIFTS
Table on page 10

AMERICAN BANKER

VOL. CLV NO. 107 *Friday, June 1, 1990* *155th year*

Bailouts to Top Private Mergers In 2d Quarter

By REID NAGLE
and KEVIN STIROH

For the first time since the Depression, more bank and thrift assets will change hands through government bailouts than through private-sector mergers and acquisitions.

At current levels, the government will arrange marriages for at least $20 billion of deposits in the second quarter of 1990. The figure could go as high as $40 billion if the Resolution Trust Corp. meets its target of 140 resolutions by June 30.

ANALYSIS: *Follow-up on the news*

By contrast, private-sector acquisitions are likely to be below $15 billion of assets, less than a third of the assets that changed hands during last year's merger-charged third quarter. That quarter was tied with the third quarter of 1987 for most banking assets changing hands.

Not surprisingly, the rising tide of deals, a majority of which relate to the thrift bailout, has resulted in a sharp decline in prices paid for depository franchises. This across-the-board price decline has affected every type of sale – bank and thrift, public and private.

A useful yardstick for measuring premiums is to take price above tangible book value and compare it with deposits.

By this measure, premiums rose steadily through the first three quarters of 1989, reaching 7.5% of deposits in the third quarter, and have since declined to less than 5%. Seller resistance is likely to prevent prices from falling much lower in the near future, thereby causing a further slowdown in the total volume of private-sector deals.

This article is the launch of a new column, Mergers, that every Friday will report on bank and thrift acquisitions as part of the American Banker's expanded finance coverage.

Ultimately, sellers' perceptions will move into line with the reality of the marketplace. When that happens, prices will fall and private-sector deals will begin to pick up. But that day is a long way off.

At the same time that private-sector consolidation is trailing

See **BAILOUT** *page* **13**

Mr. Nagle is president and Mr. Stiroh an analyst with SNL Securities, a Charlottesville, Va., publishing and consulting concern that specializes in the bank and thrift industries.

INSIDE NEWS

CONSUMER

BUYER PROTECTION and extended warranty plans don't appear to be selling many checking accounts. *Page 6*

INTERNATIONAL

BRAZIL SAYS IT wants to repay $114 billion owed to foreign creditors but cannot do so until its troubled economy recovers. *Page 9*

TECHNOLOGY

THE FED APPROVED several amendments to Regulation CC, which limits the time banks may take to make funds available on deposited checks. *Page 3*

MORTGAGES

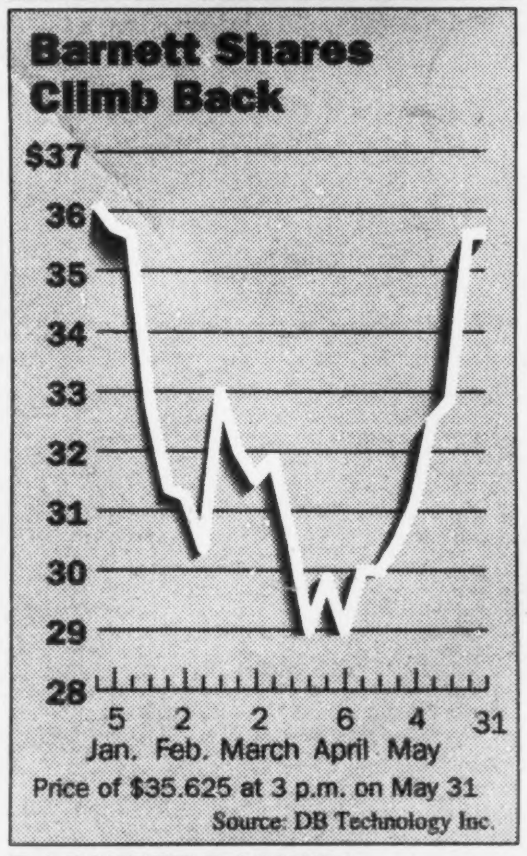
GE MORTGAGE Capital's recent agreement to acquire a $12 billion servicing portfolio from Travelers Corp. is just the start of an ambitious agenda in servicing. *Page 8*

PEOPLE

CHARLES PISTOR, former president of the ABA, is determined to remain in banking despite his bad luck at Texas institutions. *Page 2*

FINANCE

Barnett Shares Climb Back



Price of $35.625 at 3 p.m. on May 31

Source: DB Technology Inc.

BARNETT BANKS has begun to regain some lost luster. Its shares jumped 12% in May as bank stocks generally revived a bit. *Page 16*

COMMENT

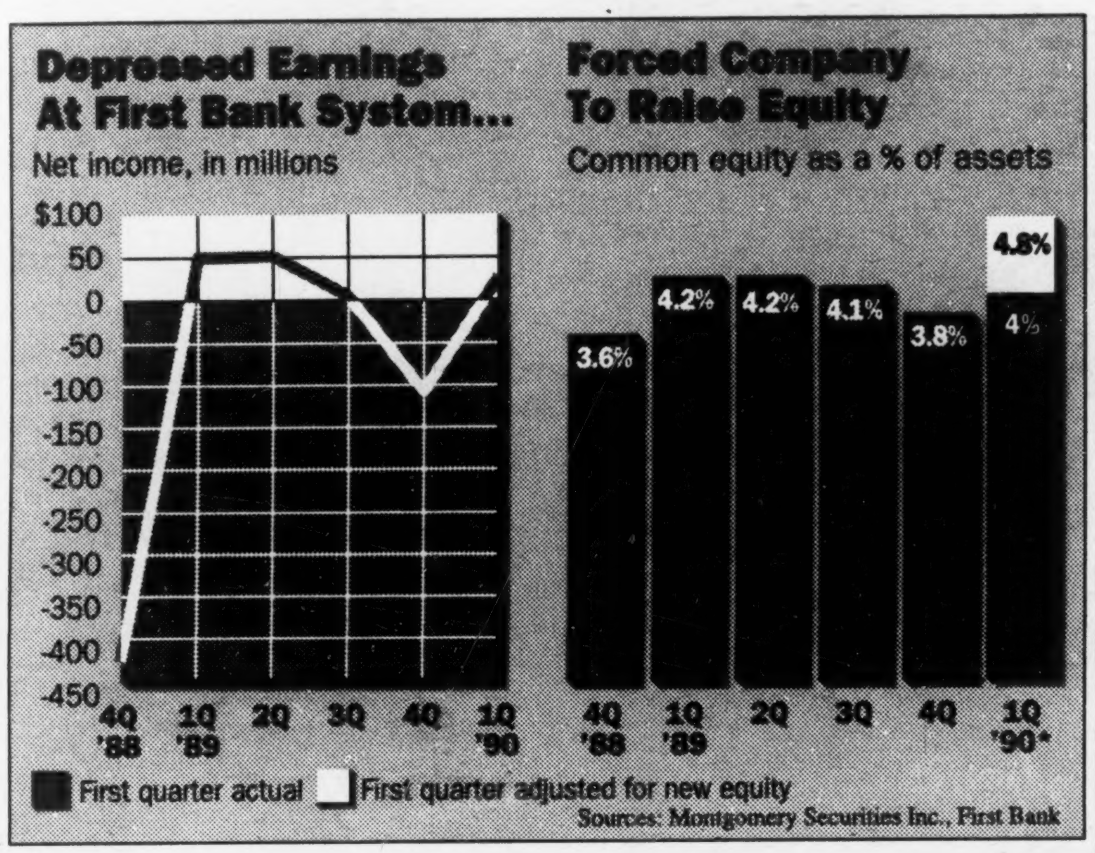
BANKERS UNDERSTAND the need for marketing, but in many instances they do not understand the process, Denis Burns cautions. *Page 4*

INDEX

Company Index 2
Funny Money 4
Classified Advertising 12
Bank and Thrift Stocks 15

Depressed Earnings At First Bank System... Net income, in millions

Forced Company To Raise Equity Common equity as a % of assets



Sources: Montgomery Securities Inc., First Bank

First Bank System to Boost Equity With a $175 Million Private Issue

By KELLEY HOLLAND

Marking a key stage on the road to recovery, First Bank System on Thursday said it was raising $175 million in equity, which will strengthen its capital position and reduce its susceptibility to an unwanted takeover.

"We did this to help grow the company and get it ahead of the curve," said John F. Grundhofer, chairman, president, and chief executive officer of the Minneapolis banking company. "We'd like to be an acquirer rather than a target."

A Private Placement

The new common stock, to be placed privately with two institutional investors, will raise First Bank's equity-to-assets ratio from 4.0% to 4.8% on a pro forma basis for the first quarter.

The two investors are Corporate Partners, a limited partnership managed by two senior officials of the investment banking firm of Lazard Freres & Co., and the State Board of Administration of Florida, the investment arm of the state of Florida.

When the sale is completed, which depends on regulatory approval, the investors will own a total of 16.6% of First Bank System's outstanding shares.

Under the agreement they can increase their ownership to just under 25% of First Bank. But the pair agreed to restrictions regarding the sale of their stake, giving the bank a measure of protection against unsolicited takeover bids.

For example, the investors agreed not to transfer their

See **FIRST** *back page*

BankAmerica Is Expected To Acquire Arizona S&L

By STEVE KLINKERMAN
and SAM ZUCKERMAN

BankAmerica Corp. today is expected to acquire the deposits and some of the assets of Western Savings and Loan Association, a $4.2 billion-asset Phoenix thrift controlled by the Resolution Trust Corp.

The purchase price could not be learned. But the failed thrift had a capital deficit of $1.4 billion at the end of 1989, according to Sheshunoff Information Services, an *American Banker* affiliate.

That suggests the deal will cost the RTC more than $1 billion, making it one of the biggest and most costly transactions conducted by the agency.

Spokesmen for San Francisco-based Bank of America and the RTC declined to comment. But officials at the bank company's annual meeting last week identified Oregon, Nevada, and Arizona as top expansion priorities.

Arizona is the only state on the list where the company does not have a banking license or the beginnings of a branch network.

Western is one of seven failed Arizona thrifts controlled by the RTC. The institution has 62 branches and is the second-largest thrift in the state.

See **BANKAMERICA** *page* **11**

S&L Executives' Pay Rises as Profits Fall

By BILL ATKINSON

At the nation's largest thrifts last year, salaries were going up while performance was going down.

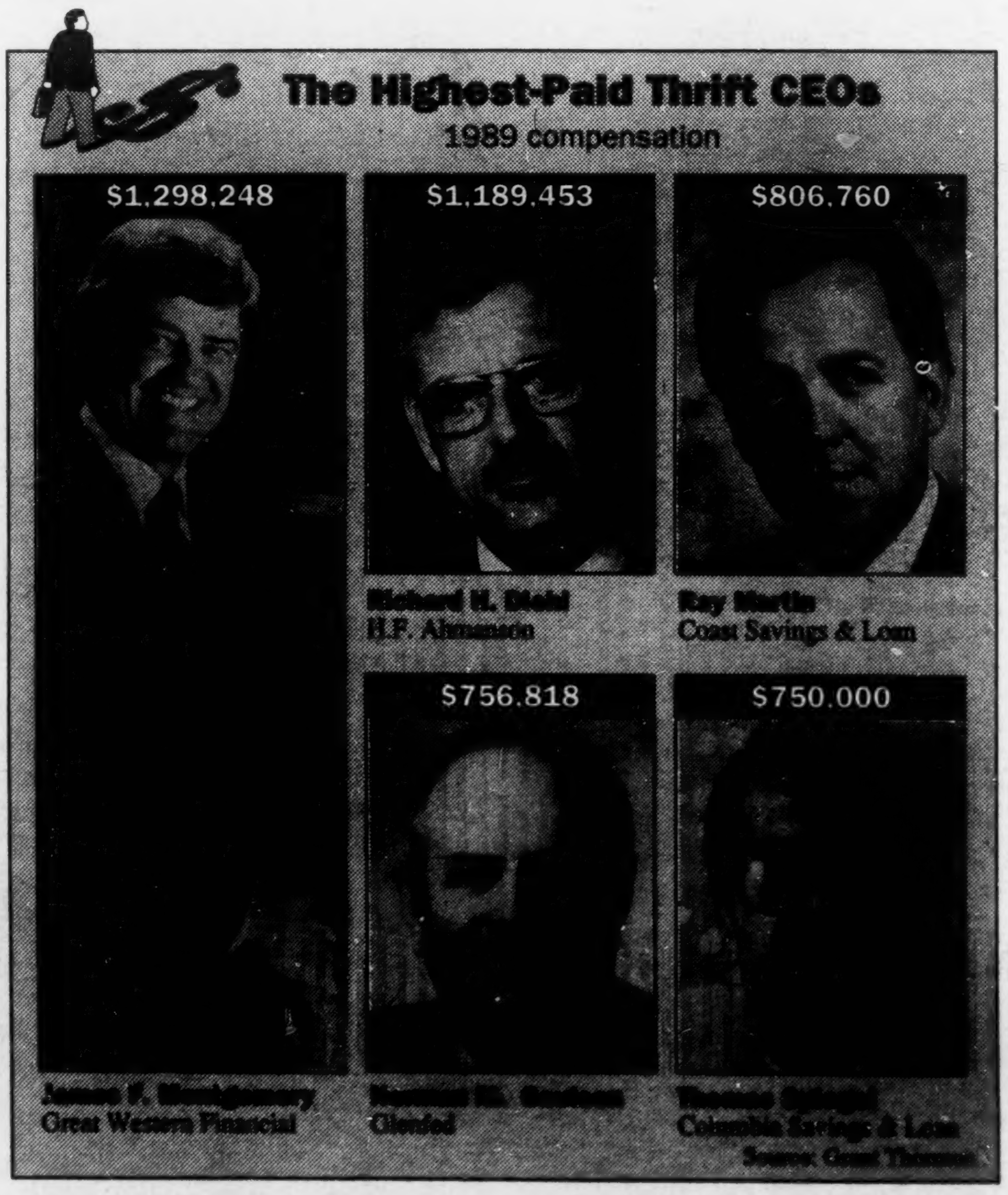
The median pay of the top executive at the 20 largest thrifts jumped 9.7%, to $643,132, while the return on average assets fell by more than half, to 0.24%, according to a study by Grant Thornton, a Chicago-based accounting and consulting firm (see table on page 10).

Of the 20 highest-paid executives, nine received higher compensation even though their institutions reported decreased earnings.

The biggest increase in compensation – 30.3% – went to Ray Martin, chairman and chief executive of Coast Savings and Loan Association, who earned $806,760. Meanwhile, Coast's return on assets fell to negative 0.62%, from 0.39% in 1988. The Los Angeles-based thrift lost $74.1 million when it wrote off

See **THRIFT** *page* **10**

The Highest-Paid Thrift CEOs
1989 compensation



Source: Grant Thornton

COMMENT/*By Denis Burns*

Competition Fosters Need To Understand Marketing

For most banks and bankers, marketing is a relatively recent discipline. In today's deregulated, fiercely competitive environment, they understand the need for marketing. But in many instances, they do not understand the process.

That's why we hear such conflicting complaints as, "We're not spending enough on marketing" and "We're spending too much on marketing." Not to mention the cry for help: "How can we tell how effective our marketing expenditures are?"

Like packaged goods marketers before them, bankers – to get the most from marketing – must understand the process. Marketing is more than writing ads, cranking out brochures, and designing branch signs.

Marketing involves identifying a significant and attractive market, creating products to meet the unfilled needs of that market, and then putting together the necessary support (e.g. pricing, delivery system, advertising, promotion, staff training) to sell them successfully.

An External Focus

Thus, marketing – effective marketing – focuses on the exterior world: markets, their segments, the competition. Success is generally measured by what you can bring to the marketplace that is better than what your competitors offer. In marketing language, that's "differentiation," or "competitive advantage." And it is necessary for real, long-term success. On the bottom line.

Banks that fail to do effective marketing are those that look inward: are content to sell products already on their shelves, products that are no different from or better than those of the competition. Banks that do not price competitively. Banks that are content with mediocre service. Or banks that allow operational lethargy to preclude creation of marketable new products.

The Process by Stages

A traditional model of the marketing process has five major stages, beginning with a look at the exterior world – the markets to be served – and ending with evaluation of results. The intermediate stages are a look at the interior environment, or a bank's strengths and weaknesses; the setting of a strategy; and implementation of the plan.

But there is interaction between and among each of the stages. Marketing is an ongoing process.

Understanding the marketing process is the first step in taking the mystery out of marketing. It is necessary but not sufficient.

Where on the Chart?

For example, many banks and bankers understand the essentials of the marketing process, and consider marketing integral to basic corporate strategy. But they wring their hands over the dilemma – is marketing a line or staff function?

Common sense dictates it is not a staff support activity, since it includes all the factors contributing directly to the sale of products, and therefore produces revenues on the income statement. Marketing is a line function, and is so considered at most marketing-oriented manufacturing companies.

Another area of mystery is marketing vocabulary. Terms like "market segmentation," or "random sample" are really not hard to understand. Study a marketing textbook. Attend seminars such as those offered by the Bank Marketing Association.

> **"Like packaged goods marketers before them, bankers must understand the process. Marketing is more than writing ads, cranking out brochures, and designing branch signs."**

Ask for an Explanation

Better still, ask your marketing manager to explain. Just as you have taught him or her bank-ese, he or she should be happy to give you a short course in marketing-ese.

Understanding the process will help determine the right people to hire or place (if they are already on your staff) in the marketing department. The right people are those who understand and are comfortable with the process. If you are not sure, have candidates interviewed by your ad agency, use headhunters who know marketing, or hire a consultant with the right background to screen resumes and candidates.

Evaluating the performance of a marketing department need not be an arcane exercise. Once you understand the process, once you have approved the strategy – and the budget – you should be able to quantify the results expected, set clearly measurable goals, and measure performance against those goals.

Many banks have trouble setting realistic goals (e.g., new accounts, balances). If you have doubts, check with the Bank Marketing Association or a qualified consultant.

Once you have understood the process and are no longer intimidated by the jargon, you should be in a position to confidently harness marketing to your strategic plan – to make it produce for you and your bottom line.

Do not, however, make the mistake of micromanaging. You do not have to know how to construct a reach and frequency table, or write a telemarketing script. You have other things to think about. After you have involved your marketing team in your strategic thinking, you have only to understand what your marketing team is doing – and evaluate its performance.

With the confidence that comes from understanding, you will have removed the mystery from marketing. You will then be in a position to use it as an engine to drive the growth of your bank. ☐

Mr. Burns spent 25 years in marketing at Chase Manhattan Bank, Citibank, and General Foods Corp. He recently opened Denis Burns Consulting, New York.

FUNNY MONEY/*By Tom Leander*

Security Trinket

Investors have at times compared the mortgage-backed securities market to a jungle. Perhaps the Federal National Mortgage Association had the comparison in mind when it hatched its latest promotional gimmick.

Peggy Turbett

TRUNCATION: Fannie Mae's pint-size pachyderms.

Representatives of the quasi-governmental mortgage investment agency have been distributing five-inch-high beanbag elephants at conferences and on sales calls. Fannie Mae's variety of mortgage-backed securities "makes managing your portfolio just as easy as juggling the Friendly MBS Elephants," says a note on the yellow container they are packaged in.

The inspiration for the elephants came from within Fannie Mae, says a spokesman. McKinney & Silver, Fannie's Raleigh, N.C., advertising agency, quickly seized on the elephant motif to trumpet the virtues of Fannie Mae in recent newspaper ads.

Officials would not reveal the cost of the tiny pachyderms, but a spokesman suggested that it was peanuts compared with the goodwill the elephants have generated as toys for investors' kids.

* * *

Hong Kong Hex

When the Bank of China opened a skyscraper in Hong Kong in May, it was viewed as symbolic of China's eventual takeover of the colony in 1997. The building's daring design by the Chinese-American architect I.M. Pei – featuring four prism-like pillars topped by twin antennas – won acclaim from architects worldwide.

But some Hong Kong residents are spooked by the hulking tower, which they say resembles daggers. The two antennas at its top have been likened to empty chopsticks. Both symbols are bad omens under a Chinese folk tradition called *fung shui.*

The controversy has grown into a public issue reminiscent of one faced in the United States by the Procter & Gamble Co., whose corporate logo of a crescent moon was said to be an occult symbol. The Cincinnati-based company has said the allegation was absurd.

Some Hong Kong citizens hang small mirrors outside their windows to reflect the bad luck cast by the tower – at 1,289 feet, the tallest in the city.

* * *

An Itch in Time

ARCS Mortgage Inc., the mortgage banking unit of Bank of New York Co., has come up with a new name for one of the hottest types of mortgage: "The 7-Year Itch."

The company is using the name for a loan that features a relatively low interest rate for seven years and then adjusts to another rate for the remaining 23 years. Lenders nationwide have been reporting success with similar loans.

The name recalls a 1955 film of the same title, starring Marilyn Monroe and Tom Ewell, about a man whose affections stray after seven years of matrimony. But Ira Cohen, an ARCS senior vice president, says some of the company's employees are associating the name with something else.

"They say it sounds like a disease – something you need some kind of cream for," he said.

He added, however, that "a lot of consumers call us about it, so that's good."

— Phil Roosevelt

* * *

Put Yer Money Heer

Would-be thieves sneaked up to a night depository at a branch of Barclays Bank in York, England, last week. Armed with drill and screws, they attached a phony night deposit box to the surface of the genuine one.

The thieves intended to remove their box before morning, after local storekeepers had dropped cash in the slot, according to police.

But flimsy construction – and perhaps bad spelling – scotched the job. Police said a customer who deposited his money became suspicious about the loose-fitting aluminum box and the sign on it. He phoned the police, and they confiscated the apparatus.

The thieves tried to reassure depositors with a notice on their bogus safe stating, "Due to key vandalism, use the temporary shute," which should have been spelled "chute."

— John Evans

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Thrift Executives' Compensation Rises as Returns Dwindle

Continued from *page* **1**

goodwill to comply with the thrift-bailout law.

Inverse Relationship

"What bothers me is you see guys getting increases when the performance of their companies has dropped significantly," said Jon Rosenbaum, senior manager at MCS Associates, a division of Grant Thornton, who conducted the study.

"I want to see more sensitivity so that, when a company's earnings drop, the executive's cash compensation should reflect that. Some companies do a good job of it, others do not."

The study may prove embarrassing for thrift executives, coming at a time when the price tag of the government's bailout of the industry is rising rapidly.

Taking the Long View

But some executives took issue with the findings. "I think executives are compensated on their long-term contribution to the organization, not just year-to-year, or quarter-to-quarter return on equity," said Kirk Hallahan, a spokesman for Coast Savings.

He said Mr. Martin received a base salary of $600,000; the remainder of the compensation came from stock options he exercised.

A spokeswoman for H.F. Ahmanson & Co. also offered an explanation. Richard Diehl, chairman and chief executive of Ahmanson's Los Angeles-based thrift, received $1.2 million in compensation, up almost 16% from the previous year, while Ahmanson's ROA slipped to 0.45% from 0.53%.

But the spokeswoman, Mary Trigg, said the earnings decline resulted from a increase in the effective tax rate. She said despite the decline, the company's pretax core earnings increased $52.8 million over the previous year, net interest income was up 13%, deposits rose, and loan volume was the third-highest in the institution's history.

HIGHEST-PAID EXECUTIVE AT TOP THRIFTS

Company	Assets (in billions)	1989 ROA	1988 ROA	Title	Executive	1989 Pay	88-89% Change
Great Western, Beverly Hills, Calif.	$37.2	0.28%	0.82%	Chairman, CEO	J.F. Montgomery	$1,298,248	0.4%
H.F. Ahmanson, Los Angeles	44.7	0.45%	0.53%	Chairman, CEO	R.H. Diehl*	1,189,453	15.9%
Coast Savings, Los Angeles	11.2	-0.62%	0.39%	Chairman, CEO	R. Martin	806,760	30.3%
Glenfed, Glendale, Calif.[1]	25.6	0.47%	0.74%	President, CEO	N.M. Coulson	756,818	17.0%
Columbia Savings, Beverly Hills	9.3	-4.51%	0.53%	Chairman, CEO	T. Spiegel[4]	750,000	-80.0%
Goldome, Buffalo, N.Y.	13.0	-1.77%	-0.79%	President, CEO	T.A. Cooper[5]	736,538	N/A
Homefed, San Diego	17.8	0.66%	0.72%	Chairman	K. Fletcher	733,593	10.4%
Golden West, Oakland	19.5	0.85%	0.95%	Chairman, CEO	H.M. Sandler	665,526	9.7%
Standard Federal, Troy, Mich.	9.6	0.46%	0.68%	Chairman, President	T.R. Ricketts	643,132	16.3%
Crossland Savings, Brooklyn, N.Y.	14.1	-1.27%	0.10%	President, CEO	M.L. Reissman	604,407	-6.1%
Talman Home Federal, Chicago	6.1	0.33%	0.42%	Chairman, CEO	T.H. Roberts*	600,000	0%
Great American Savings, San Diego	15.9	-1.61%	0.33%	Chairman, CEO	G.L. Luce	598,540	-4.4%
Meritor Savings, Philadelphia	12.6	-0.37%	-1.17%	Chairman, President	R.S. Hillas	594,795	N/A
Perpetual Financial, McLean, Va.[2]	6.2	0.36%	0.59%	Chairman, CEO	T.J. Owen*	536,810	13.0%
Dime Savings, Garden City, N.Y.	11.7	-0.74%	0.71%	Chairman, CEO	H.W. Albright Jr.	500,000	-10.4%
Firstfed Michigan, Detroit	11.5	0.19%	0.31%	Chairman, CEO	J.A. Aliber	492,450	-17.9%
Anchor Savings, Northport, N.Y.[3]	9.0	-0.27%	0.03%	Chairman, CEO	D.L. Thomas[6]	492,167	N/A
Washington Mutual Savings, Seattle	6.6	0.31%	0.65%	Chairman, CEO	L.H. Pepper	480,662	16.5%
Calfed, Los Angeles	26.2	0.31%	0.51%	President, COO	J. St. Dennis 3d[7]	461,552	N/A
Northeast Savings, Hartford, Conn.	7.9	-0.16%	0.30%	Chairman, President	G.P. Rutland	461,153	N/A
Average	15.8	-0.33%	0.37%			670,130	0.7%
Median		0.24%	0.52%			643,132[8]	9.7%[8]

NOTES

1. Fiscal year ending 6/89. 2. Fiscal year ending 11/89. 3. Fiscal year ending 6/89. 4. T. Speigel resigned in December 1989. 5. T.A. Cooper joined Goldome in April 1989 as CEO and president, replacing the retired R.B. Kenzie. 6. D.L. Thomas retired in March 1989; thus a full year's compensation is not reflected in this figure. 7. J. St. Dennis 3d was elected president and COO in July 1989, chairman and CEO in February 1990. J.R. Torreli 3d, former chairman and CEO, terminated in July 1989, received $2,232,870, of which $2.2 million represented a severance settlement pursuant to the terms of his contract. 8. Based on 15 officers holding identical positions in 1988 and 1989. * A portion of compensation paid in 1989 reflects prior year's performance. Unless otherwise noted, all fiscal years end in December. Percentage changes in annual compensation computed only for those individuals who served in the same capacity for years 1988-89.

Source: Grant Thornton

Several industry followers interviewed do not think the compensation packages are out of whack because the thrift business has become extremely complicated and dicey.

"There is that saying, you pay for what you get," said James Barth, an industry watcher and professor at Auburn University. "You have to pay to get good people."

The highest-paid executive was James Montgomery, chairman and chief executive of Los Angeles-based Great Western Financial Corp. He racked up $1.3 million in compensation – unchanged from the previous year – while the thrift's ROA fell to 28 cents for every $100 in assets from 82 cents in 1988.

The biggest loser was Thomas Spiegel, former chairman and chief executive of Los Angeles-based Columbia Savings and Loan, who received compensation of $750,000, down 80% from the previous year. Columbia lost $4.51 for every $100 in assets. Huge losses from its junk-bond portfolio have made Columbia a candidate for seizure by federal regulators.

Detroit-based FirstFed Michigan Corp. chairman James Aliber saw his compensation package drop nearly 18% to $492,450 because of the S&L's weak performance compared with previous years.

The Grant Thornton study analyzed chief-executive compensation at 97 publicly held S&Ls from 1987 to 1989 by sifting through proxy reports.

The study found that while 88% of the thrifts in the study posted declines in earnings, the majority of the institutions reported increases in compensation.

Nine percent of the executives received pay hikes of more than 20%, while 31% received increases of more than 10%.

Overall, the median cash compensation rose by 6% in 1989, which matches 1988 figures, but fell below the 13% increase reported for 1987, the study stated.

Mr. Rosenbaum said that while the industry's compensation packages may not be excessive, directors will be criticized if they are not tied more closely to the institutions' performance.

"I think directors have to come to grips with the issue. I would certainly hold them responsible for this," he said.

"I think boards in general have not done a good job of holding CEOs accountable through more sensitive compensation programs. You are going to see more and more pressure being placed on the directors."☐

NESB Seeks to Renegotiate Senior Notes

By STEPHEN KLEEGE

NEW YORK — NESB Corp., New London, Conn., was trying on Thursday to reopen negotiations with a group of insurance companies that demanded immediate payment in full of $50 million of senior notes on which the thrift-holding company is in default.

If a settlement cannot be reached, the company's New England Savings Bank may be forced to sell assets, risking losses and erosion of capital.

"There was no movement between our regulators and the lenders. At the moment, this is a stalemate," said Ezra Harris, president of the savings bank, explaining why the negotiations broke down.

Impasse Over Collateral

He said the impasse centered on the lenders' insistence that New England Savings Bank assets serve as collateral for the holding company's notes – something the Federal Reserve forbids in transactions between holding companies and their subsidiaries.

Mr. Harris declined to say how the holding company would raise the $50 million if it cannot negotiate a resolution. He said Travelers Corp., Hartford, and Cigna Corp., Philadelphia, were the largest of the creditors, accounting for more than 50% of the notes between them.

The notes, issued in connection with NESB's 1988 acquisition of Omnibank, had been due in 1995, but NESB defaulted under the terms of the notes when its capital fell below 6% at the end of the second quarter.

Analyst Don J. Kauth of First Albany Corp. said the losses that put the holding company in default ironically were associated with the real estate and construction loan portfolio of Omnibank.

"With nonperforming assets in excess of 12%, they may not be able to go elsewhere to borrow. They may have to sell assets," Mr. Kauth said.

A total of $167 million of the savings bank's loans are nonperforming, and the bank has taken reserves for $40 million. That leaves the company's $71 million of capital well short of its $127 million in unreserved nonperforming loans, Mr. Kauth said.

The company still meets its regulatory capital requirements.

> **"With nonperforming assets in excess of 12%, they may not be able to go elsewhere to borrow. They may have to sell assets."**
>
> **Don J. Kauth**
> *First Albany Corp.*

Lomas to Buy Servicing Portfolio

NEW YORK — Lomas Mortgage USA said it has agreed to acquire a $600 million mortgage-servicing portfolio from Ameriway Mortgage Corp., a Houston concern affiliated with a thrift under control of the Resolution Trust Corp.

Lomas did not disclose the terms, and an RTC official could not be reached for comment.

The move follows Lomas' acquisition earlier in May of a $3.4 billion servicing portfolio from Bright Mortgage Co., also under RTC control.

Portfolio to Highest Level

Lomas Mortgage, a unit of Dallas-based Lomas Financial Corp., said the Ameriway purchase will bring its total servicing portfolio to $24.7 billion, its highest level ever. Like other servicers, Lomas earns fees for funneling monthly payments from borrowers to investors and performing other administrative chores.

The Ameriway deal "serves as confirmation that Lomas is firmly and actively committed to a strategy of controlled growth and establishing itself as a major participant in the resolution of mortgage assets associated with troubled thrifts," said Terry J. Deyoe, an executive vice president at Lomas Mortgage.

— Phil Roosevelt

Atlanta Bank Acquires Thrift Assets via RTC

ATLANTA — Merchant Bank of Atlanta said it has acquired the insured deposits and branch network of First Federal Savings and Loan Association from the Resolution Trust Corp. It did not disclose the terms.

First Federal operated 13 branches in the Atlanta area and had total deposits of $169.8 million, Merchant Bank said. Merchant, which had $37 million in assets at the end of March, also acquired branching rights in Clayton and Cobb counties in the transaction.

— Reuters

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10

800

C 0175-1

AMERICA ER

VOL. CLV NO. 108 Monday, June 4, 1990 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

How One S&L Lost Value Under the RTC

By TERESA CARSON

ANALYSIS: *Follow-up on the news*

LOS ANGELES — Small groups of bidders are now huddling over the books at Gibraltar Savings' Simi Valley, Calif., headquarters trying to determine how much the failed thrift is worth to them.

Value is in the eye of the bidder. But one thing is certain: Gibraltar is worth a lot less than it was when the government seized it 14 months ago.

"The franchise has deteriorated; they have lost a lot of core deposits," said one banker who has looked at the books. Added another: "Seized thrifts are like fresh fruit. They rot very quickly the longer they sit on the shelf."

Top regulators acknowledge that the value of thrifts continues to fall the longer they are run by the government. L. William Seidman, who runs the agency that oversees seized thrifts, wants to see more sold before they are seized, to avoid the automatic discount imposed by the marketplace. "We know that putting institutions under [government] conservatorship lowers their franchise value."

Gibraltar is an extreme example of how that can happen, because it has been under the government's care for more than a year.

Estimated Cost to Taxpayers

It is impossible to calculate exactly how much less Gibraltar is worth today than when it was seized. But some bidders that looked at the books last year when it was put into conservatorship say they are no longer interested. And the runoff of core deposits will cost taxpayers at least $10 million, according to conservative estimates.

The same thing is happening at other seized institutions. Richard K. Kneipper, head of Jones, Day, Reavis & Pogue's financial institutions practice, said one of his clients became frustrated after examining the books of a number of thrifts. "He is not going to bid anymore, the dissipation of value is so pervasive," Mr. Kneipper said.

Agency Is Hamstrung

"Most of the value is based on customer relationships," said Joseph A. Jolson, an analyst at Montgomery Securities Inc. "You have a custodian managing this in a competitive environment. It just doesn't work very well."

To be sure, all of the blame does not fall on Mr. Seidman's

See **HOW** page 16

INSIDE NEWS

CONSUMER

INSURERS' PROFITS may eventually suffer as big banks enter the business following Delaware's decision to give the green light. *Page 6*

WASHINGTON

AUCTIONEER JIM GALL feels the eyes of the world on him as he prepares to run the Resolution Trust Corp.'s end-of-summer sale. *Page 8*

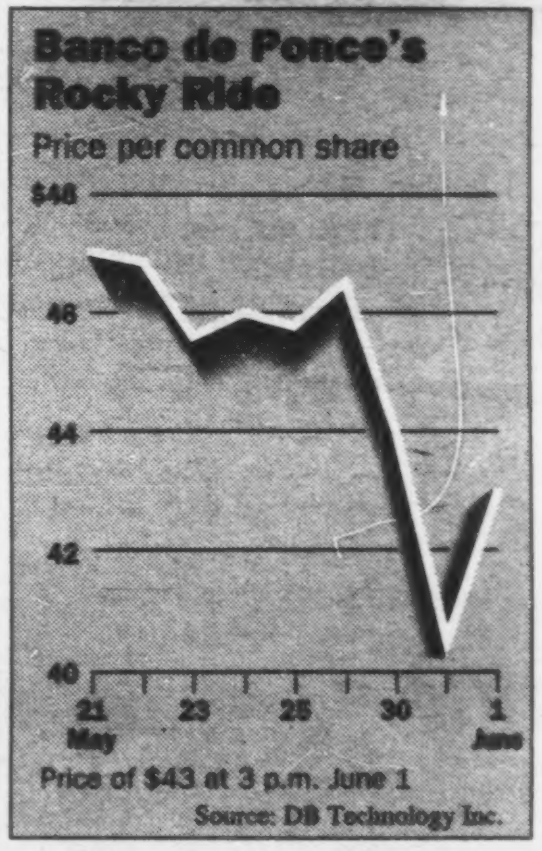
TECHNOLOGY

BANK OF AMERICA, the largest check processor in the nation, is apparently delaying a shift to image technology in an effort to hold down expenses. *Page 3*

INTERNATIONAL

ARGENTINE OFFICIALS are scheduled to meet with senior bankers in New York on Thursday to discuss the repayment of about $6 billion in interest arrears owed to banks. *Page 10*

FINANCE



RESTRICTIONS PLACED on their merger have unsettled the market for the shares of Banco Popular de Puerto Rico and Banco de Ponce. *Page 24*

PEOPLE

PETER H. MONROE, soon to be president of the Resolution Trust Corp.'s Oversight Board, knows how the game is played in Washington. *Page 2*

COMMENT

SMART MANAGERS take the opportunity to show their appreciation when they give employees a raise. *Page 4*

INDEX

Company Index 2
Sound Off 4
Executive Changes 7
Classified Advertising 20
Bank and Thrift Stocks 23

Pound for Pound, the Market's Strongest Banks

The banking companies with the highest market values relative to asset size

	Market value ($ in millions)	Assets ($ in billions)	Market value as % of assets
Synovus Financial Corp., Columbus, Ga.	$632	$2.6	24.3%
Wilmington Trust Co., Del.	680	3.6	19.1
Fifth Third Bancorp., Cincinnati	1,332	7.0	18.9
Valley National Bancorp, Clifton, N.J.	311	1.8	17.1
City National Corp., Beverly Hills, Calif.	723	4.6	15.8
Mercantile Bankshares Corp., Baltimore	628	4.2	15.1
BancOne Corp., Columbus, Ohio	4,105	27.2	15.1
Fourth Financial Corp., Wichita, Kan.	485	3.3	14.5
State Street Boston Corp.	1,359	10.4	13.1
Citizens Bancorp, Laurel, Md.	312	2.4	13.0

Based on March 31 data. Source: SNL Securities

Whose Assets Do Investors Value Most Highly? Synovus Financial

By KELLEY HOLLAND

NEW YORK — There are bigger banks. And there are banks with larger market capitalizations. But in the eyes of investors, Synovus Financial Corp. is, pound for pound, the most valuable banking company in the nation.

When market value – a source of bragging rights among bankers – is compared with asset size, Synovus, which has just $2.6 billion in assets, was far and away the nation's leader at the end of the first quarter.

Eye-Catching Numbers

Shares of the Columbus, Ga., banking company were worth $632 million on March 31, according to data supplied by SNL Securities. That was good enough for 59th place among the 100 banks with the largest market capitalization.

But Synovus' market value was equal to a whopping 24.3% of its assets. In effect, investors were valuing each dollar of the bank's assets at about 24 cents.

By contrast, Citicorp, tops overall with a market value of $7.5 billion, had a market-value-to-assets ratio of 3.2%. J.P. Morgan, in second place with a market value of $6.7 billion, had a ratio of 7.4%.

Among institutions with more than $10 billion in assets, Banc One Corp., Columbus, Ohio,

See **SYNOVUS** page 22

Fed Moves To Adopt Uniform Code For Payments

By JEANNE IIDA

NEW YORK — The Federal Reserve Board plans to bring the rules governing liability for Fed Wire transactions in line with measures being adopted at the state level.

If, as expected, both the Fed and the State of New York approve such measures, the majority of wholesale wire transfers could fall within a uniform body of law by the first of the year. The measures, designed to resolve disputes over electronic payments, would govern about $1.5 trillion of transfers each day.

Comments Solicited

The Fed's proposal, to incorporate Article 4A of the Uniform Commercial Code, will go out for public comment this month. The measure is expected to take effect Jan. 1.

Article 4A, which outlines rights and responsibilities of banks and their customers in electronic payments, has been adopted by a handful of states. But adoption by all 50 states is expected to take several years.

In New York, the measure is on the governor's desk and is ex-

See **FED** page 3

NCNB Bid Seen As Winner for 9 Texas Banks

By STEVE KLINKERMAN

NCNB Texas National Bank won the bidding for the nine failing banks owned by National Bancshares Corp. of Texas, sources said Friday.

The nine South Texas banks together hold about $1.5 billion of assets, most of which are concentrated in San Antonio.

The acquisition will give NCNB Texas a dominant position in that market and further bolster its position as the biggest bank in Texas, with more than $35 billion in assets.

"They are a little bigger, a little stronger, and a little more dominant," said Frank Anderson, an analyst with Stephens Inc., a Little Rock brokerage.

The Federal Deposit Insurance Corp. put National Bancshares on the block after Pittsburgh-based Equimark Corp. failed to raise financing to acquire the failed institutions.

NCNB shares rose $1.125 Friday, to $39.875. NCNB and FDIC officials were unavailable.

SILENCE: Great American Bank cut funding to symphony.

Cash-Strapped Donors Turn Off Spigot of Charity Contributions

By TERESA CARSON

LOS ANGELES — Wesley Brustad did not need a phone call to tell him the money would not be coming this year.

The executive director of the San Diego Symphony Orchestra Association had read in the papers about the increasingly dire financial condition of Great American Bank, San Diego. He anticipated that the thrift's budget slashing would include its symphony contribution, which totaled $120,000 last year through a matching program.

The San Diego orchestra is one of hundreds of arts and service organizations feeling the pinch as financial institutions across the country cut their budgets. With loan losses mounting, some institutions find they can

See **COMMUNITY** page 6

COMMENT/ *By Paul Nadler*

Smart Managers Add Value To Act of Giving Raises

When a bank gives an employee a raise, it has an opportunity to earn goodwill and enhanced loyalty, but the opportunity is sometimes thrown away. In fact, some banks have even made advancement in pay and title an occasion that hurts morale rather than boosting it.

Most studies show that workers want recognition as much as or more than they want the money. They want to feel that the boss knows that they have been doing a good job and wishes to reward them for it.

This helps explain why, when a bank fires people, often the morale of the rest goes up rather than down. After all, if the bank has fired the right people – the incompetents and the slackers – the rest can say, "I made the cut. They know I am doing a good job."

Missed Opportunity

A raise can give the employee the same message. But some employers blow this opportunity to make the staff feel appreciated by following several poor policies.

The most obvious is merely to have the employee see that his or her paycheck is now higher. Not only does this eliminate the opportunity to let the individual know personally that he or she is appreciated, it sometimes even goes almost unnoticed. With all the withholding nowadays, there is not that much left on the bottom line to take home.

Some companies make the process of getting a raise humiliating. Raises are not given until asked for, and then the employee is made to feel that he is profaning motherhood and apple pie, much less almost bankrupting the company by his request.

Asking for a Raise

When I was economic consultant to a now defunct brokerage firm, I had not had a raise for seven years, and my friends told me that I would only get one if I asked for it. So one day I went into the CEO and said: "Steve, I haven't had a raise in seven years. I think I deserve one."

His response: "Absolutely impossible; we are in financial difficulty now."

I left his office and went about my business only to have him call me back into his office half an hour later.

"How much do you want, Nadler?"

I gave a response of something like 15% increase in my honorarium.

"Absolutely impossible," he said, "far too much." I left his office again.

Half an hour later I hear him call: "Nadler, get in here. You got your raise."

"Most studies show that workers want recognition as much as or more than they want the money."

I was rewarded, but in his effort to show who was the boss, the CEO took most of the joy out of it.

Black-Tie Bonus

Far worse was the policy of the old Hanover Bank, now part of Manufacturers Hanover in New York.

Raises and promotions for officers were only given at a black-tie banquet, once a year. If you didn't get it then, you had to wait an entire year for another chance. Believe me, there was plenty of drinking that night – both by the celebrants and by the disappointed. Those not promoted had the dejection of knowing they had 365 days to wait before another opportunity arose at CEO Bill Grey's annual dinner.

How different was the attitude of the CEO of Old Kent bank when I was their consultant in Michigan for 15 years. I remember coming to Grand Rapids one fall on my semiannual trip and saying to Dick Gillette, the CEO, "Dick, I haven't had a raise in five years, I think it's time."

His answer "No, Paul, it is only four years."

I left feeling great, even though I didn't get the raise. Because he knew how long it had been since I was given a raise, it was obvious that he cared enough to have checked up before I came to town instead of just taking my services for granted. The fact that he cared meant as much to me as the raise, as is the case with so many other people.

We can glean several rules from these experiences:

- When you give a raise, make something of the procedure. Show the workers they are appreciated so you give a morale boost as well as a pay boost.
- Frequent, smaller raises are appreciated more than infrequent larger ones, because there are more opportunities to stroke employees – whether officers or rank and file.
- Some companies when they reward those who have been on staff for several years provide the annual raise in a lump sum. This is usually far more satisfying than to be told you have a $2,000 raise and then just get a dribble more in your check each pay period.
- But most important, make a fuss, make people feel appreciated through this opportunity. Bankers must never forget that their most important resource goes down in the elevator and out the door every night. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

Banking expert Lowell L. Bryan of McKinsey & Co. caused a stir last month when he told the Senate Banking Committee that a recession would wipe out the capital of 20% of the nation's commercial banks and cause the Federal Deposit Insurance Corp.'s fund to collapse. The fund was at a historically low coverage point of 70 cents per $100 of insured deposits at commercial banks. Lisa A. Hammond of Medill News Service asked:

Q ***Is it likely that a recession will deplete the capital of commercial banks and annihilate the FDIC fund?***

■ Edward E. Furash
President
Furash & Co., Washington

This is probably the most difficult period for the entire financial system that I've seen in my 30 years as a banker and bank consultant. The situation could get worse if there were a recession that caused an increase in loan losses and a decline in interest income.

That's a big if, and a soft landing or a mild turndown can be weathered. What is particularly frightening is the speed with which capital can disappear under the current circumstances, such as problem commercial real estate loans, operating losses, and operating risk problems. This situation requires extraordinary caution and diligence by both bankers and regulators alike.

A loan loss or operating accident has the capacity to wipe out capital instantaneously. The system is fragile indeed.

The insurance fund is at risk in all of this – an insurance fund that is already at one of its lowest historic coverage points.

■ Robert Litan
Senior fellow
Brookings Institution, Washington

I think the real question is what would happen in a small to moderate recession.

I think a recession such as we saw in '81-'82 has a very low probability. In a recession of that magnitude, Mr. Bryan could very well be right.

Mr. Bryan is describing a very, very worst-case scenario. In a recession, the failure rate would go up. And there's no question that even a mild recession could cause some problems for the FDIC, because it is so thinly capitalized – but they have acknowledged that.

They are skating on the edge, and a mild recession could put them close to the edge or under the water.

■ Kathleen B. Cooper
Executive vice president
Chief economist
Security Pacific Corp.

I think it is much too negative an assessment. He's failing to consider that so many of the chargeoffs of the past four years have been LDC-related, and that's not going to be repeated. Only recently, in the past year, have the chargeoffs been related to commercial real estate.

There are tough predictions out there and banks have already set up sizable reserves. I have a lot of difficulty believing that this assessment would happen in a recession.

■ Paul M. Horvitz
Professor, banking and finance
University of Houston

I don't think that is realistic at all. We've had lots of recessions, historically, and they have not resulted in banks running losses in the aggregate. Also, banks are better positioned as far as loan-loss reserves.

I think that idea is based on possible losses from some of the highly leveraged loan transactions. But, in most of those transactions, banks have a senior position compared with holders of junk bonds. The idea of 20% of the capital being wiped out is just ridiculous. ☐

■ Allan H. Meltzer
Professor, Carnegie-Mellon University
Shadow Open Market Committee

It would take a heck of a recession [to see that scenario come to pass].

First, I don't think we're facing that type of recession – it isn't likely to be of the magnitude that would cause the type of losses seen in [Lowell Bryan's] remark. Second, the FDIC is in a weaker position than it should be, but it is much stronger than the FSLIC fund was at the emerging stage of the S&L crisis.

The recession would need to be at least as deep as 1981-1982 and perhaps deeper. And I personally am not anticipating one. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

CAPITAL

Synovus Tops Market-Value Ratio

Continued from *page* **1**

had the highest market value as a percentage of assets, 15.1%

Synovus' strength reflects its emphasis on nontraditional lines of business, at a time of pervasive worries about loan quality. The company, a major credit card processor, announced during the first quarter that it would be handling the processing for AT&T's Universal card.

"There are businesses considered by the market to be better than the banking business, and Synovus is in one of them," said John J. Mason of Interstate-/Johnson Lane, Atlanta. "The credit card processing business is vastly more attractive to investors than the banking business, no question about it."

A Measure of Strength

A bank's market capitalization is the price of its stock multiplied by the number of shares outstanding.

It represents the market's assessment of the bank's value and its ability to make acquisitions. The greater a bank's market value, the stronger an acquirer it can be and the more easily it can resist unwanted takeovers.

Because of a deep slump eroding share values, the 100 banks with the largest market capitalizations on average lost 9.3% of their value during the quarter, although many have since regained strength in the recent rally.

Total market capitalization of the 100 institutions dropped to $129.2 billion from $142.5 billion at year's end.

The two biggest gains were posted by Society Corp., up 42.8%, and CoreStates Financial Corp., up 26.5%. Both completed major acquisitions during the quarter. Synovus' market value grew 21.2% during the period.

Other Side of Coin

In contrast to those gains were dramatic declines for troubled banks such as Midlantic Corp., whose market capitalization declined by 47.6% from yearend, and Bank of New England, which lost 49.3% of its market capitalization.

Healthier banks also suffered. Citicorp's market value was off 19.7% from yearend 1989, while J.P. Morgan's dropped 17.0%.

Apart from companies closing acquisitions, many of the banks that posted increases in market value during the quarter focus, as Synovus does, on nontraditional lines of business. For example, Wilmington Trust Co., another major credit card processor, grew 4.2%.

How Regions Fared

In regional terms, West Coast banks fared relatively well, with Valley Capital Corp., Las Vegas, showing the biggest decline in market capitalization at 16.6%.

Banks in the Middle Atlantic states generally performed worse than those in other regions, with both Bank of New England and Shawmut National Corp. losing nearly half of their market capitalization.

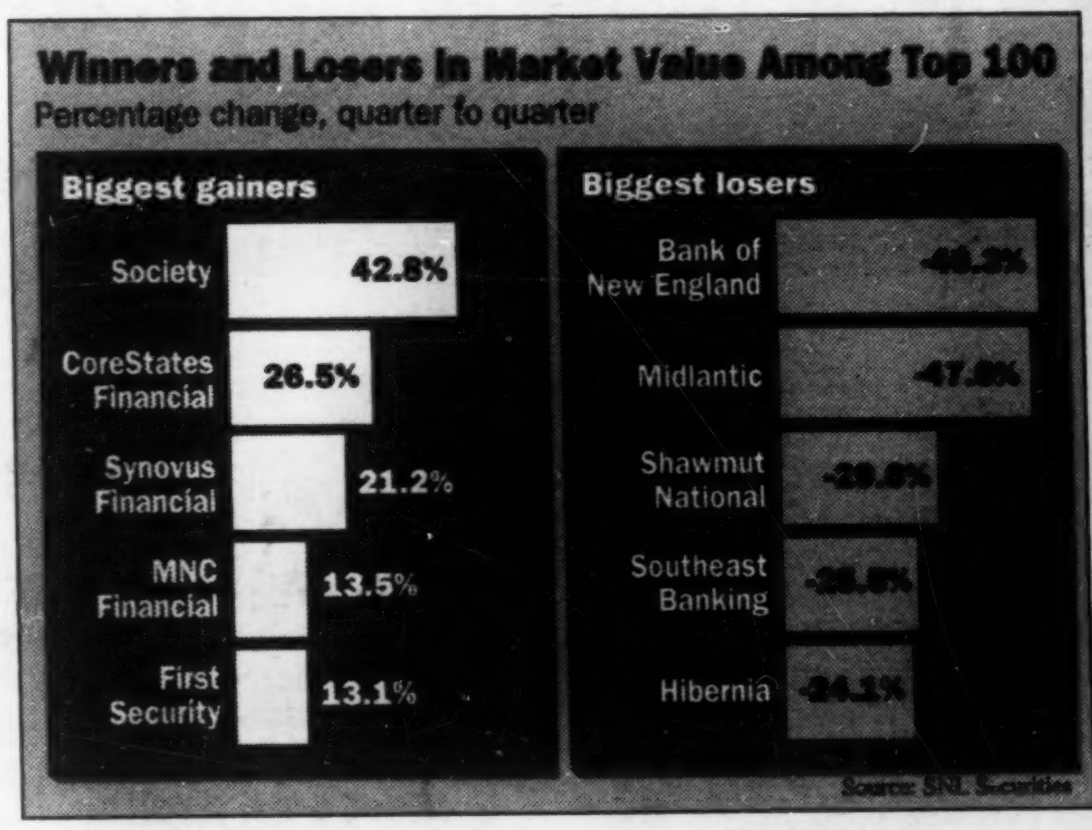
Southwestern banks' performance was close to the average for the top 100, with a 24.1% decline at Hibernia Corp.'s market share offset by a 13.05% gain on the part of First Security Corp.

Industry experts noted that the decline in market capitalization helped to slow the pace of consolidation in the banking industry. During the quarter, as previously reported, just $706 million in merger deals were announced. That annualizes to $2.8 billion for 1990, far below the $10.8 billion of 1989.

"People have in their minds certain [price] targets because of past deals," said John F. Kooken, vice chairman and chief financial officer of Security Pacific Corp.

But any slowdown will be temporary, according to Arthur P. Soter, a managing director at Morgan Stanley.

"Lower market capitalizations can temporarily stall but not permanently delay the industry consolidation," he said. "The superregionals will get antsy for growth and realize that acquisitions are their only avenue."


Winners and Losers in Market Value Among Top 100
Percentage change, quarter to quarter

Source: SNL Securities

* * *

Market Monitor

Bankers Trust New York Corp. said on Friday that it will soon issue $250 million in auction-rate preferred stock. The issue, which will count as Tier 2 capital, will be sold in four tranches and the dividend on the shares will be repriced every 49 days in a dutch auction.

A Bankers Trust official said a portion of the issue would not be underwritten but would instead be placed directly with investors. The remainder of the deal will be underwritten and sold by a group led by Shearson Lehman Hutton Inc. He declined to specify what proportion Bankers Trust would place directly. ☐

MARKET CAP

Top 100 Banking Companies in Market Capitalization

Listed in order of the market value of their common stock on March 31, 1990 (dollar amounts in millions)

Rank 3/90		Mar. Cap. 3/31/90	Assets 3/31/90	Change 1Q90	Ratio Mar. Cap/Assets
1	Citicorp, New York	7,528	233,100	-19.72	3.2
2	J.P. Morgan & Co. Inc., New York	6,711	90,771	-16.99	7.4
3	BankAmerica Corp., San Francisco	5,951	101,067	5.78	5.9
4	Security Pacific Corp., Los Angeles	4,483	86,453	-4.71	5.2
5	Banc One Corp., Columbus, Ohio	4,105	27,245	-3.16	15.1
6	NCNB Corp., Charlotte, N.C.	3,934	63,683	-15.97	6.2
7	PNC Financial Corp., Pittsburgh	3,753	46,619	-3.82	8.1
8	Wells Fargo & Co., San Francisco	3,549	50,170	-6.27	7.1
9	Chase Manhattan Corp., New York	3,479	106,517	-11.16	3.3
10	Bankers Trust New York Corp.	3,039	59,267	-9.62	5.1
11	First Wachovia Corp., Winston-Salem, N.C.	2,754	23,862	-2.92	11.5
12	SunTrust Banks Inc., Atlanta	2,697	30,914	-7.91	8.7
13	Fleet/Norstar Financial Group Inc., Providence, R.I.	2,387	36,524	-16.10	6.5
14	Bank of New York Co. Inc.	2,333	47,847	-14.63	4.9
15	Manufacturers Hanover Corp., New York	2,289	59,713	-1.18	3.8
16	NBD Bancorp Inc., Detroit	2,233	25,733	-3.05	8.7
17	CoreStates Financial Corp., Philadelphia	2,126	22,239	26.47	9.6
18	Sovran Financial Corp., Norfolk, Va.	2,091	25,371	-8.01	8.2
19	National City Corp., Cleveland	2,088	22,857	-11.98	9.1
20	Chemical Banking Corp., New York	2,048	74,150	-16.11	2.8
21	First Interstate Bancorp, Los Angeles	2,039	57,419	-0.20	3.6
22	First Chicago Corp.	1,984	49,992	-18.15	4.0
23	First Union Corp., Charlotte, N.C.	1,916	39,084	-13.33	4.9
24	Barnett Banks Inc., Jacksonville, Fla.	1,879	29,321	-17.58	6.4
25	Norwest Corp., Minneapolis	1,859	24,681	-11.65	7.5
26	Citizens and Southern Corp., Atlanta	1,639	24,117	-10.39	6.8
27	MNC Financial Inc., Baltimore	1,569	25,412	13.46	6.2
28	Republic New York Corp.	1,401	26,161	-9.78	5.4
29	U.S. Bancorp, Portland, Ore.	1,376	17,225	-11.28	8.0
30	State Street Boston Corp.	1,359	10,376	-3.92	13.1
31	Fifth Third Bancorp, Cincinnati	1,332	7,036	-8.01	18.9
32	First Fidelity Bancorp., Newark, N.J.	1,197	30,212	-12.02	4.0
33	Mellon Bank Corp., Pittsburgh	1,131	30,765	8.29	3.7
34	Boatmen's Bancshares Inc., St. Louis	1,066	14,864	-3.87	7.2
35	Northern Trust Corp., Chicago	1,066	11,853	-0.61	9.0
36	Society Corp., Cleveland	1,059	15,445	42.75	6.9
37	Bank of Boston Corp.	1,044	37,267	-22.87	2.8
38	Shawmut National Corp., Hartford, Conn.	1,043	24,904	-29.57	4.2
39	KeyCorp, Albany, N.Y.	1,014	15,454	-8.08	6.6
40	Huntington Bancshares Inc., Columbus, Ohio	915	11,592	-10.68	7.9
41	First Bank System Inc., Minneapolis	851	20,249	-19.17	4.2
42	Crestar Financial Corp., Richmond	838	11,419	-5.92	7.3
43	Continental Bank Corp., Chicago	827	29,026	-16.29	2.8
44	First of America Bank Corp., Kalamazoo, Mich.	777	12,657	-6.91	6.1
45	Comerica Inc., Detroit	771	11,961	-2.88	6.4
46	Union Bank, Los Angeles	770	16,107	4.24	4.8
47	Manufacturers National Corp., Detroit	733	10,562	-6.90	6.9
48	Bancorp Hawaii Inc., Honolulu	728	8,572	-10.66	8.5
49	City National Corp., Beverly Hills	723	4,583	-1.90	15.8
50	Marshall & Ilsley Corp., Milwaukee	723	7,021	-1.44	10.3
51	UJB Financial Corp., Princeton, N.J.	720	12,087	-13.48	6.0
52	Dominion Bankshares Corp., Roanoke	718	10,170	0.10	7.1
53	Ameritrust Corp., Cleveland	710	10,772	-23.99	6.6
54	Meridian Bancorp Inc., Reading, Pa.	682	11,638	-12.14	5.9
55	Old Kent Financial Corp., Grand Rapids	681	8,034	-3.97	8.5
56	Wilmington Trust Co., Del.	680	3,562	4.19	19.1
57	Firstar Corp., Milwaukee	665	8,386	-8.32	7.9
58	Signet Banking Corp., Richmond	660	12,268	-23.00	5.4
59	Synovus Financial Corp., Columbus, Ga.	632	2,601	21.17	24.3
60	Midlantic Corp., Edison, N.J.	629	23,700	-47.62	2.7
61	Mercantile Bankshares Corp., Baltimore	628	4,159	-3.39	15.1
62	First City Bancorp. of Texas, Houston	623	13,656	-6.96	4.6
63	Integra Financial Corp., Pittsburgh	609	6,941	-1.93	8.8
64	First Hawaiian Inc., Honolulu	599	5,384	-11.88	11.1
65	First Virginia Banks Inc., Falls Church	589	5,107	-6.64	11.5
66	Michigan National Corp., Farmington Hills	577	11,551	-22.73	5.0
67	Star Banc Corp., Cincinnati	553	5,954	-13.05	9.3
68	Southtrust Corp., Birmingham, Ala.	543	7,871	-11.97	6.9
69	AmSouth BanCorp., Birmingham, Ala.	533	8,540	-7.03	6.2
70	First Alabama Bancshares Inc., Montgomery	513	5,310	-10.61	9.7
71	Fourth Financial Corp., Wichita, Kan.	485	3,335	9.09	14.5
72	INB Financial Corp., Indianapolis	482	5,939	-5.20	8.1
73	Southeast Banking Corp., Miami	479	17,111	-25.45	2.8
74	Commerce Bancshares Inc., Kansas City, Mo.	463	5,765	-4.28	8.0
75	Hibernia Corp., New Orleans, La.	454	7,211	-24.10	6.3
76	South Carolina National Corp., Columbia	450	6,297	-5.47	7.1
77	First Security Corp., Salt Lake City	445	6,250	13.05	7.1
78	Central Fidelity Banks Inc., Richmond	435	5,273	-8.41	8.2
79	First Empire State Corp., Buffalo, N.Y.	433	6,526	-3.67	6.6
80	Mercantile Bancorp. Inc., St. Louis	433	6,862	2.97	6.3
81	First American Corp., Nashville, Tenn.	408	7,210	-14.95	5.7
82	Dauphin Deposit Corp., Harrisburg, Pa.	406	3,322	-0.79	12.2
83	Banco Popular de Puerto Rico, San Juan	396	5,823	-8.04	6.8
84	BB&T Financial Corp., Wilson, N.C.	393	4,709	1.25	8.3
85	First Tennessee National Corp., Memphis	383	6,581	-3.48	5.8
86	First Florida Banks Inc., Tampa	379	5,559	-16.34	6.8
87	United Missouri Bancshares Inc., Kansas City	376	3,762	-0.83	10.0
88	Bank South Corp., Atlanta	376	5,371	-7.26	7.0
89	Puget Sound Bancorp, Tacoma, Wash.	347	4,333	-10.23	8.0
90	Merchants National Corp., Indianapolis	338	5,527	-20.00	6.1
91	Bank of New England Corp., Boston	330	24,899	-49.30	1.3
92	Summit Bancorp., Summit, N.J.	327	3,799	-2.93	8.6
93	U.S. Trust Corp., New York	326	2,532	-6.52	12.9
94	First Bancorp. of Ohio, Akron	320	3,282	-10.17	9.8
95	Citizens Bancorp, Laurel, Md.	312	2,396	1.78	13.0
96	Valley National Bancorp, Clifton, N.J.	311	1,818	-0.94	17.1
97	Liberty National Bancorp Inc., Louisville, Ky.	306	3,468	0.58	8.8
98	United Banks of Colorado Inc., Denver	300	5,878	-1.87	5.1
99	Valley Capital Corp., Las Vegas	299	3,034	-16.63	9.8
100	Key Centurion Bancshares Inc., Charleston, West Va.	296	2,348	5.49	12.6

Data source: **SNL Securities,** Charlottesville, Va. **Description of the table:** A listing of 100 banking companies with the largest market capitalization. **Mar. Cap.** is market capitalization. It is computed by multiplying the number of common shares outstanding at the bank on March 30, 1990 by the closing market price of the bank's stock on March 30, the last trading day of the quarter. **Assets:** the total assets of the banking company on March 31, 1990. **Change 1Q90:** Percentage change in market capitalization from yearend 1989 to March 31, 1990. **Ratio Mar. Cap/Assets:** is market capitalization on March 31 expressed as a perectage of total assets on March 31.

Copyright American Banker, 1990.

800

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 109
Tuesday, June 5, 1990
155th year

OTS Swamps RTC Plan for Coordination

By STEVE KLINKERMAN

DALLAS — Discord between the Office of Thrift Supervision and the Resolution Trust Corp. threatens to derail a plan proposed in March to streamline the rescues of perhaps hundreds of ailing thrifts.

Under the so-called accelerated-resolution program, the OTS would refrain from turning over a failing thrift to the RTC until that agency had found a buyer for the institution. RTC officials aim to install the program by June 30.

Troubled thrifts would fetch higher prices under this coordinated approach, the RTC said, because the institutions would retain many depositors, borrowers, and managers who otherwise might leave during a prolonged RTC conservatorship.

ANALYSIS:
Follow-up on the news

Analysts and observers of the thrift bailout have said the OTS is going overboard in placing thrifts under RTC control, acting regardless of whether buyers have been found or even sought. A former OTS official said the agency is shoving thrifts into RTC conservatorship quickly so it can cut staff, distance itself from controversy, and give greater attention to healthy thrifts.

OTS Seen as Creating Chaos

In the process, the trigger-happy OTS is creating chaos for the RTC, the experts said.

The RTC, set up by the the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, must arrange rescues for the more than 300 thrifts already under its control while launching an advance sales program for hundreds of additional thrifts qualifying for accelerated resolution.

Unless the OTS moves at a more deliberate pace, critics said, dozens upon dozens of troubled thrifts are headed for decay under needlessly prolonged RTC conservatorships. To the extent the units lose value, the government's rescue costs will rise.

'Out of Control'

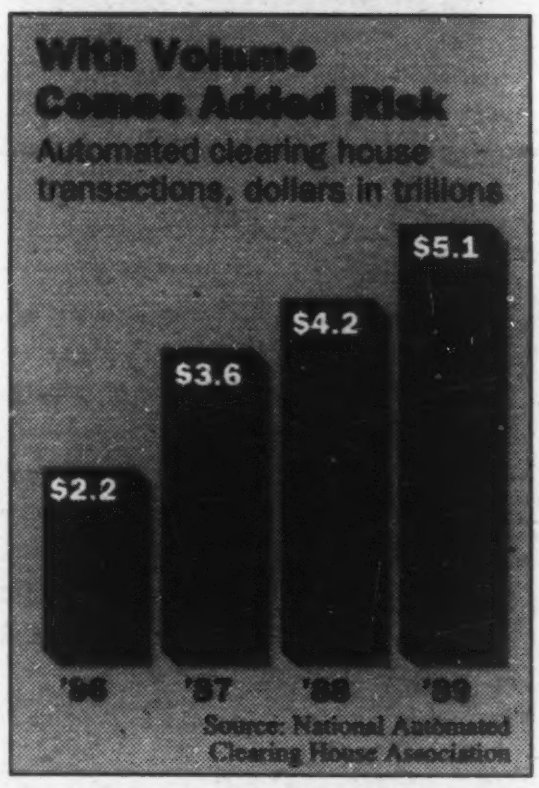
"The process is out of control, and no one seems to be interested in what it is costing," said Jonathan Lindley, managing director in the Washington office of Ferguson & Co.

L. William Seidman, chairman of the RTC, began putting brakes on the runaway train in March. Mr. Seidman, who also is chairman of the Federal De-

See **SEIZURES** page 8

INSIDE NEWS

TECHNOLOGY



Source: National Automated Clearing House Association

BANKS MAY DROP OUT of providing automated clearing house services unless many change their approach to risk on the ACH system. *Page 3*

REAL ESTATE

TEXAS WAS HOME to four of the five banks with the worst ratios of bad loans to equity at the end of last year. But the fifth was in New England, as were the rest of the top 10. *Page 9*

INTERNATIONAL

THE COLLAPSE of British & Commonwealth Holdings could spark a major fire sale of the conglomerate's financial-services assets, analysts said Monday. *Page 10*

CONSUMERS

YOUNG ADULTS are an untapped market for most financial institutions, which focus on the older and richer. But now some institutions are thinking young. *Page 6*

OTHER NEWS

OVERPRICED, NEEDLESS credit life insurance is being sold to unsuspecting customers, two consumer organizations charge. *Page 21*

PEOPLE

SWISS BANK CORP.'s Flavian Zeugin says extensive changes in U.S. law would be needed for the nation's banks to become competitive internationally. *Page 2*

CHASE MANHATTAN's Joel H. Glasky aims to boost its somewhat sluggish efforts in private placements. *Page 2*

INDEX

Company Index 2
Letters 5
Executive Changes 7
Classified Advertising 20
Bank and Thrift Stocks 23

1st Interstate Rumors Push Stock Higher

By FRED VOGELSTEIN

NEW YORK — Shares of First Interstate Bancorp soared Monday on takeover talk, leading a broad rise that propelled several bank stocks to their highest levels this year.

By late afternoon, the stock of the Los Angeles-based banking company was up $4.875, or 12%, to $44.875 on a second straight day of heavy volume.

First Interstate, which traded as high as $70 a year ago before stumbling on problem loans in its Texas and Arizona subsidiaries, is considered by many analysts as the most likely takeover target among major banks.

Rumors Discounted

"We hear rumors that Wells Fargo is about to launch a bid for First Interstate," said Raphael Soifer, an analyst at Brown Brothers Harriman. But having talked to both banks, he said, "I do not believe any of the rumors."

Officials at both Wells Fargo & Co and Security Pacific Corp. have expressed interest in ac-

See **FIRST** back page

Single-Borrower Limit To Be Relaxed by OTS

By DEBRA COPE

AP/Wide World
T. Timothy Ryan Jr.
Office of Thrift Supervision

WASHINGTON — In a bid to quell political pressure and complaints from home builders and lenders, the Office of Thrift Supervision is temporarily boosting one-borrower lending limits for the best-capitalized thrifts.

The residential construction market is being hurt by a provision of last year's S&L rescue bill that slashed thrift lending limits per borrower to 15% of unimpaired capital from 100%, bringing S&Ls in line with the standard for national banks. As a result, some builders have been unable to take further draws on lines of credit obtained before enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Others are having trouble rolling over loans.

To provide some immediate relief, the OTS submitted an interim final rule to the Treasury Department and the Office of Management and Budget. The new rule permits thrifts that already meet 1995 capital requirements to lend the equivalent of 60% of unimpaired capital to a single borrower for domestic residential construction, according to a senior OTS official.

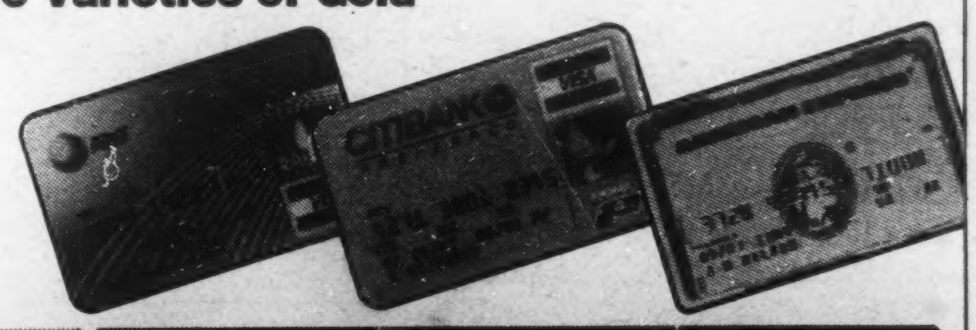
An OTS spokesman said 1,185 thrifts with $214.8 billion in assets currently meet the test. But thrift industry sources say they would like the OTS rule to allow any well-run, profitable thrift to take advantage of the exemption – even if its capital does meet not current standards.

Safety-and-Soundness Concerns

The relief measure is the first rulemaking attempt by the new director of the OTS, T. Timothy

See **OTS** page 18

Three Varieties of Gold



Annual fee	Free, if used once each year	$50	$75
Minimum annual income required	$30,000	$35,000	$20,000
Credit limit	$10,000	$5,000-$50,000 depending on income	No preset spending limit
Travel accident insurance	$250,000	$350,000	$100,000

AT&T Sending Some Applicants Gold Cards They Didn't Request

By YVETTE D. KANTROW

NEW YORK – Some consumers applying for AT&T's Universal card are getting a surprise in the mail.

In an unusual marketing gambit, American Telephone & Telegraph Corp. is sending a gold version of its combination credit and telephone card to select applicants – even if they did not request it.

To qualify for the gold Visa card, consumers must make more than $30,000 a year and have what the company deems an "impeccable" credit record.

Tight Targeting

The gold card program is yet another example of how the telecommunications giant is using its consumer marketing smarts

See **AT&T** page 17

A Market In Bad Loans Takes Shape

By STEVEN LIPIN

Looking for a silver lining in the mounting number of big corporate bankruptcies, commercial banks are gearing up to trade nonperforming corporate loans in a fledgling market now dominated by Wall Street.

The trading activity, participants said, would be patterned after the growing market for lesser-developed-country loans. Last year, $60 billion in LDC loans changed hands, according to estimates by Shearson Lehman Hutton Inc. Some observers say the market in distressed corporate loans could eventually approach that magnitude.

Significant Profits Expected

"We believe the market is evolving and will approach the LDC debt market," said Jo Ousterhout, senior director and head of secondary loan trading at Continental Bank.

"We do see significant profit potential. But it will be a little while before the trading market gets going."

Continental Bank Corp. and

See **TRADING** page 22

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 22

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 22

COMMENT/*By George H. Hempel*

Asset/Liability Management: The Focus Changes for Banks

The environment of the 1990s will require commercial banks to continue revising the focus of their asset/liability management. During most of the 1960s banks focused primarily on asset management. Funds were obtainable at costs with regulatory ceiling, so that high-performing banks were generally able to employ their funds in high-yielding assets.

Banks tended to struggle more with the liability side in the 1970s. Many banks seemed to believe they could profitably employ funds if they could obtain them at anything like a reasonable cost. Finding funding sources (often circumventing Regulation Q) and managing the cost of funds became major asset/liability management objectives.

The rising and volatile rates of the late 1970s and 1980s changed the focus of asset/liability management to the maintenance of an adequate margin between the returns on assets and the costs of funds. The focus of maintaining an adequate interest margin, even if interest rates fluctuated widely, led to emphasis on interest sensitivity management, gap management, duration management, and simulation.

Asset/liability management became more complex because of the continuing trend to deregulation in the financial-services industry. Ceilings on interest rates were removed.

Banks and other financial intermediaries were allowed broader lending and borrowing powers. Competition among increasingly similar financial intermediaries, and between these institutions and direct financial flows without an intermediary, intensified.

By late 1980s the impact of deregulation, intensified competition, and weak management was enough to cause severe financial stress on banks in areas with weak regional economies and on much of the savings and loan industry. These problems will be more difficult to resolve and their cost higher than is now admitted. The impact on the restructuring of financial institutions and regulatory practices has just started and will be felt throughout the 1990s.

Trends for the 1990s

While it is impossible to predict the exact environment that will affect the focus of bank asset/liability management, many trends have started that seem highly likely to continue well into the next decade. Two of the changes are endogenous: 1) changes in the structure of the banking and financial services industry and, 2) changes in the regulatory environment. The remaining four changes are broad exogenous changes in the financial markets in which banks must operate.

The structure of the banking and financial services industry will change markedly. The number of all types of financial institutions will be dramatically reduced during the next decade.

Remaining geographic and business-activity barriers will be removed, and differences among types of financial institutions will largely disappear by the mid-1990s. Successive waves of acquisitions and mergers will produce major new financial institutions that will rival today's large money-center banks in prominence and size.

Passage of risk-based capital rules and of the Financial Institutions Reform, Recovery, and Enforcement Act in the late-1980s are probably the tip of the iceberg in coming regulatory changes. Reemphasis on capital, and relating capital required to the perceived risk of broad asset categories, becomes fully effective by 1993.

> **"Differences among types of financial institutions will largely disappear by the mid-1990s."**

The 1989 reform act encourages industry consolidations and strengthens the regulatory structure for likely future regulatory changes. The most likely regulatory changes are probably some type of risk-related deposit insurance and a shift toward market value instead of historical cost accounting for depository institutions.

Evolution of the Markets

Three changes in the financial markets in which banks operate stand out:

- The globalization of money and capital markets.
- The evolution of numerous new securities in these markets.
- The development of new secondary markets for many financial assets.

The second and third changes have led banks to securitize many financial assets.

The pace of globalization of the money and capital markets seemed to quicken during the very tight monetary situation of the early 1980s. In the early 1980s, larger banks could purchase funds and raise capital in nearly all the financial markets in the world. However, many bank customers did not have access to these money and capital markets.

By 1990, many medium- and all larger-size businesses in the United States and other countries had the choice to raise funds in financial markets throughout the world. The ability of larger American corporations to finance themselves in many markets has reduced banks' share in financing such corporations and reduced the interest spread banks earn on the portion of such financing that banks have retained.

Development of New Securities

Many new securities have been developed in the past decade or so. Furthermore, the rate of development appears to be increasing.

Early innovations, such as zero-coupon securities and bonds with put options, have been replaced with increasingly complex issues, such as bonds adjusted for changes in inflation and exchange rates and dutch-auction preferred stocks. I estimate that there were close to 100 new types of securities that first appeared in the 1980s.

Banks appear to be affected in at least three ways. First, they can issue and have issued such new securities to finance their own needs. Second, they can ac-

See **COMMENT** *page* **12**

Dr. Hempel is Corrigan professor of finance at Southern Methodist University, Dallas. He is associate director of the Southwestern Graduate School of Banking and teaches at Stonier, Pacific Coast, Western States, and Colorado schools of banking.

CRIME BLOTTER/*By Tom Leander*

Gallery Rogue Back in Prison

Thomas Termatto, convicted of bilking six New York state banks out of more than $500,000, was sentenced last week to a minimum of 28 months and a maximum of seven years in prison.

State Supreme Court Justice Eugene Bergin also ordered Mr. Termatto, 33, to pay $511,000 in restitution to the banks and other victims who lost money because of his illegal activities.

In late 1984, Mr. Termatto led investors to believe he would be creating an exclusive art gallery on the top floor of a landmark skyscraper in downtown Rochester. The same site, he emphasized, had housed a prestigious gallery at the turn of the century.

According to prosecutors, Mr. Termatto told investors the gallery would act as a magnet to attract funds for a multimillion-dollar renovation of the historic building.

Mr. Termatto then obtained loans from a dozen different local banks, saying the money would be used to finance the gallery. He used the same portfolio of blue-chip stocks as collateral in each case.

The prosecutor, Monroe County Assistant District Attorney Kathleen Majewski, said Mr. Termatto sent the banks forged letters – on the letterhead of Mason, Lewis, and Grant, his New York broker – to verify his ownership of the stocks.

To promote the gallery – and himself – Mr. Termatto threw lavish parties at his home. The final soiree, in March 1985, was a grand-opening bash at the gallery. On that occasion, Ms. Majewski said, Mr. Termatto covered the walls of the gallery with paintings on loan from contemporary artists.

But the gallery never opened, and the bank loans were never repaid. Mr. Termatto fled on an extended vacation to Europe.

The lenders he victimized were Chase Manhattan Corp.'s Chase Lincoln First Bank, Rochester; Central Trust Co., Rochester, a subsidiary of Midlantic Corp.; Manufacturers Hanover Trust Co.; Marine Midland Bank; KeyCorp's Key Bank of Western New York; and First Federal Bank, Rochester.

To obtain the loan from First Federal Bank, Mr. Termatto pledged a luxurious BMW as collateral, but he was only renting the car, Ms. Majewski said.

Mr. Termatto was arrested and tried in 1987. He served 39 months in jail before a higher court overturned his original conviction, saying the trial court never adequately advised him of the perils of acting as his own attorney.

Following his second conviction, Ms. Majewski unsuccessfully asked the judge to impose a longer sentence, arguing that Mr. Termatto is eligible for parole almost immediately based on the time already served.

* * *

Securities Recovered in U.K.

British police arrested three men at London's Heathrow airport last week after $130 million of stolen bank securities were found in their baggage.

The 80 certificates of deposit found were part of securities valued at nearly $500 million that had been taken at knifepoint from a British money broker's messenger. The three men were all traveling to London on a British Airways flight from Dublin.

The Bank of England has issued a warning to banks worldwide concerning the stolen securities, which included CDs issued by a number of British and foreign banks.

— By John Evans

* * *

Lawyer Charged in Forgery

A lawyer from Manhasset, N.Y., was arrested last week on charges of fraudulently obtaining a $5.2 million loan from the Banking Center, Philadelphia, by forging signatures on promissory notes to convince bankers that he had backers in a limited partnership.

Attorney Gerald Cotter was approached in 1985 by a business acquaintance, Patrick Fawrley, who was seeking limited partners to develop houses in Bucks County, Pa., according to Nassau County assistant district attorney Connie Gentile. Mr. Fawrley, who had known Mr. Cotter for 19 years, has not been charged with any crime.

Mr. Cotter allegedly presented the Banking Center with documents naming 24 people who promised to invest $150,000 to $300,000 each. The documents included forged promissory notes pledging capital to the partnership.

But the partnership failed to make monthly payments on the $5.2 million loan in December 1987. When the bank tried to contact the investors whose names were signed to the promissory notes, it discovered the forgeries.

Defense attorney Kenneth J. Weinstein says that Mr. Cotter had no intention of defrauding the bank. □

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

BEST AVAILABLE COPY

DEALS

Trading in Nonperforming Loans Gains Appeal for Commercial Banks

Continued from *page* **1**

Bankers Trust New York Corp. are already trading actively. And sources said Citicorp is looking at setting up a distressed unit, as are a number of foreign banks.

A spokesperson at Citicorp said the bank was not trading currently and declined further comment.

"There is not a great deal of activity yet, although there's a great deal of interest," said Arthur B. Schoen Jr., managing director at BT Securities Corp., the securities unit of Bankers Trust.

Bankers stress that the bad-loan market is not a way for them to dump their loans. Rather, they believe it is a way to complement their other bankruptcy-related activities such as workout groups and debtor-in-possession financing.

Essentially an offshoot of the thriving secondary market in which healthy loans are routinely sold, trading in distressed loans is still illiquid.

Nonstandard Documentation

While that creates inefficiencies that banks can take advantage of, it is also an impediment to growth. One big problem is that documentation, which is not standardized, is difficult to transfer.

The development of the market depends on the willingness of banks – weighed down with souring real-estate and leveraged loans – to sell loans at a discount.

The market includes actual nonperforming loans as well as performing loans to some companies that have stumbled. The loans of R.H. Macy & Co., for instance, are being quoted at sharp discounts by some traders, even though the struggling company is still current.

Banks Awaken to Market

Wall Street firms are the biggest players in the nascent market for defaulted corporate loans, but banks are now recognizing it as a market they cannot afford to ignore.

"There's a growing interest in the market of distressed situations," said Ms. Ousterhout, whose unit makes a market in bad loans. "But calling it 'trading' might be ahead of the market."

Ms. Ousterhout believes the roughly $200 billion in highly leveraged transactions will provide grist for the troubled loan market.

The size of the distressed-loan market is thought to be as high as $75 billion.

The pressure to sell down these loans is especially acute on regional banks, said Christopher L. Snyder, president of Loan Pricing Corp. He believes regionals will be a source of supply for the market because of the need to clean up their balance sheets.

They have borne "the burden of regulatory compliance," and investors and banks' boards of directors have put pressure on regional banks.

"They've been forced to sell at a discount," he said.

At the same time, demand is growing from savvy investors willing to wade through bankruptcy proceedings and workouts for the potential to receive as much as face value for defaulted, but secured loans.

T. Rowe Price Associates Inc.'s Recovery Fund LP purchases bank loans, as does the Foothill Group's new bankruptcy fund.

In addition, traditional investors in distressed bonds are becoming more interested in the loan market, said Ms. Ousterhout.

Market Makers

Such Wall Street firms as Bear, Stearns & Co. and Oppenheimer & Co. are known to make markets in distressed loans. Also active are the bankruptcy boutiques, Delaware Bay Co. and R.D. Smith & Co.

These institutions do not necessarily take positions in the loans. Often they act as brokers, matching buyers and sellers.

Historically, banks have been loath to sell loans at less than par, forcing them to take write-downs and set aside reserves for the losses, bankers say.

"Banks have tended to hang on until the bitter end," said one loan trader. The very idea of quoting corporate loans at a discount – like securities – is new to commercial bankers.

But the wave of troubled leveraged transactions, and increased regulatory concerns, have put pressure on banks "to raise cash and get the nonperforming assets off their balance sheet," said one bankruptcy specialist.

The size of the distressed-loan market is thought to be as high as $50 billion to $75 billion. Business failures, one proxy, surged to 49,719 in 1989 from 10,000 a year in 1980, according to Dun & Bradstreet Corp.

A study by Edward I. Altman, professor of finance in the Stern School of Business at New York University, tallied the total market value of private distressed debt at over $150 billion, with a book value of $225 billion. That includes private trade claims, private placements, and bank loans.

Mr. Snyder of Loan Pricing Corp., however, believes banks are better off holding onto loans rather than selling at a loss at inopportune times.

"Banks are selling just as others want to buy. Nonbanks are looking at credit trouble as an opportunity," he said.

He argues that banks should work to restructure loans instead of selling outright. "Banks are selling at the worst possible time," Mr. Synder said. ☐

Trump Organization Confirms Restructuring Talks with Banks

By WILLIAM GOODWIN

The Trump Organization, the main holding company of New York real estate developer Donald Trump, confirmed reports Monday that it is holding restructuring talks with its four major lenders.

The company is talking with the banking units of Citicorp, Chase Manhattan Corp., Bankers Trust New York Corp., and Manufacturers Hanover Corp., according to banking industry sources. The names of the banks and news of the restructuring talks were first reported in Monday's *Wall Street Journal.*

Though Trump is current on the bank loans, The discussions were prompted by the real estate downturn, and the banks' concerns that Trump's new Taj Mahal casino in Atlantic City, N.J., is not generating enough cash to cover debt payments, according to a source familiar with the situation.

Diversity of Lenders

However, the bank talks are complicated by the fact that Trump has "different institutions in different credits," a bank source noted.

"Currently, we are meeting with major banks and are having cooperative and constructive discussions," the Trump Organization said in a brief statement Monday.

"Based upon the excellent asset values and their long-term earnings potential, we are confident we will arrive at a mutually beneficial solution," the company added.

In apparent reaction to the front-page *Wall Street Journal* story, the press release began by saying: "The Trump Organization assets are among the best in America. They are unique, well positioned, and they have great long term value."

The Trump Organization calls its assets "among the best in America."

The *Journal* article called into question the value of Trump assets and the prospects of their sale at high levels. A Trump spokesman would not provide details of the bank talks, and Trump officials did not return phone calls. The banks also had no comment on the talks.

While Trump has an estimated $2 billion of bank debt, it is unclear how much is actually held by the four banks.

Chase, for example, provided first mortgages of $75 million for the Trump Tower as well as $200 million for Trump property on the West Side of Manhattan. But Chase subsequently sold off most of both loans.

Other Trump lenders include Japanese, German, and French banks.

"He's spread his exposure around," a banking source said. ☐

To Place a Classified Advertisement
Call 212/943-5824 or 800/221-1910

Bad Property Loans Soar in New England

Continued from *page* **9**

regions have tended to blame their real estate woes on the regulators.

"We did some complaining in 1985," he said, "But its a very real situation in the market that you have to deal with."

Officials of Bank of New England have said that its recovery from recent excesses may take years. The bank has embarked on a program that includes shrinking from $25 billion in assets to about $20 billion, setting up a collecting bank, and the sale of assets, including Maine National Bank and Bank of New England, Providence, R.I.

A Cluster of Problems

The Providence unit did not appear on the list of the banks with the greatest exposure of bad real estate to equity, but six of the eight Bank of New England units did at yearend, including the Maine subsidiary, which ranked 33d with bad real estate loans comprising 46.91% of capital. Bank of New England has since consolidated into only five units.

Thomas L. Lavelle, a spokesman for the holding company, said that company officials were confident the $151 million of reserves taken in the first quarter, although much smaller than the $1 billion taken the fourth quarter of last year, was "appropriate."

At the end of the quarter, he said, the company's primary capital – a broader measure of strength than equity capital, some bankers said, because it includes reserves – totaled $2.2 billion. Total nonperforming assets, primarily real estate loans, measured $2.25 billion.

A Trap in Demographics

"The major mistake by everyone up here is, they did not focus on the true demographics of New England," said James Moynihan, regional bank analyst for Advest Inc., Boston. "This is a region where we have zero population growth, and therefore one that couldn't possibly support the boom" that began in the 1970s.

"If the overall economy doesn't sink any further, I think [some New England banks] will be able to work out of it," Mr. Moynihan said. "But it's a good three- to four-year process, assuming things peaked in 1987."

One bank appearing for the first time on the Dec. 31 list was Dai-Ichi Kangyo Bank of California, Los Angeles, which had bad real estate loans equal to 39.65% of equity capital to rank 43d.

In another category, its ratio of bad real estate loans to total real estate loans was fourth worst after Bank of New England (27.22%) and two other small units of foreign banks, UBAF Arab American Bank, N.Y., 12.65%, and Bank of Tokyo Trust Co., N.Y., 8.11%. ☐

Solvent Texas Bank Units May Seek Bankruptcy Shield

By STEVE KLINKERMAN

DALLAS — In response to the Friday takeover and sale of nine of its 12 banks, National Bancshares Corp. of Texas as early as today will seek court protection under Chapter 11 of the U.S. Bankruptcy Code.

Attorneys representing the San Antonio-based bank holding company said National Bancshares hoped a bankruptcy judge would speed orderly settlements of some $35 million in creditor claims. Including its solvent banks in the South Texas towns of Rockdale, Laredo, and Eagle Pass, the company's assets are worth $5 million to $20 million, they said.

A key question in the impending bankruptcy proceedings is whether the Federal Deposit Insurance Corp. will try to exercise the "cross guarantee" provision.

Bailout Law Granted Right

With passage of the thrift reform law last August, the FDIC gained the right to seize assets of healthy bank subsidiaries to offset the costs of rescuing their failed affiliates.

The FDIC sold National Bancshares' nine failed banks to NCNB Texas National Bank, Dallas, in a transaction that ultimately could cost the agency more than $300 million.

Billing the three remaining healthy banks for that sum "would cause them to fail," said Robert Ott, a lawyer with Arnold & Porter who is representing the company. It hopes to persuade the FDIC to limit its claim to the $5 million it would stand to get if the three banks were sold, he said. ☐

800

C0175-1

AMERICAN BANKER

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 111 | Thursday, June 7, 1990 | 155th year

BankAmerica's Arizona Deal May Set Pattern

By TERESA CARSON

LOS ANGELES — With the announcement last week that it would acquire a failed thrift in Arizona, BankAmerica Corp. joined two of its California rivals and several other out-of-state banking companies with stakes in one of the nation's most depressed real estate markets.

Unlike Security Pacific Corp., First Interstate Bancorp, and others that suffered sizable Arizona losses in recent years, BankAmerica enters the state with little, if any, risk. Like other buyers of failed thrifts, it has the option of returning to the federal government assets it does not want to keep.

ANALYSIS: *Follow-up on the news*

The deal is the kind that could attract others who want to buy into a region that has nowhere to go but up.

Buyers could include those who lost out in the thrift regulators' auction of Western Savings and Loan Association, Phoenix.

BankAmerica last week agreed to pay $81 million for Western's 61 branches and $3.5 billion in deposits.

Bargain Hunter's Paradise

Most of the rest of the Grand Canyon State's troubled thrift industry remains in regulators' hands after having drowned in real-estate-related red ink. The institutions eventually to be sold include MeraBank, Phoenix, with $4.7 billion in deposits, and Pima Savings and Loan Association, Tucson, with $2.1 billion in deposits.

If BankAmerica's first major foray into Arizona is any indication, the state has all the earmarks of a bargain hunter's paradise – a status it is likely to retain until its economy turns around. Most observers of the Arizona market say the real estate market remains at rock bottom and recovery is still months away.

Hopeful Sign?

But some view BankAmerica's entry as a hopeful sign.

'I think it means Arizona has a hell of a future," said Gordon Murphy, executive vice president of the Arizona Bankers Association.

"We are through the major downside. I am quite comfortable with that," said Richard J. Lehmann, chairman and chief executive of Valley National Corp., Phoenix. "But I can't tell you when we'll start to see things turn up."

Some are a little more opti-

See **BANKAMERICA** *page* 7

INSIDE NEWS

CONSUMER

DESPITE FEARS of a sluggish economy, a number of major banks are continuing to extend consumer installment credit, and a few are aggressively upgrading their lending programs. *Page 6*

INTERNATIONAL

FRANCE'S PARIBAS has protected itself against losses in its entire $1.75 billion of Third World loans by insuring the unreserved portion of its exposure. *Page 10*

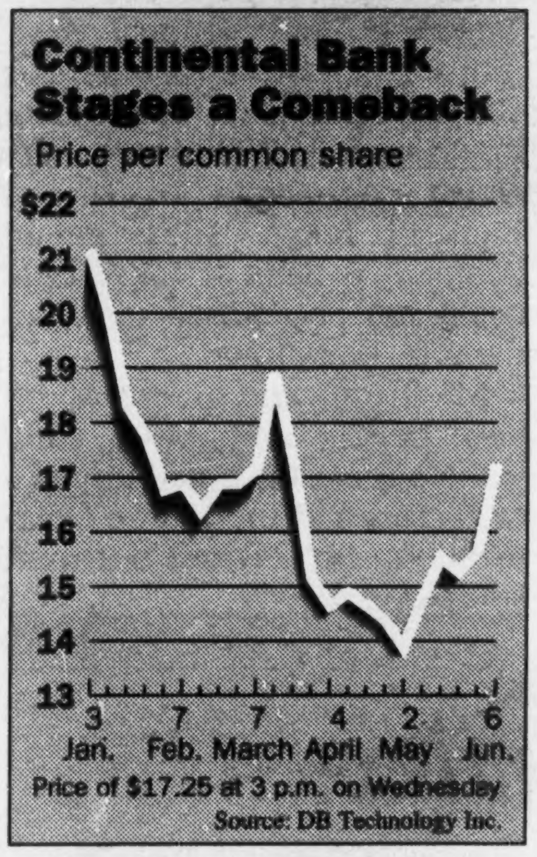
TECHNOLOGY

A LEGAL DISPUTE over Unisys Corp.'s image technology may slow some banks' plans to acquire check-imaging systems, bankers and analysts say. *Page 3*

MANAGEMENT

HIS REPUTATION for being "a little crazy" helps Anthony P. Terracciano overhaul an organization, he says; he is now trying to restructure First Fidelity Bancorp. *Page 8*

FINANCE



Price of $17.25 at 3 p.m. on Wednesday

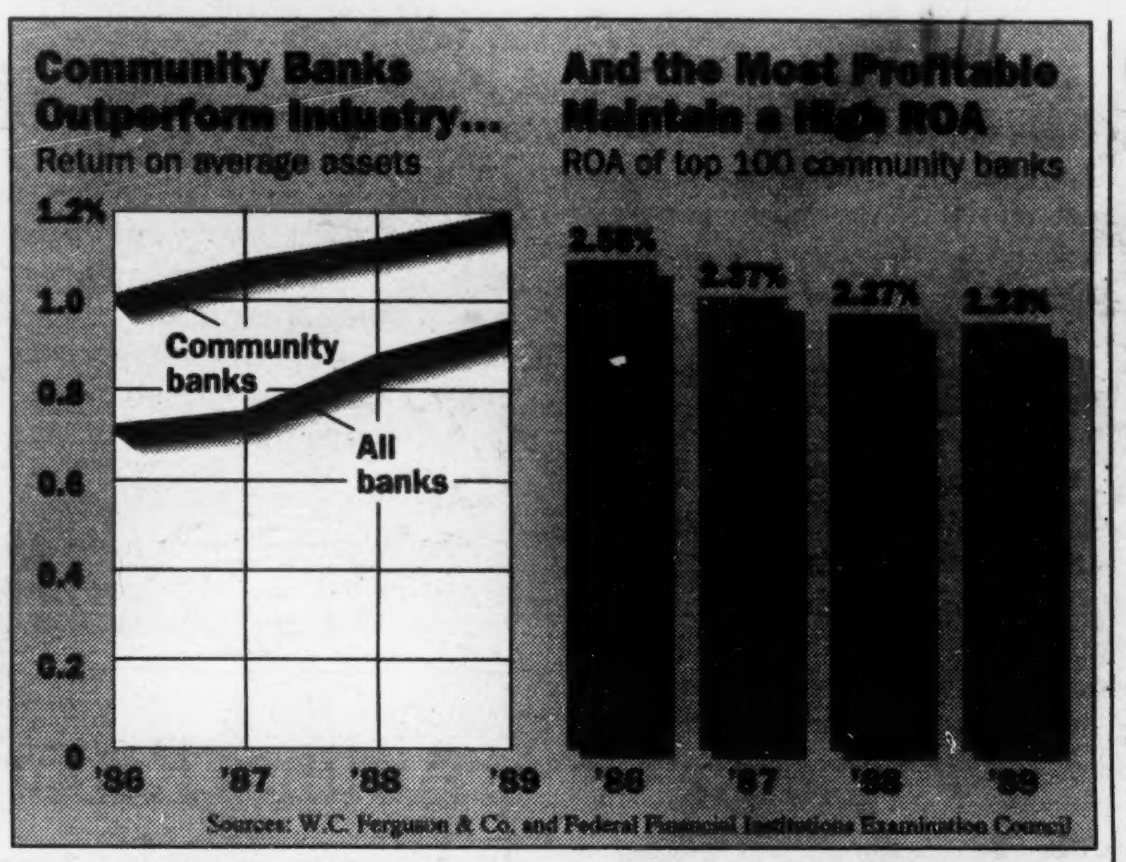
Source: DB Technology Inc.

MOST BANK STOCKS retreated Wednesday from recent gains, but First Interstate Bancorp bucked the trend on a combination of renewed takeover talk and optimism about the company's future under new management. *Page 20*

LOWER INTEREST RATES in the past month have not lured banks and thrifts back into the debt markets to the extent that might be expected. *Page 20*

INDEX

People 2
Company Index 2
Comment 4
Classified Advertising 16
Bank and Thrift Stocks 19



Sources: W.C. Ferguson & Co. and Federal Financial Institutions Examination Council

In Profits, the Community Banks Leave Big Competitors in Dust

By YVETTE D. KANTROW

NEW YORK — Community banks face tougher competition from big institutions. And they complain bitterly about the rising cost of complying with regulations. But meanwhile, they continue to outperform the rest of the industry.

The return on assets at the average community bank increased to 1.19% last year, from 1.13% in 1988, according to an *American Banker* survey.

Smaller ROA at Bigger Banks

The 1989 return was 34 basis points higher than the average of other banks, whose ROA grew to 0.85% from 0.77%.

In each of the four years of the survey, community banks – defined as those with assets of $50 million to $200 million and owned independently or by a one-bank holding company — outperformed their rivals. In the latest year, 3,604 banks met that definition.

Three Key Factors

Experts attribute the success of community banks to three factors:

- Community banks can offer personalized service that larger institutions cannot match.
- The relationships they build enable them to accurately gauge their customers' creditworth-

See **COMMUNITY** *page* 13

Comptroller May Begin New Round Of Exams

By ROBERT M. GARSSON

WASHINGTON — Expressing concern about deteriorating loan quality in regions outside New England, Comptroller of the Currency Robert L. Clarke said Wednesday his agency might soon begin a new round of examinations of real estate loans by national banks.

"There are other places that have fallen into the condition of being overbuilt," Mr. Clarke told reporters after a hearing of the House Small Business Committee.

Sizable Increases Forced

He declined to specify which parts of the country he now has in mind but said their problems are not of the magnitude of New England's. Besides New England, the Comptroller's office has already examined the real estate portfolios of banks in the Southeast and Midwest, forcing some to make sizable increases in loan-loss reserves.

Earlier, in testimony at the House committee's hearing on credit availability in New England, Mr. Clarke said that when

See **COMPTROLLER** *page* 11

Massachusetts Puts Interstate Banking on Hold

By JED HOROWITZ

NEW YORK — Massachusetts banks that are eager to repel out-of-state invaders won a victory this week when the state Senate voted to delay a nationwide interstate banking provision until Jan. 1, 1993.

The Senate bill conflicts with a House version passed in April that would allow banks outside New England to move into Massachusetts as soon as the legislation becomes law. A joint conference committee of the two bodies must now work out a compromise.

Industry officials predicted that the legislators will compromise on a trigger date of Jan. 1, 1992, for nationwide banking. But they expect banks will have the option of approving friendly takeovers early in 1991.

Connecticut and New Hampshire earlier this year passed nationwide interstate banking bills, leaving Massachusetts the region's sole holdout. Massachusetts has allowed reciprocal

See **INTERSTATE** *page* 17

Warnings of Losses on FHA Loans Prod Kemp to Call for Higher Fees

By DEBRA COPE

WASHINGTON — Spurred by warnings that the government's flagship program for first-time home buyers could become insolvent, the Bush Administration called on Wednesday for most borrowers to pay higher fees for FHA mortgages.

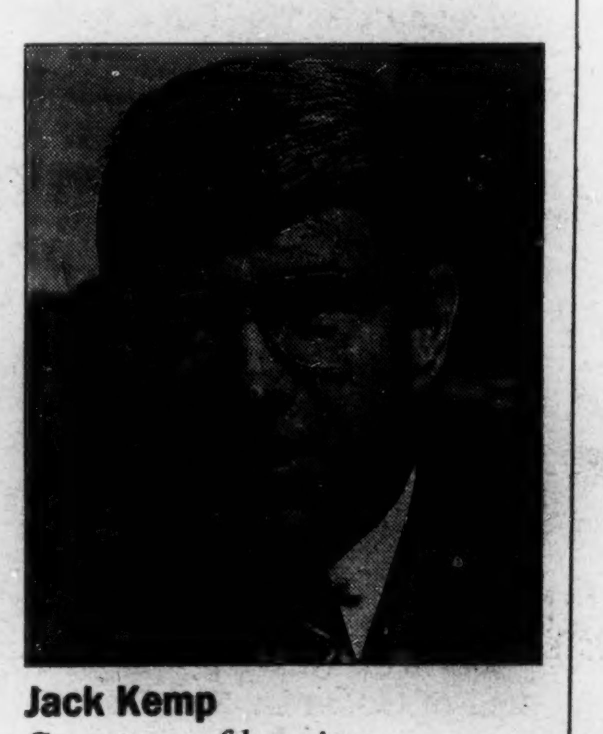
The plan is intended to minimize the possibility that the Federal Housing Administration's mutual mortgage insurance fund could require a taxpayer bailout by the end of the decade.

$271 Billion Insured

That fund is the FHA's largest that guarantees loans for single-family homes. The fund insured $271 billion in loans as of last September.

The General Accounting Office said Wednesday its audit of the fund showed a loss of $1.4 billion in the fiscal year that ended in September 1988, and the likelihood in the near term of a continued high rate of foreclosures.

As part of a plan to revamp the fund, Jack Kemp, Secretary of housing and urban development, recommended imposing risk-based mortgage insurance premiums and ending the financing of most closing costs.



Jack Kemp
Secretary of housing

The fund needs to increase its income by $760 million a year to offset growing losses and rebuild equity. It was not clear how much fee income the proposals would provide.

See **FHA** *page* 11

COMMENT/ *By Melvin L. Burstein*

Banking System Safeguards Should Not Be Dismantled

" . . . along with the dismantling of these archaic laws, public policy officials concerned over U.S. competitiveness must overcome unfounded trepidation over the separation of finance and commerce."

— March 22 testimony of L. William Seidman, chairman, Federal Deposit Insurance Corp., before the International Competitiveness Task Force, House Committee on Banking, Finance, and Urban Affairs

Mr. Seidman testified that without his recommended changes to U.S. banking structure and powers, the U.S. banking system will lose its ability to compete in the global financial market. That loss will "weaken the viability of our banking system and . . . the economic strength of our nation worldwide," he maintains.

Mr. Seidman, who is not alone in his assessment, would go further than almost anyone else in restructuring the U.S. banking system and enlarging bank powers. He urges "dismantling of . . . archaic laws" – including Glass-Steagall, which separates commercial and investment banking, and the Bank Holding Company Act, which separates banking and commerce – to enable the formation of so-called universal banks.

Banks Are Special

I have to wonder if Mr. Seidman and others have lost sight of why banks are subject to these and other laws regulating the way they do business.

The thesis of an essay by E. Gerald Corrigan, the immediate past president of the Minneapolis Fed and current president of the New York Fed, published in my bank's 1982 annual report, captures what I believe is the reason for such laws:

Banks are special. The banking system has a special place and set of functions in our economy.

The "archaic laws" Mr. Seidman refers to, among others, were put in place not to develop the largest or the most profitable banks in the world, but to provide a safe and sound banking system for the benefit of the U.S. economy. Anyone advocating major changes to banking structure and powers should have the burden of proving the need to do away with the legal structure intended to protect the U.S. economy from a major disruption in the banking system.

In 1913 Congress passed the Federal Reserve Act, the first piece of banking legislation of this century to address the country's repeated banking panics. Among other things, it established a central bank system to provide liquidity to banks as needed to provide stability.

In part because the Federal Reserve didn't properly use its power to provide liquidity, thousands of banks failed during the early 1930s. As a result, Congress enacted the banking acts of 1933 and 1935, which included the National Bank Act, Glass-Steagall, the federal deposit insurance system, and significant amendments to the Federal Reserve Act.

To further protect the banking system, Congress passed the Bank Holding Company Act of 1956 to separate banking from commerce. In 1970, that law was amended to include corporations owning even a single bank.

No Dropouts

Like public utilities, banks are not allowed to operate unfettered in the marketplace; rather, they are given a limited market advantage of a geographic and activities franchise. In addition, they derive a market advantage from the federal safety net of deposit insurance and access to borrowing from the Federal Reserve.

These market advantages must still have value, because despite all the market opportunities allegedly now denied U.S. banks, I am not aware that any bank has relinquished its charter to engage in other business.

Economy Is Vulnerable

No one familiar with the yet unresolved thrift problem and numerous and substantial bank failures of the 1980s should have any doubt about the economy's vulnerability to misadventures in the banking system.

Driven at least in part by deregulation of some activities and fueled by problems inherent in deposit insurance, these misadventures caused the insolvency of the Federal Savings and Loan Insurance Corp., the diminution of the reserves of the Federal Deposit Insurance Corp., and a huge but undetermined addition to the federal deficit.

Need for Change Unproven

I have reflected at length on the alleged competitive problems confronting U.S. banks to understand what could justify the advocated changes in spite of these problems of the 198Os. The allegations are unsupported

See **COMMENT** *page* **15**

"No one familiar with the yet unresolved thrift problem and numerous and substantial bank failures of the 1980s should have any doubt about the economy's vulnerability to misadventures in the banking system."

Mr. Burstein, senior vice president and general counsel of the Federal Reserve Bank of Minneapolis, is its senior officer over banking supervision.

THE LOBBYISTS

Sensing a Crisis, The Home Builders Step Up Their Efforts

Driven by a growing sense of crisis in the housing market, the **National Association of Home Builders** has stepped up lobbying of the federal banking regulatory agencies.

Frequent trips to the Office of Thrift Supervision spawned one notable success – a soon-to-be-issued rule easing limits on loans to one borrower. Surveys by the 157,000-member group show builders are pinched by credit tightening by banks and S&Ls.

Now the association is urging the thrift regulation office to loosen risk-based capital rules for construction loans-in-process. OTS districts want S&Ls to fully cover untapped portions, although banks hold only 50% capital for the off-balance-sheet liabilities. Builder lobbyists on Monday briefed **Jonathan Fiechter,** OTS's second-in-command, and **John Robinson,** senior policy official.

Jonathan Flechter

Builder association officials have trooped to the thrift regulation office twice to meet with director **T. Timothy Ryan Jr.,** but two other banking regulators have come to them.

FDIC Chairman **L. William Seidman** and Comptroller of the Currency **Robert L. Clarke** spoke at the builders' May board meeting in Washington.

Introducing Mr. Clarke, association president **Martin Perlman,** a Houston builder, noted they once served together on the board of a Texas bank and boasted of teaching Mr. Clarke all he knows about construction lending.

A Supplemental Plan Of Deposit Insurance

With deposit insurance reform under serious review by the Treasury Department and sure to be a catalyst for major financial legislation next year, it's no surprise that a wide spectrum of industry players are trying to shape the reform debate. On Wednesday, **Peter J. Wallison** — former White House counsel to President Reagan and chief counsel at the Treasury Department under Donald Regan — entered the fray by offering his concept of private, supplemental deposit insurance. At a discussion at the **American Enterprise Institute** think tank here, Mr. Wallison, now a lawyer with the firm of **Gibson, Dunn & Crutcher,** explained his "supplemental deposit protection" system.

Peter J. Wallison

The system would rely on the earnings and capital of the banking industry to guarantee 100% of the deposits and liabilities of participating banks. The Bank Insurance Fund and Savings Association Insurance Fund of the **Federal Deposit Insurance Corp.** would remain as "backup insurers" for all deposits up to $100,000. "Too big to fail" issues would be resolved because all deposits and other liabilities of banks and S&Ls with assets over $1 billion would be guaranteed.

Since the system is voluntary for smaller institutions, these banks and S&Ls could continue with the current system, he argues. Mr. Wallison's views are similar to those of consultant **Bert Ely,** who is publishing his reform ideas in concert with the U.S. Chamber of Commerce.

* * *

Manufacturers Group Taps a Citicorp Exec

Charles Long, Citicorp's corporate secretary and head of the banking concern's Washington operation, has been named to the board of directors of the **National Association of Manufacturers.**

A spokesman for the trade group said Mr. Long is not the first banker to serve on the 210-member board, but said he is one of the few. "We're involved in lobbying on corporate governance and tax issues that are of interest to banks," the spokesman said.

* * *

Hunter Heads Bank Directors

A former **Federal National Mortgage Association** chairman, **Oakley Hunter,** is spearheading a newly formed association for bank directors.

Mr. Hunter, who is a director of a small bank in Bethesda, Md., is president of the **American Association of Bank Directors,** a group formed not only to educate bank directors, but to lobby for changes in the Financial Institutions Reform, Recovery, and Enforcement Act passed by Congress last summer.

The job of directing a bank or savings and loan has become increasingly risky because directors are now subject to huge civil penalties under the act.

"The feeling among the directors is that they needed representation," said **David H. Baris,** a partner in the Washington law firm of **Kennedy & Baris,** who is assisting in the group's startup.

After opening a month ago, the association is already looking at possible amendments to the new law concerning the money penalties against directors who have no knowledge of violations, Mr. Baris said.

The association also intends to conduct a survey of banks to determine whether directors have resigned because of the reform act, and whether banks are having trouble attracting new directors because of the law.

— Bill Atkinson, Debra Cope, Robert Trigaux, and Robert M. Garsson

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

COMMUNITY BANKS

The Top 100 U.S. Community Banks

Based on the Return on Average Assets for 1989

Rank 1989		Return On Avg. Assets 1989	Return On Avg. Assets 1988	Return On Avg. Equity 1989	Return On Avg. Equity 1988	Overhead as a % of Assets 1989	Loans as a % of Assets 12/31/89	Total Assets ($000) 12/31/89	Total Deposits ($000) 12/31/89	3-Year Deposit Gr. Rate 1986-89	Net Income ($000) 1989	Net Income ($000) 1988	Full-time Empl. 12/31/89	Net Inc. Per Empl. ($000) 1989	Net Inc. Per Empl. ($000) 1988
1	**Kentucky-Farmers Bank, Catlettsburg**	3.52	3.27	14.95	14.26	3.14	44.89	105,149	79,417	16.30	3,545	3,064	62	57	49
2	**Pacific Heritage Bank, Torrance, Calif.**	3.48	1.29	36.85	18.55	6.28	69.00	107,561	98,122	85.73	2,388	940	54	44	21
3	**First State Bank, Dimmitt, Tex.★**	3.38	1.77	40.86	20.66	3.16	56.87	76,489	69,239	32.26	2,321	952	39	60	34
4	**Business Bank, Vienna, Va.★**	3.31	2.45	25.59	18.66	5.66	49.58	67,848	57,438	-20.94	1,875	1,451	42	45	39
5	**First State Bank, Columbus, Tex.**	3.02	3.38	13.70	16.60	1.70	18.36	66,523	50,909	9.36	1,947	2,091	16	122	131
6	**San Benito Bank & Trust Co., Tex.★**	3.02	0.37	47.33	8.73	3.80	48.24	69,203	63,574	5.56	1,915	244	47	41	5
7	**Farmers Savings Bank, Spencer, Ohio**	2.91	2.59‡	10.44	12.81‡	1.64	49.78	55,501	39,427	47.56	1,518	952‡	12	127	79‡
8	**Key Biscayne Bank & Trust Co., Fla.**	2.91	3.18	18.05	20.90	2.00	20.40	112,978	94,051	2.39	3,141	3,403	44	71	76
9	**Putnam County National Bank, Carmel, N.Y.**	2.74	3.05	14.28	16.47	3.24	45.43	94,531	74,077	18.34	2,628	2,636	50	53	54
10	**First Bank, Oak Park, Ill.★**	2.64	2.11	28.15	25.50	5.54	73.10	124,175	109,837	12.95	3,217	2,650	76	42	34
11	**Hinesville Bank, Ga.★**	2.61	2.46	20.82	20.23	4.48	59.12	80,669	68,751	21.24	1,981	1,730	63	31	29
12	**Lyndonville Savings Bank & Trust Co., Vt.**	2.59	2.33	25.14	25.65	1.73	82.88	127,136	113,536	43.46	2,915	2,377	55	53	45
13	**Western Community Bank, Corona, Calif.★**	2.54	1.85	23.33	18.63	5.22	70.94	51,558	45,480	45.22	1,109	712	46	24	17
14	**Pitkin County Bank & Trust Co., Aspen, Colo.★**	2.49	2.16	34.05	29.53	2.81	73.17	76,980	70,923	70.62	1,528	989	32	48	34
15	**Pioneer Trust Bank NA, Salem, Ore.★**	2.46	3.05	15.46	19.90	2.59	26.07	93,476	78,883	19.92	2,054	2,321	49	42	50
16	**Bank of Sunset & Trust Co., La.**	2.44	2.25	10.54	9.98	1.54	17.37	52,897	40,352	29.33	1,219	1,046	17	72	62
17	**McDowell County National Bank, Welch, W.Va.**	2.43	2.95	9.97	12.39	1.84	33.39	110,992	82,735	10.06	2,672	3,143	36	74	87
18	**Citizens Bank, Delavan, Wis.★**	2.42	2.75	12.87	14.54	1.16	65.70	64,244	48,553	19.30	1,511	1,589	11	137	144
19	**National Bank of Stamford, N.Y.**	2.41	2.99	11.93	15.43	1.88	42.05	70,824	48,093	16.22	1,686	2,035	26	65	78
20	**Western National Bank, Odessa, Tex.★**	2.41	2.07	23.83	19.76	2.79	59.92	78,339	69,976	77.44	1,714	1,202	45	38	28
21	**San Gabriel Valley Bank, El Monte, Calif.**	2.39	1.44	26.98	20.80	5.31	64.74	50,285	44,997	6.86	1,095	646	49	22	14
22	**National Bank of Coxsackie, N.Y.**	2.34	2.44	17.44	19.56	2.36	53.72	71,120	60,250	25.54	1,615	1,594	37	44	44
23	**Valley Bank, Moreno Valley, Calif.**	2.33	1.69	27.68	21.36	5.40	43.96	59,279	53,513	43.85	1,293	805	78	17	12
24	**City Bank, Lynnwood, Wash.**	2.33	1.60	27.16	20.01	4.53	69.80	185,913	164,345	65.76	3,670	2,139	107	34	20
25	**Mechanics National Bank, Paramount, Calif.**	2.33	1.57	30.59	21.71	7.89	72.17	192,118	173,760	55.44	3,821	2,107	218	18	10
26	**First National Bank, Wyoming, Del.**	2.29	2.04	15.73	14.67	2.46	66.46	70,870	59,429	11.39	1,540	1,262	27	57	47
27	**Saratoga National Bank, Calif.★**	2.29	1.91	17.25	14.69	4.93	74.57	52,781	45,111	87.83	1,062	770	27	39	37
28	**First National Bank, East Lansing, Mich.★**	2.28	2.20	25.94	26.73	2.43	67.63	82,539	73,615	28.65	1,806	1,645	35	52	50
29	**Houghton State Bank, Red Oak, Iowa★**	2.26	2.08	24.63	23.81	3.39	59.31	60,704	54,462	-0.39	1,318	1,222	35	38	32
30	**Farmers Bank, Windsor, Va.**	2.24	2.35	12.82	12.85	2.00	79.08	63,231	51,546	38.48	1,321	1,178	21	63	62
31	**Peoples State Bank, Hamtrack, Mich.**	2.24	2.29	11.37	11.92	1.71	42.18	135,961	107,056	10.22	2,990	2,906	44	68	63
32	**Winona National & Savings Bank, Minn.★**	2.24	2.27	13.47	15.08	1.89	42.80	118,225	94,876	4.68	2,604	2,556	44	59	58
33	**First National Bank, Wyoming, Pa.**	2.24	1.69	12.23	10.08	1.53	62.81	51,835	41,322	11.24	1,167	870	20	58	41
34	**Mid America Bank South, Mankato, Minn.★**	2.22	1.31	24.72	13.37	3.60	50.69	88,877	80,308	94.92	1,284	580	35	37	28
35	**Union Bank, Mena, Ark.★**	2.21	1.94	24.71	17.66	2.87	64.08	64,471	58,151	10.75	1,408	1,230	50	28	25
36	**Metairie Bank & Trust Co., La.**	2.21	1.86	10.48	9.49	2.92	38.43	173,181	133,826	7.11	3,789	3,132	109	35	28
37	**Citizens Bank, Fayette, Ala.★**	2.20	2.31	10.76	12.01	1.37	31.46	91,319	71,029	7.40	1,951	1,960	26	75	78
38	**Mission Viejo National Bank, Calif.★**	2.20	1.80	34.74	34.58	9.73	47.74	131,553	120,639	161.06	2,377	1,254	105	23	16
39	**Union Bank, Morrisville, Vt.★**	2.19	2.34	25.42	28.85	3.00	84.47	112,429	100,512	38.83	2,320	2,235	77	30	31
40	**First Security Bank, Searcy, Ark.**	2.19	2.06	21.15	18.83	2.19	55.42	133,345	116,415	17.01	2,801	2,473	69	41	37
41	**Citizens Bank, Carthage, Tenn.**	2.18	2.29	15.65	16.18	1.30	55.30	164,881	138,435	32.17	3,436	3,175	50	69	64
42	**Middleburg National Bank, Va.**	2.18	2.09	20.24	21.46	2.13	71.44	104,418	92,072	9.47	2,194	2,008	32	69	65
43	**Puyallup Valley Bank, Wash.**	2.18	1.97	21.52	22.08	3.69	52.49	56,137	50,475	30.25	1,031	872	36	29	26
44	**Kilbourn State Bank, Milwaukee**	2.17	2.27	12.53	13.50	2.37	51.60	82,163	60,017	21.92	1,683	1,625	27	62	65
45	**First National Bank, Clifton Forge, Va.**	2.17	1.93	14.86	14.27	1.90	43.21	60,433	50,804	11.00	1,258	1,085	21	60	52
46	**McCook National Bank, Neb.★**	2.17	1.54	16.90	13.59	1.92	44.58	93,597	78,428	-9.71	1,980	1,426	36	55	40
47	**First Bank & Trust Co. of Illinois, Palatine★**	2.16	2.16	21.26	21.68	3.04	32.19	74,368	66,318	20.73	1,500	1,422	41	37	35
48	**Redding Bank of Commerce, Calif.★**	2.16	1.80	23.53	18.51	2.40	75.04	85,461	77,462	60.71	1,616	1,106	29	56	43
49	**Peoples Bank of Bullitt Cty., Shepherdsville,Ky.**	2.15	2.48	13.50	15.84	2.81	69.67	88,038	73,045	37.35	1,817	1,870	48	38	35
50	**Bank of Sun Prairie, Wis.**	2.15	2.28	12.50	13.73	2.78	67.23	98,162	80,419	6.79	1,992	1,983	56	36	38
51	**Bank of Mountain View, Ark.**	2.14	2.43	12.14	14.35	1.94	44.38	54,382	44,458	15.38	1,071	1,116	23	47	47
52	**Bank of Southside Virginia, Carson★**	2.14	2.05	17.05	16.79	2.49	62.72	150,311	129,336	28.07	2,982	2,640	70	43	43
53	**Bunkie Bank & Trust Co., La.★**	2.13	1.02	32.97	11.31	3.53	48.11	62,896	57,813	77.94	1,304	366	35	37	13
54	**Centreville National Bank, Md.**	2.12	2.14	18.84	19.54	1.85	66.34	115,235	101,528	29.50	2,279	2,086	35	65	61
55	**Lamesa National Bank, Tex.★**	2.12	0.66	23.86	6.08	1.80	44.10	113,310	101,375	21.51	2,425	705	39	62	18
56	**Denver National Bank, Pa.**	2.11	2.19	13.39	14.32	1.28	59.38	161,349	133,130	20.89	3,245	3,082	36	90	91
57	**Citizens Bank, Rusk, Tex.**	2.11	1.70	12.34	11.72	1.82	17.91	53,129	43,465	10.48	1,074	913	12	90	61
58	**Bank of Roane County, Harriman, Tenn.**	2.10	1.13	28.11	14.93	2.57	50.12	130,396	118,148	11.97	2,676	1,367	75	36	17
59	**New Tripoli National Bank, Pa.★**	2.09	2.05	13.84	13.92	2.08	73.07	71,482	59,896	32.43	1,428	1,303	23	62	57
60	**Northern State Bank, Thief River Falls, Minn.**	2.08	2.03	11.25	11.44	1.81	39.07	87,297	69,963	8.21	1,722	1,580	36	48	44
61	**Byron Center State Bank, Mich.★**	2.07	2.26	16.24	17.80	2.21	69.01	124,301	107,205	50.55	2,349	2,230	48	49	48
62	**Torrance National Bank, Calif.**	2.06	1.92	24.04	25.13	4.68	58.04	85,619	75,974	9.62	1,788	1,634	54	33	30
63	**Western Security Bank NA, Burbank, Calif.★**	2.06	1.14	24.19	14.96	5.42	66.14	76,985	69,556	73.91	1,316	677	41	32	19
64	**Middletown Valley Bank, Md.**	2.05	1.81	19.15	18.29	2.14	70.86	76,765	68,148	35.25	1,501	1,248	40	38	33
65	**First National Bank, Taft, Tex.**	2.05	1.74	22.17	20.24	1.85	13.16	50,017	44,632	4.17	971	752	17	57	44
66	**Danville State Bank, Ark.★**	2.04	2.24	20.56	24.10	1.63	52.73	82,691	73,765	14.40	1,632	1,655	32	51	53
67	**Franklin County National Bank, Brookville, Ind.★**	2.04	1.93	16.51	17.39	2.28	62.08	73,613	60,507	10.71	1,489	1,376	38	39	38
68	**First State Bank, St. Charles, Mo.★**	2.03	1.88	14.60	14.33	2.40	80.61	87,778	74,011	6.34	1,716	1,512	33	52	47
69	**Pioneer Bank, Fullerton, Calif.★**	2.01	1.77	26.08	26.03	5.02	74.40	151,296	137,033	49.89	2,812	2,101	79	36	31
70	**Bank of Waldron, Ark.★**	2.01	1.69	16.95	14.12	1.98	63.21	62,987	54,061	13.42	1,218	963	32	38	32
71	**First National Bank, Dryden, N.Y.**	2.00	1.99	17.19	17.54	2.34	52.93	57,886	50,120	16.21	1,162	1,085	29	40	37
72	**Citizens Bank & Trust Co., Columbus, Neb.★**	2.00	1.44	16.42	13.64	2.26	38.58	53,328	46,303	1.32	983	707	21	47	37
73	**First State Bank, Stratford, Tex.★**	1.99	1.94	18.27	17.09	1.92	43.22	60,840	53,947	17.19	1,139	1,075	22	52	49
74	**First National Bank, Falfurrias, Tex.**	1.99	1.71	11.13	9.70	2.14	18.63	50,132	41,306	8.05	910	743	29	31	23
75	**Regency Bank, Fresno, Calif.**	1.99	1.15	27.13	15.21	4.60	70.20	79,348	72,509	90.54	1,345	607	46	29	16
76	**Berwyn National Bank, Ill.**	1.98	0.97	13.21	6.31	2.78	14.46	67,815	56,811	16.81	1,280	598	42	30	13
77	**St. Henry Bank, Ohio**	1.97	2.22	14.10	17.54	1.74	70.10	74,524	62,487	14.18	1,459	1,569	11	133	143
78	**Somersworth Bank, N.H.**	1.97	1.75	33.64	29.07	0.98	77.89	163,871	151,579	125.46	3,062	2,238	22	139	86
79	**Bank of Akron, N.Y.**	1.97	1.59	14.66	12.27	2.22	38.61	54,810	46,940	22.86	1,042	801	26	40	32
80	**County Bank, Merced, Calif.**	1.97	1.50	29.71	23.31	4.52	69.48	121,344	111,686	92.57	1,868	1,172	94	20	17
81	**Rancho Vista National Bank, Vista, Calif.**	1.97	1.29	21.94	14.68	13.10	65.96	50,445	44,495	14.30	952	550	68	14	11
82	**Citizens Bank, Moulton, Ala.★**	1.96	1.70	12.62	11.39	2.64	42.03	58,151	48,312	23.10	1,092	884	40	27	22
83	**Charter Pacific Bank, Agoura Hills, Calif.**	1.96	1.33	24.05	18.36	6.97	65.41	69,196	62,697	39.27	1,115	686	59	19	15
84	**Irving Bank, Chicago★**	1.95	2.16	14.53	15.95	2.15	24.13	76,378	65,398	13.66	1,464	1,530	29	50	53
85	**Valley of the Rogue Bank, Rogue River, Ore.★**	1.95	1.98	21.53	24.45	4.03	61.41	86,927	78,901	55.22	1,502	1,388	90	17	18
86	**Farmers & Merchants Bank-Eastern Shore, Onley, Va.**	1.95	1.87	18.34	18.60	2.48	66.42	131,746	116,227	32.61	2,423	2,092	55	44	37
87	**First Bank, Coon Rapids, Minn.★**	1.94	1.71	18.77	19.19	4.44	62.34	58,597	51,685	9.69	1,126	1,000	53	21	17
88	**Fowler State Bank, Ind.★**	1.93	2.12	14.09	15.66	2.58	56.38	68,983	56,388	2.56	1,239	1,315	36	34	38
89	**Neffs National Bank, Pa.★**	1.93	2.00	16.45	17.69	1.52	64.27	65,595	56,654	38.57	1,221	1,124	15	81	75
90	**Ralston Bank, Neb.**	1.93	1.57	25.75	20.94	3.61	67.99	89,114	81,508	32.98	1,574	1,140	58	27	19
91	**Elgin State Bank, Ill.★**	1.92	1.95	20.97	22.70	2.89	65.39	79,651	71,614	42.99	1,474	1,349	44	34	34
92	**Maywood-Proviso State Bank, Maywood, Ill.★**	1.92	1.77	13.87	13.20	2.95	66.59	107,457	90,412	19.10	1,967	1,657	62	32	26
93	**Borel Bank and Trust Co., San Mateo, Calif.**	1.92	1.42	25.13	19.73	4.11	73.97	146,353	133,040	47.28	2,572	1,641	56	46	32
94	**Bank of Commerce, Stilwell, Okla.**	1.90	2.32	10.75	14.39	2.85	15.96	53,024	43,307	10.32	955	1,125	27	35	40
95	**Commercial State Bank, Wagner, S.D.★**	1.90	2.16	13.66	15.79	2.13	50.65	63,635	54,483	19.31	1,122	1,240	19	59	69
96	**First National Bank, Shelby, N.C.**	1.90	1.70	14.84	13.56	2.12	31.89	197,249	158,288	36.38	3,741	3,064	93	40	36
97	**Kerman State Bank, Calif.**	1.90	1.67	19.92	14.53	2.86	57.51	53,689	48,267	90.88	892	593	24	37	25
98	**First National Bank, Floydada, Tex.★**	1.90	1.58	17.89	14.76	1.62	26.82	58,595	51,068	10.57	1,132	914	19	60	48
99	**Valley Bank of Kalispell, Mont.★**	1.90	1.39	17.81	14.61	2.94	51.41	62,224	51,506	-2.26	1,176	856	36	33	22
100	**Lawrence National Bank & Trust Co., Kan.★**	1.90	1.28	18.77	13.24	3.72	70.23	68,663	61,078	16.65	1,263	863	43	29	21
	Average Values for Top 100 Banks in 1989	**2.23%**	**1.95%**	**19.67%**	**17.65%**	**3.06%**	**54%**	**88,862**	**76,190**	**29.9%**	**1,839**	**1,549**	**45**	**49**	**47**
	Average Values for Top 100 Banks in 1988¹	**2.27%**	**1.93%**	**18.52%**	**16.43%**	**2.48%**	**51%**	**82,547**	**70,079**	**...**	**1,418**	**1,485**	**41**	**57**	**42**

Data Source: Data are from the federal regulatory "Reports of Condition and Income" filed by all federally-insured commercial banks. **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex., was used to generate the listing. **Community Bank:** An FDIC-insured commercial bank that is independently owned, or owned by a one-bank holding company, and has assets between $50 million and $200 million on Dec. 31, 1989. The bank must be profitable in each of the last three years 1987-1989. U.S. bank subsidiaries of foreign banks are excluded. **Returns on Average Assets and Average Equity Capital:** net income for the year divided by average assets and average equity, respectively. **Overhead as a % of Assets:** overhead expense divided by average total assets. **Loans as a % of Assets:** total loans divided by total assets. **Deposit Growth Rate:** the percentage change in deposits over the period Dec. 31, 1986, to Dec. 31, 1989. **Net Income:** income after taxes but before extraordinary items. **Net Income Per Employee:** net income divided by the number of employees at the end of the period. (★) — Owned by a 1-bank holding co. (‡)— Data for 1987 were used because the 1988 data were sharply higher due to capital gains. (¹)— Annualized data for 9/88. **Compiled by American Banker, Copyright 1990.**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 12-14

Community Banks Still Outperforming Big Competitors

Continued from *page* **1**

iness.

- The nation's agricultural economy – a major source of business for many community banks – continues to strengthen.

Impressive Returns

These points have helped the 100 most profitable community banks maintain an impressive average return on assets of 2.23% in 1989, on par with the 2.27% reported in 1988.

In contrast, the most profitable money center – First Chicago Corp. – reported a return on assets of 0.74% in 1989, while the 21 out of 26 superregionals profitable last year had an average return of 0.94%.

Commitment to Customers

Whether their primary business is consumer or corporate lending, many community bankers say it is their commitment to their customers that has enabled them to fend off competition from larger banks that enter their markets and charge less.

"Some of the chains will come in and cut rates to get their foot in the door, but they won't stay in the marketplace very long," said James R. Daniel, president of Friendly Bank in Oklahoma City. "We can compete with that pretty effectively."

Quick Answers on Loans

David Wierchering, vice president of the $66 million-asset San Benito Bank & Trust Co. in Texas said, "We don't have to go to Dallas or Houston to get an answer on loans."

> **"If a $35 million bank has to spend $35,000 for a compliance officer, that's a lot."**
>
> **Kathleen Murphy**
> *American Bankers Association*

That means that the bank can turn around loan approvals faster than its competition – which includes the Texas affiliates of NCNB Corp. and Chemical Banking Corp. – and that customers will come back for more.

Industry is Shrinking

But even though their lending operations remain strong, community bankers fear that their industry is contracting. According to the Independent Bankers Association of America, there are 12,600 banks in the United States, down from 14,209 at yearend 1986.

Moreover, there are expected to be only 11,000 by yearend 1992, and many that disappear are expected to be small, independent banks.

Compliance Costs Rising

In addition, the cost of complying with regulation is driving up operating expenses at community banks.

According to a 1989 study by the American Bankers Association, banks typically spend 1% to 4% of their annual net income on regulatory compliance. And the smallest banks are believed to be hit the hardest.

"Staff resources are the burden," said Kathleen Murphy, director of the Community Bankers Council at the ABA. "If a $35 million bank has to spend $35,000 for a compliance officer, that's a lot."

According to the trade group's study, a bank with a staff of 10 needs to devote at least half of one employee's time to compliance issues.

Rookie Examiners

Laws like the Community Reinvestment Act can require labor-intensive recordkeeping operations. And even routine portfolio exams can trip up institutions.

"The smaller banks have the honor and the privilege of being examined by rookies that have just gotten out of supervisory school' said Kenneth A. Guenther, executive vice president of the Independent Bankers Association.

Overhead Going Up

Though community banks typically boast lower overhead than their larger counterparts, their expenses are rising faster.

At the 100 most profitable community banks, overhead equaled 3.06% of assets, up from 2.48% in 1988. That rise contrasts with stability at the average U.S. bank; the all-banks average was 3.40% of assets in 1989, 3.36% the year before, according to Sheshunoff Information Services, Austin, Tex.

A key factor for community banks has been the agriculture rebound. "The big plus in terms of community banking is that agriculture has been healthy," said Mr. Guenther. "And they have not been cursed by LBOs and LDC debt."

According to the Federal Reserve Board, the profitability of agricultural banks rose 10 basis points last year, to 1%. Moreover, profitability of agricultural banks has risen 60 basis points since 1986.

For small nonagricultural banks, the one-year rise was sharper – 20 basis points, to 0.9% of assets – but the increase since 1986 was only 30 basis points, half the agricultural banks' gain.

The survey also found that:

- The nation's top-performing community bank was Kentucky-Farmers Bank, Catlettsburg. The $105 million-asset retail bank had a 3.52% return on assets.
- Last year the 100 most profitable community banks averaged a return on average equity (ROE) of 19.67%, total assets of $89 million, total deposits of $76 million, net income of $1.8 million, and 45 full-time employees. In 1988, the top 100 averaged ROE of 18.52%, $83 million in assets, $70 million in deposits, and 41 employees. □

SERVICE
IS NOT
A THING
OF THE PAST

You can still find it at Balboa Life and Casualty.

In fact, we don't just talk about providing service.

We impose the strictest of performance standards in such key areas as customer contact, information processing and response to service requests.

For instance, every one of the 800,000 documents we receive monthly from our customers is processed within 48 hours, with over 99.8% accuracy. Our service representatives, who receive over 120,000 phone calls each month, are continually trained and monitored.

So you and your customers can count on fast, courteous service as well as virtually flawless precision.

At Balboa Life and Casualty, we approach business with the values of the past. We find the future looks better that way.

For more information, call David de Gorter, Marketing Director at 714-553-7692.

AVCO INSURANCE
BALBOA LIFE & CASUALTY
YOUR PARTNER IN INSURANCE

Regional Breakdown of Top 100 Community Banks

Listed geographically by region, with return on assets for 1989

Rank 1989		ROA 1989	Rank 1988[1]
	New England Region		
12	Lyndonville Savings Bank & Trust Co., Vt.	2.59	19
39	Union Bank, Morrisville, Vt.★	2.19	18
78	Somersworth Bank, N.H.	1.97	126
	Midwest Region		
1	Kentucky-Farmers Bank, Catlettsburg, Ky.	3.52	2
7	Farmers Savings Bank, Spencer, Ohio	2.91	9
10	First Bank, Oak Park, Ill.★	2.64	43
18	Citizens Bank, Delavan, Wis.★	2.42	8
28	First National Bank of Michigan, East Lansing★	2.28	33
29	Houghton State Bank, Red Oak, Iowa★	2.26	49
31	Peoples State Bank, Hamtramck, Mich.	2.24	22
32	Winona National & Savings Bank, Minn.★	2.24	27
34	Mid America Bank South, Mankato, Minn.★	2.22	304
44	Kilbourn State Bank, Milwaukee	2.17	25
46	McCook National Bank, Neb.★	2.17	231
47	First Bank & Trust Co. of Illinois, Palatine★	2.16	39
49	Peoples Bank of Bullitt Cty., Shepherdsville, Ky.	2.15	10
50	Bank of Sun Prairie, Wis.	2.15	24
60	Northern State Bank of Thief River Falls, Minn.	2.08	58
61	Byron Center State Bank, Mich.★	2.07	28
67	Franklin County National Bank, Brookville, Ind. ★	2.04	77
68	First State Bank, St. Charles, Mo.★	2.03	87
72	Citizens Bank & Trust Co., Columbus, Neb.★	2.00	268
76	Berwyn National Bank, Ill.	1.98	346
77	St. Henry Bank, Ohio	1.97	32
84	Irving Bank, Chicago★	1.95	37
87	First Bank, Coon Rapids, Minn.★	1.94	149
88	Fowler State Bank, Ind.★	1.93	42
90	Ralston Bank, Neb.★	1.93	211
91	Elgin State Bank, Ill.★	1.92	73
92	Maywood-Proviso State Bank, Maywood, Ill.★	1.92	117
95	Commercial State Bank, Wagner, S.D.★	1.90	36
100	Lawrence National Bank & Trust Co., Kan.★	1.90	314
	Mid-Atlantic Region		
9	Putnam County National Bank, Carmel, N.Y.	2.74	4
19	National Bank of Stamford, N.Y.	2.41	6
22	National Bank of Coxsackie, N.Y.	2.34	13
26	First National Bank, Wyoming, Del.	2.29	57
33	First National Bank, Wyoming, Pa.	2.24	162
54	Centreville National Bank, Md.	2.12	41
56	Denver National Bank, Pa.	2.11	34
59	New Tripoli National Bank, Pa.★	2.09	53
64	Middletown Valley Bank, Md.	2.05	101
71	First National Bank, Dryden, N.Y.	2.00	64
79	Bank of Akron, N.Y.	1.97	199
89	Neffs National Bank, Pa.★	1.93	63
	Southeast Region		
4	Business Bank, Vienna, Va.★	3.31	12
8	Key Biscayne Bank & Trust Co., Fla.	2.91	3
11	Hinesville Bank, Ga.★	2.61	11
17	McDowell County National Bank, Welch, W.Va.	2.43	7
30	Farmers Bank, Windsor, Va.	2.24	17
	Southeast Region (Continued)		
35	Union Bank of Mena, Ark.★	2.21	75
37	Citizens Bank, Fayette, Ala.★	2.20	21
40	First Security Bank, Searcy, Ark.	2.19	52
41	Citizens Bank, Carthage, Tenn.	2.18	23
42	Middleburg National Bank, Va.	2.18	45
45	First National Bank, Clifton Forge, Va.	2.17	76
51	Bank of Mountain View, Ark.	2.14	14
52	Bank of Southside Virginia, Carson, Va.★	2.14	54
58	Bank of Roane County, Harriman, Tenn.	2.10	341
66	Danville State Bank, Ark.★	2.04	31
70	Bank of Waldron, Ark.★	2.01	161
82	Citizens Bank, Moulton, Ala.★	1.96	151
86	Farmers & Merchants Bank-Eastern Shore, Onley, Va.	1.95	89
96	First National Bank, Shelby, N.C.	1.90	150
	Southwest Region		
3	First State Bank, Dimmitt, Tex.★	3.38	114
5	First State Bank, Columbus, Tex.	3.02	1
6	San Benito Bank & Trust Co., Tex.★	3.02	360
14	Pitkin County Bank & Trust Co., Aspen, Colo.★	2.49	38
16	Bank of Sunset & Trust Co., La.	2.44	30
20	Western National Bank, Odessa, Tex.★	2.41	50
36	Metairie Bank & Trust Co., La.	2.21	90
53	Bunkie Bank & Trust Co., La.★	2.13	343
55	Lamesa National Bank, Tex.★	2.12	357
57	Citizens Bank, Rusk, Tex.	2.11	154
65	First National Bank, Taft, Tex.	2.05	129
73	First State Bank of Stratford, Tex.★	1.99	74
74	First National Bank, Falfurrias, Tex.	1.99	148
94	Bank of Commerce, Stilwell, Okla.	1.90	20
98	First National Bank, Floydada, Tex.★	1.90	207
	Western Region		
2	Pacific Heritage Bank, Torrance, Calif.	3.48	313
13	Western Community Bank, Corona, Calif.★	2.54	94
15	Pioneer Trust Bank NA, Salem, Ore.★	2.46	5
21	San Gabriel Valley Bank, El Monte, Calif.	2.39	269
23	Valley Bank, Moreno Valley, Calif.	2.33	160
24	City Bank, Lynwnwood, Wash.	2.33	193
25	Mechanics National Bank, Paramount, Calif.	2.33	214
27	Saratoga National Bank, Calif.★	2.29	81
38	Mission Viejo National Bank, Calif.★	2.20	106
43	Puyallup Valley Bank, Wash.	2.18	68
48	Redding Bank of Commerce, Calif.★	2.16	105
62	Torrance National Bank, Calif.	2.06	79
63	Western Security Bank NA, Burbank, Calif.★	2.06	339
69	Pioneer Bank, Fullerton, Calif.★	2.01	116
75	Regency Bank, Fresno, Calif.	1.99	338
80	County Bank, Merced, Calif.	1.97	245
81	Rancho Vista National Bank, Vista, Calif.	1.97	308
83	Charter Pacific Bank, Agoura Hills, Calif.	1.96	303
85	Valley of the Rogue Bank, Rogue River, Ore.★	1.95	65
93	Borel Bank & Trust Co., San Mateo, Calif.	1.92	275
97	Kerman State Bank, Calif.	1.90	167
99	Valley Bank of Kalispell, Mont.★	1.90	286

The New England Region consists of the following six states: Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont. **The Midwest Region** consists of 13 states: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. **The Mid-Atlantic Region** comprises Washington, D.C., Puerto Rico, and the following five states: Delaware, Maryland, New Jersey, New York, and Pennsylvania. **The Southeast Region** comprises 10 states: Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. **The Southwest Region** consists of the following six states: Colorado, Louisiana, New Mexico, Oklahoma, Texas, and Utah. **The Western Region** comprises 10 states: Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, and Wyoming. **(★)** — The bank is a member of a one-bank holding company. **(1)**— Rank based on ROA for the full year 1988.

Compiled by American Banker, Copyright 1990.

Banks Dropping Out of Top 100

Banks that were in top 100 in 1988, listed geographically by region, with their 1989 ROA and 1989 ROA rank

Rank 1989		ROA 1989	Rank 9/88[1]
	New England Region		
--	Oxford Bank & Trust Co., Me.	1.17	84
	Midwest Region		
102	State Bank of Countryside, Ill.★	1.89	86
129	Park National Bank, Chicago★	1.78	72
131	First Guaranty National Bank, Martin, Ky.★	1.78	83
132	Bank of Prairie du Sac, Wis.	1.78	96
169	First National Bank of Gallatin, Mo.	1.71	50
170	Teutopolis State Bank, Ill.	1.71	88
239	Washington State Bank, Iowa★	1.62	84
292	Mid City Bank, Omaha, Neb.★	1.57	98
--	National Bank of America, Salina, Kan.★	1.22	45
•	Golden Valley Bank, Minn.[2]	1.22	49
--	Annandale State Bank, Minn.	1.19	94
--	First Bank of Marietta, Ohio★	1.01	57
	Mid-Atlantic Region		
141	First National Bank, Jeffersonville, N.Y.★	1.76	69
144	Brunswick B&T Co., Manalapan Twp. N.J.★	1.75	41
174	First National Bank of Palmerton, Pa.★	1.70	19
196	Peoples Bank of Unity, Plum Boro, Pa.	1.67	54
305	Bank of Millbrook, N.Y.	1.56	43
	Southeast Region		
101	Smackover State Bank, Ark.★	1.89	32
116	Brand Banking Co., Lawrenceville, Ga.	1.84	100
117	Citizens B&T Co. of Grainger, Rutledge, Tenn.★	1.83	64
118	Farmers Bank, Greenwood, Ark.	1.83	66
126	First National Bank of Polk Cty, Cedartown, Ga.★	1.80	87
128	First National Bank, Pontotoc, Miss.	1.79	63
137	First National Bank in Sylacauga, Ala.★	1.77	61
187	Union Bank & Trust Co., Bowling Green, Va.	1.68	74
220	Bank of Hiawassee, Ga.	1.64	71
241	Farmers & Merchants Bank, Holly Hill, S.C.★	1.62	67
268	Bank of Gravette, Ark.	1.59	75
303	First National Bank of West Point, Ga.★	1.56	55
316	Enterprise Bank, Ehrhardt, S.C.	1.55	26
331	Bank of Canton, Ga.★	1.53	91
361	Bank of La Fayette, Ga.★	1.50	60
--	Bank of Eastman, Ga.	1.38	51
--	Peoples Bank, Vanleer, Tenn.	1.31	17
--	First State Bank, Henderson, Tenn.	1.29	99
--	Etowah Bank, Canton, Ga.	1.08	76
--	Bank of Wiggins, Miss.	0.98	53
‡	Kislak National Bank, North Miami, Fla.	0.96	33
--	Fairburn Banking Co., Ga.★	-3.04	48
	Southwest Region		
†	Brighton Bank, Salt Lake City★	2.51	4
•	Farmers State Bank, Conrad, Mont.★	1.99	34
97	National Bank of Sallisaw, Okla.	1.88	1.98
114	Sacramento Commercial Bank, Calif.	1.84	40
280	Community First Bank, Clearfield, Utah	1.58	78
324	Arp State Bank, Tex.	1.54	21
328	First State Bank, Overton, Tex.★	1.54	95
336	First National Bank, Refugio, Tex.	1.52	93
--	Barnes Banking Co., Kaysville, Utah	1.45	35
--	First National Bank, Hebronville, Tex.	1.40	92
--	Bank of Commerce, Idaho Falls, Idaho	1.38	65
--	First Enterprise Bank, Oklahoma City	0.87	77
--	Union Bank & Trust Co., Denver★	0.83	23

(1)— ROA rank was based on an ROA calculated by annualizing net income for the first nine months of 1988. (★)— Owned by a 1-bank holding company in 1988. (†)— Assets were below $50 million on Dec. 31, 1989 (‡)— Assets were above $200 million on Dec. 31, 1989. (•)— Became a subsidiary of a multibank holding company in 1989. (2)— Now known as Marquette Bank Golden Valley.

Compiled by American Banker, Copyright 1990.

800

AMERICAN

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 114 Tuesday, June 12, 1990 155th year

Rx for Thrift Ills: Generate Fees And Cut Costs

By SANFORD ROSE

The average thrift in the country is at least 25 basis points shy of breakeven and perhaps 40 basis points shy of economic viability, according to a rough but perhaps not unrealistic analysis.

Yet it may be possible for many thrifts to temporarily make up all, or nearly all, of this economic shortfall, not in ways usually envisioned but rather through a combination of draconian expense reduction and nontraditional fee generation.

The average home-mortgage-oriented thrift cannot look forward to an especially lush net interest margin. Indeed, according to some analysts, the spread on mortgage loans is probably negative, if one makes allowance for the cost of match-funding and for the cost of the borrower's option to prepay without penalty. Many thrifts, however, report a positive spread precisely because they aren't match-funding and they don't factor out the cost of the prepayment option – an estimated 50 to 75 basis points.

Comment

Profiting from the Premium

But at times during the past decade, the spread on mortgage loans has been marginally positive, even on a match-funded basis. Additionally, mortgage lenders can eke out a supplementary spread from their liquidity portfolios. And a case can be made that liquidity assets should not be match-funded.

It can be argued that some relatively safe extra profits can be garnered by mismatching in the under-one-year part of the yield curve, provided this is done in conformity with the liquidity premium. In other words, since there is a liquidity premium in Treasuries that reaches a maximum around the one-year maturity – that is, longer Treasuries command structurally higher yields than shorter ones – a thrift that mismatches between, say, very short liabilities whose rates are tied to Treasuries and one-year T-bills will of course earn more money than if it simply match-funds.

This type of mismatch creates some interest rate risk, but not a great deal, and the mismatch is likely to prove successful more than 50% of the time. In order to take advantage of this opportunity, a thrift should probably shorten the maturity of its non-Treasury liquidity assets (since these do not contain a liquidity premium) while simultaneously lengthening, up to a year, the

See **TEMPORARY** *page* 12

INSIDE NEWS

INTERNATIONAL

PETER RONA of IBJ Schroder Bank & Trust claims that U.S. banks cannot provide the quality of products and services needed to compete overseas. *Page 10*

FINANCE

NORWEST CORP. and Security Pacific Corp. have sharply increased their commercial paper outstanding over the past year, while most banks have shied away from purchased funds. *Page 32*

TECHNOLOGY

GOLDMAN, SACHS & Co., has become the second brokerage house to enter the highly competitive, fee-based global custody business, traditionally the domain of banks. *Page 3*

REAL ESTATE

A FEDERAL APPEALS court decision that heightened bankers' fears of environmental liability claims is not expected to hold up on further appeal. *Page 8*

CONSUMER

AMERICAN EXPRESS Moneygram is expanding its reach through 7-Eleven convenience stores. *Page 6*

OTHER NEWS

AMERICAN CONSUMERS are more concerned than ever about corporate and governmental threats to privacy, a survey finds. *Page 2*

COMMENT

MANAGING CHANGE effectively will be the key to survival into the 21st century, according to Charles R. Haywood and Charles E. Wilson. *Page 4*

INDEX

Company Index 2
Crime Blotter 4
Executive Changes 16
Weekly Index of Stories 22
Classified Advertising 28
Bank and Thrift Stocks 31

LATE NEWS

Chase Downgraded

Moody's Investors Service on Monday lowered its ratings on the debt of Chase Manhattan Corp. and some of its units, citing deteriorating quality in Chase's commercial real estate portfolio.

Agency Halts 1-Borrower Rule's Easing

By ROBERT M. GARSSON

WASHINGTON — The Treasury Department has put on hold a proposal by the Office of Thrift Supervision to phase in new limits on the amount a thrift can lend to one borrower, industry sources said Monday.

Treasury officials were taken aback at the negative reaction prompted by early reports of the proposed interim rule and have decided to delay a decision on it, the sources said.

Post Editorial Roils Waters

Of particular concern to Bush administration officials was an editorial in the *Washington Post* calling the rule "grotesque" and arguing that it harkens back to the tradition of forbearance that helped bring on the thrift crisis.

However, the government is under considerable pressure from lenders and the politically powerful home construction and development industry to adopt the less stringent phasing in. As a result, the department could decide fairly soon to bless the plan.

"It's not really a thrift issue so much as it is a homebuilders' issue," said one thrift lobbyist. "Because of that, everybody wants some wiggle room."

The thrift-bailout law passed

See **AGENCY** *page* **26**

RTC to Market Assets In $500 Million Pieces

By DEBRA COPE

WASHINGTON — In its latest appeal to institutional investors, the Resolution Trust Corp. plans to market bad loans, junk bonds, and other hard-to-sell financial assets from failed thrifts in $500 million chunks.

The agency is also likely to reduce down payments and ease other terms in its seller-financing program. Both measures would be part of a stepped-up effort to attract buyers of assets seized by the thrift-bailout agency.

Making Assets Marketable

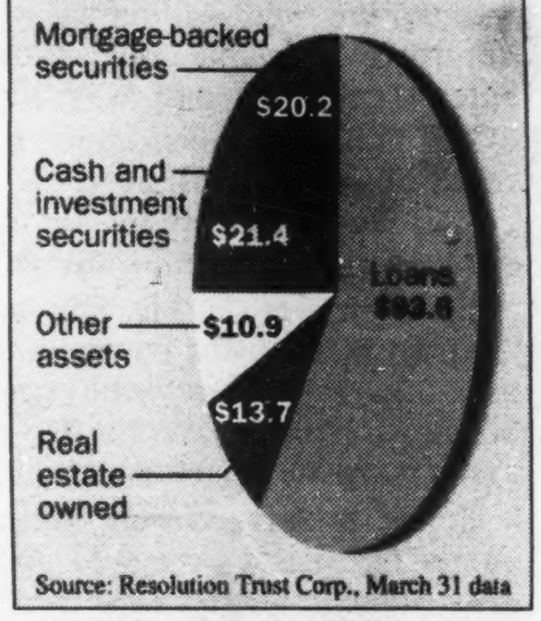
Through the bulk-sales approach, the agency will move loans and other assets that are not readily marketable, RTC Chairman L. William Seidman said in a telephone interview Monday. These assets include junk bonds, derivative securities, real estate, and a sizable amount of bad loans.

Roughly half of the workout agency's $174 billion-asset portfolio consists of loans that are nonperforming or do not meet the underwriting standards of the secondary mortgage market, Mr. Seidman said.

Investment analysts said pension funds, insurance companies, and other big investors find it inefficient to buy up RTC assets piecemeal and will be more likely to bid on bulk sales. The RTC will also improve financing terms to accelerate sales.

The RTC's Holdings

Assets in conservatorships, dollars in billions



Source: Resolution Trust Corp., March 31 data

Wooing Institutions

"This is where the institutional money comes into play," Bert Ely, a consultant and close watcher of RTC activities, said of the bulk sales approach.

Mr. Seidman concurred, saying he hopes, with the bulk sales, "to attract large buyers."

The RTC will ask its policy-setting body, the RTC Oversight Board, to authorize expanded seller financing to augment the sales, he said.

Currently, the RTC may extend financing to buyers only if no other loan is available. A 15% down payment is required; the

See **RTC** *page* **26**

Breeden Turns SEC Sights on Banks, S&Ls

By BARBARA A. REHM

WASHINGTON — Banks and thrifts are facing heightened scrutiny these days from an unusual source – Richard C. Breeden and his Securities and Exchange Commission.

The agency is in the midst of a sweeping investigation of financial institutions' compliance with securities laws. Of particular interest is whether potential loan losses are being disclosed adequately to investors.

Some bank attorneys are worried about the probe, in part because of the possibility of embarrassing publicity. The SEC publicly announces the results of its investigations – a big switch from the hush-hush approach of bank and thrift regulators.

But observers also wonder how muscle flexing by the SEC, traditionally a bit player in bank supervision, might change the regulatory balance of power.

Mr. Breeden is already on the record as saying the SEC should supervise the securities activities of bank holding companies – such as the underwriting of commercial paper and corporate debt – which are now regulated by the Fed.

Van Howell

Some believe that Mr. Breeden, who became SEC chairman eight months ago, has an even larger agenda: to make the SEC the top regulator of bank and thrift holding companies.

Sees Larger Role for Agency

Mr. Breeden scoffs at that speculation. But the 40-year-old lawyer, who has close ties to President Bush and helped develop the administration's thrift-bailout plan, acknowledges that he sees the SEC playing a larger role.

The SEC chairman figures to be a key player in the debate on Capitol Hill next year over how to reform the financial services arena. So his views are being carefully watched.

For one thing, he does not think that banks deserve special treatment when it comes to complying with securities laws.

See **BREEDEN** *page* **19**

PEOPLE *in the news*

Contractor Caught in Web Of RTC's Thrift Cleanup

By RICHARD LAYNE

Robert Foraker had his business stripped away by the Resolution Trust Corp., and there does not appear to be anything he can do to get it back.

Mr. Foraker owns a computer software and consulting company in Canton, Ohio. He is caught in the middle of the massive, sometimes messy cleanup of the thrift crisis.

As a contractor to the failed Broadview Savings Bank in Cleveland, he fell victim to one of the extraordinary powers that Congress granted the thrift-bailout agency – the ability to cancel preexisting contracts. The same policy allowed some seized thrifts to lower the interest rates they had committed to pay on certificates of deposit.

Mr. Foraker has considered becoming the first to take advantage of an obscure provision in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 that allows parties aggrieved by the bailout to sue the government for compensatory damages.

Legal experts say Mr. Foraker has little chance of regaining his contract through the courts. Some have described him as quixotic and unlikely to represent a reliable test case of the RTC's power to abrogate contracts. But the fact remains that the bailout has hurt his systems consulting company.

Before Broadview went under – its deposits have since been assumed by Society Corp. – Mr. Foraker sued Broadview over his contractual right to market software developed at the savings bank.

> **"I've risked everything. I may be one of the homeless, but I won't quit."**
>
> **Robert Foraker**
> *I&I Group Inc.*

While Mr. Foraker views the RTC's discontinuation of his contract as a moral injustice, he says the RTC is so big and powerful that a lawsuit might be counterproductive.

"I have too much business potential with the government," said Mr. Foraker, who believes he can sell processing business to the RTC in its role as manager of thrifts.

Until last fall, Mr. Foraker's I&I Group Inc., a two-man operation, was in business to sell banking software developed at Broadview Savings before it became a ward of the government.

20 Years in Business

A technology consultant and software specialist for 20 years, Mr. Foraker, 45, had helped developed systems for several banks in Ohio, although not for Broadview.

The RTC sent him a letter on Nov. 17, 1989, that discontinued the marketing contract between the bank and I&I Group.

Mr. Foraker said he lined up investors and marketing agreements with other companies. He said he invested $5 million to get the software ready to market. Much of that money went to purchase an IBM computer to run the software.

"I've risked everything," he said. "I may be one of the homeless, but I won't quit." He accused the RTC of canceling his contract so it could peddle the software as part of Broadview's assets. RTC officials scoff at that charge.

Software Not an Issue

"When we are sitting down with bidders on a $1.5 billion institution, the existence of a software package that may or may not have a marketing agreement attached to it is not going to make or break our ability to sell an institution," said an RTC spokesman.

The bank acquiring Broadview could sell the software that comes with it, the spokesman said. It could even sign a new contract with Mr. Foraker to sell the system.

Mr. Foraker was committed to pay Broadview $300,000 for the exclusive rights to market the software, in installments, whenever he makes a sale. According to the bank's records, Mr. Foraker had paid only $20,000 of that obligation.

Litigation on All Sides

Mr. Foraker said he paid off only a small amount because he was forced to seek bankruptcy protection in 1988 – caused by legal expenses related to an earlier contract dispute with Broadview.

He eventually settled the dispute, which reaffirmed his right to sell the software. Meanwhile, the bankruptcy washed away his debt to the bank.

"The RTC could argue that it was a burdensome contract," said Richard Kniepper of Jones, Day, Reavis & Pogue, one of several lawyers who think Mr. Foraker has little chance of prevailing. "He didn't pay and he took bankruptcy. He isn't reliable."

Mr. Foraker's bad luck from past dealings continues.

In 1988, he made his only sale of the software, for $30,000, to City Federal Savings and Loan in New Jersey. He said he sold cheaply to get cash for the legal costs of his Broadview dispute. City Federal agreed to supply him with a new version of the software, which would run on a more powerful IBM system.

City Federal went into receivership in January 1990. It is doubtful that Mr. Foraker will receive the new software. □

Don't Change Privacy Law, Consumers in Survey Say

By LINDA CORMAN

WASHINGTON — Most American consumers agree with the credit-reporting industry that existing privacy laws ought to be more energetically enforced before new, tighter laws are enacted, according to a recent Louis Harris & Associates survey.

The poll commissioned by Equifax Inc., a leading credit-reporting company, found Americans are more concerned than ever about corporate and governmental threats to privacy. But the handling of individual credit histories is not among their gravest concerns.

While seven of 10 say consumers have lost control over the personal credit information that companies exchange, about two-thirds say they have a high or moderate degree of trust in the way credit bureaus and insurance companies use information on individuals.

Equifax released the results Monday, a day before three bills aimed at broadening disclosures of consumer credit were to be debated in a hearing of the House Banking Committee's consumer affairs and coinage subcommittee. The Harris organization surveyed 2,264 consumers and 916 business executives from January through April.

Present System Favored

In the findings, Atlanta-based Equifax found support for the view that before new privacy laws are adopted or existing laws amended, consumers should be better informed about the rights they have. The survey found that 55% favor protecting con-

See **PRIVACY** *page* **29**

Mixed Views of Privacy

Of Harris Poll respondents:

95%	say it is acceptable to check credit records of loan applicants
79%	are concerned about privacy threats
70%	say consumers have lost control over data given to businesses and government
55%	say the present system of privacy regulation is adequate
55%	have been turned down for credit; three-fourths of them think their bill-paying records warranted acceptance
25%	are highly or moderately distrustful of business and government

Source: Equifax Inc.

Freddie Mac Expected to Cut Pass-Through Period

By PHIL ROOSEVELT

NEW YORK — In a move that could attract more securitization business from lenders, the Federal Home Loan Mortgage Corp. is expected to announce today a fundamental change in the structure of its mortgage-backed securities.

Industry sources said that Freddie Mac, as the agency is called, plans to reduce markedly the time it takes to give investors their first monthly payments. That, in turn, would probably increase the securities' prices, helping originators who swap their loans for securities and then sell the securities.

Currently, investors in Freddie Mac securities do not get their first payments until 75 days after the securities are issued, versus 55 days for securities of the Federal National Mortgage Association, or Fannie Mae. As a result, analysts said, investors pay slightly less for Freddie Mac securities.

At a press conference slated for this afternoon in New York, Freddie Mac will announce a reduction of its payment period to as little as 45 days, according to sources who requested anonymity. The change would affect all new issues, the sources said, and holders of outstanding issues may get the option to convert to the new structure. A Freddie Mac spokeswoman declined to comment.

Separately, the agency is expected to announce a large securitization deal with Citicorp, the nation's biggest originator and servicer of home mortgages.

Big Citicorp Deal Predicted

Some sources speculated the deal would top a transaction that Freddie Mac carried out last month with Great Western Bank, continuing a trend of bigger and bigger securitizations.

The Great Western transaction, involving $1 billion in mortgages, was the largest securitization ever done by Freddie Mac in one step.

Spokeswomen for Citicorp and Freddie Mac refused to comment. □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Advest Group 32
American Bankers Association 4
American Continental 1
American Express 6
American Financial Services Assn..2
American Heritage....21
American Liberty 16
AmeriMac 16
Arlington Heights Savings 21
Arthur Andersen 3
Associated Credit Bureaus....2

B
Banc One 16
Bancorp Hawaii 16
Bank for Int'l Settlements....10
Bank of Boston....16
Bank of Montreal 3
Bank of Nova Scotia....3
Bankers Trust 3, 30
Barnett....8
Baskin Flaherty Elliott & Mannino..8
BayBanks....4,32
Bear, Stearns 21
Bell Federal Credit Union 16
Bonfare 6
Bundesbank 10

C
Callahan & Associates....6
Canadian Imperial Bank....3
Cash n' Dash....6
Cerner....30
Chase Manhattan 3,16,30
Citicorp....2,16,30
City Federal Savings....2
Consumer Bankers Association....2
Continental Bank 3
Credit National....21
Credit Union National Association..6

D - F
Standard & Poor's 32
State Street....3
Stratus Computer Co....8
Student Loan Marketing Assn. 16
Sumitomo....16
Dearborn Federal 6
Dunn & Bradstreet....8
East Texas Savings 21
Eggers & Greene 16
Ely & Co. 1
Equifax....2
Fannie Mae 2
First Chicago....3,30
First Fidelity Bancorp....30
First International 16
First Interstate Bank of Oklahoma 16
First Pinnacle 16
Fleet/Norstar Financial Group ..8,16
Fourth Financial Corp....16
Freddie Mac 2

G - I
Goldman Sachs....1,3
Great Atlantic & Pacific Tea 6
Great Western 2
Gunster, Yoakley, Criser & Stewart 8
Hometown Federal Savings....21
I&I Group....2
IBJ Schroder Bank & Trust....10
IBM Poughkeepsie Federal 6

J
J.D. Carreker & Associates 16
Jitney Jungle Stores 6
Jones, Day, Reavis & Pogue 1,2

K
Kirkpatrick & Lockhart 1
Kukui Inc. 16
Kukui Resort Inc....16

L
LCP Group 8
Lepercq de Neuflize....8
Liberty National Bank and Trust Co....16
Lord Day & Lord....8
Louis Harris & Associates 2

M
Management Co. Entertainment . 16
Manufacturers Hanover 4,16,30
Mellon Bank 32
Merrill Lynch 3,21
Mid-America Payment Exchange . 16
Midlantic....4,30
Mitsui Trust and Banking....8
Moody's Investors Service....32
J.P. Morgan 3
Murray Federal Savings 21
Mutual of New York 16
Mutual of Omaha 6

N
Natl. Assn. of Fed'l Credit Unions..6
National Bank of Canada....3
Natl. Council of Savings Institutions 1
NCNB 8,21
New World Bank 4
Nippon Credit Bank....30
Northern Trust 3
Norwest 32

O - R
Options Clearing 3
Pioneer Financial....4
Randolph Savings 16
Resolution Trust Corp. 1,2,6,8,21
Robert Morris Associates....8
Rodman & Renshaw Capital....16
Royal Bank of Canada 3
Russell, Rea & Zappala Inc. 16

S
Secura Group....1,16
Security Pacific 32
Shearson Lehman Hutton....21
Society Corp. 2,16
Society Management Co....16
Southland 6
Sovran Financial....5

T - Z
Tandem Computer 3
Toronto-Dominion Bank....3
Travis Federal 6
Trump Organization 30
TRW....8
Tucker Anthony Inc....32
U.S. Public Interest Research....2
United Savings 21
Valley Federal Savings 16
Western Union 6
Westinghouse....16

COMMENT/*By Charles R. Haywood and Charles E. Wilson*

Managing Change Is the Key to Survival

U.S. banks are facing economic, political, and technological changes that could cause "future shock," the term Alvin Toffler coined in 1970 to describe the extreme disruption and dysfunctional behavior resulting when change occurs so rapidly that it cannot be assimilated.

Aggressive managers can turn this potential crisis into opportunity. The challenge, however, is formidable.

Banks must adapt to accommodate the external changes of shifting demographics, deregulation, and global competition as well as new technologies. Yet they cannot do that successfully unless they also effectively manage the internal impact of these changes.

Five Critical Factors

To develop a strategy for change, managers must get a handle on the five factors that are shaping banks and other financial institutions as the 21st century draws near.

- Global competition is becoming an issue for all banks as financial institutions around the world become more involved in nontraditional products.

Also, product and service expansion in the United States by foreign institutions will lead to more mergers among U.S. banks and to increasing affiliations with mortgage lenders, insurance companies, and other financial services providers.

These new alliances will challenge banks to create a harmonious management environment as different corporate cultures come together.

- Banks face a personnel crisis because of slowing growth in the U.S. labor force. As entry-level labor becomes more expensive and harder to find, managers will be forced to apply new technologies to improve productivity and streamline operations.

Furthermore, the need for well-designed programs for professional development of present employees must be given high priority.

- New technologies and service-delivery mechanisms also can help meet the impending workforce problems. Banks will be compelled to implement these new technologies to contain costs and provide competitive services in response to customer demands.

- In the face of increasing competition from nontraditional financial services providers and foreign firms, banks must focus on growth strategies that are based on customer needs and not just on the expansion of product offerings or adding new customers.

Developing a sales culture that is driven by customer needs, in which traditional "order takers" become "order getters," is imperative. For many banks, this is foreign territory: outside help may be required.

- To address the rapidly changing regulatory environment in the United States and abroad, banks and other financial intermediaries must develop ways to comply with regulations while quickly adapting operations to meet competitive and economic challenges.

"Banks must focus on growth strategies that are based on customer needs."

Charles R. Haywood
ODR Inc.

Financial institutions would be well advised not to merely anticipate the changing regulatory environment but to constructively influence the direction of legislation.

Beyond Intuition

Many bank management teams have, in the past, guided their institutions through difficult transitions. Yet when asked how they were so successful, many managers are unable to articulate the specific techniques or skills they employed.

These "unconsciously competent" managers possessed intuitive skills derived from long experience. Our research shows that those who manage change have a number of characteristics in common.

They understand what motivates change. Just because a contemplated direction is interesting or intellectually stimulating is no guarantee that the process of change will succeed. Change is motivated only by pain.

People or organizations will not change unless they perceive that it will be more painful – in terms of increased problems or lost opportunities – to continue operating in the current manner.

Change is a process, not an event. A manager cannot simply send out a memo that reads, "We will become a market-driven bank tomorrow at 3 p.m." A transition period of loosening old habits and assimilating new behavior is always necessary to avoid costly long-term resistance.

Resistance Is Natural

Successful managers understand that resistance to change will always arise, even if the change is perceived as positive. People do not resist change as such; they resist the disruption that change brings in their lives.

The disruption caused by a merger, for example, can be difficult to detect. Employees may mouth acceptance, but their behavior may reflect strong resistance.

Transition periods are times of great ambiguity, typified by low stability, severe emotional distress, and high, often undirected energy. Employees often place increased importance on issues of control and high value on past patterns of operation. As a result of all these factors, conflicts increase.

Put Energies in Harness

The key to managing this ambiguity and resistance is to encourage overt rather than covert

See **COMMENT** *next page*

Mr. Haywood is director of research at ODR Inc., an international consulting firm based in Atlanta. Mr. Wilson is executive vice president of BMR Financial Group, Atlanta.

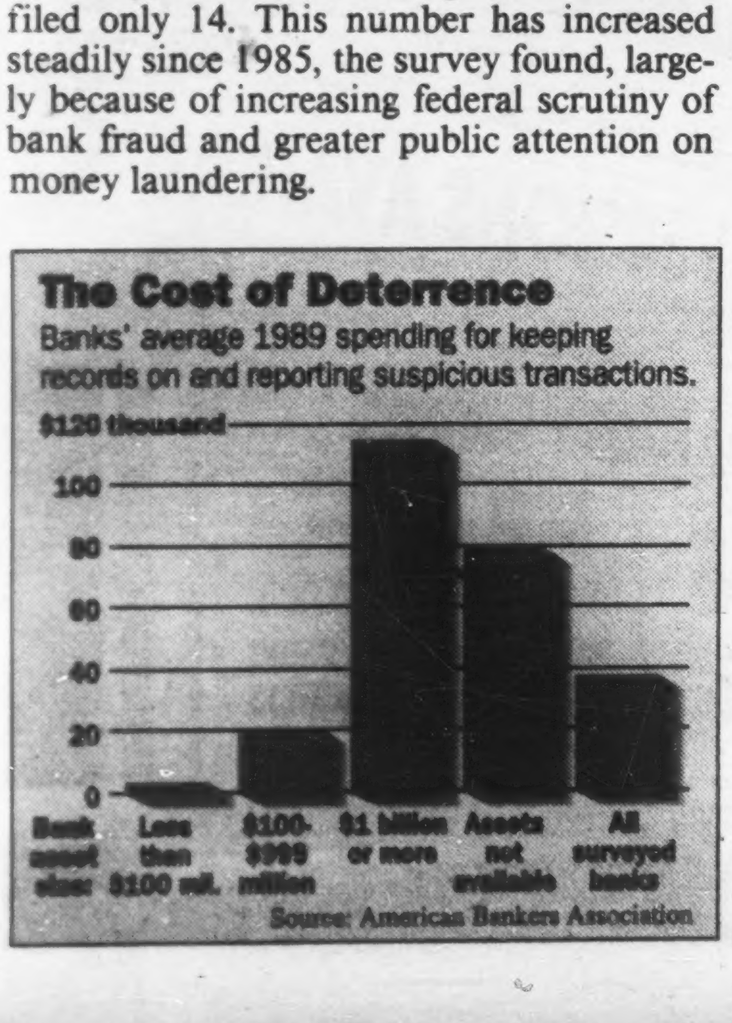
CRIME BLOTTER/*By Tom Leander*

The War on Laundering

Banks spent more than $129 million in 1989 on required record-keeping and reporting procedures for suspicious transactions, according to a survey on money-laundering deterrence by the American Bankers Association.

In a sample of 548 banks of all sizes, the ABA found average compliance costs ranging from $3,733 for small banks to $114,360 for large banks.

The average large bank filed 6,057 reports annually, while the average smaller bank filed only 14. This number has increased steadily since 1985, the survey found, largely because of increasing federal scrutiny of bank fraud and greater public attention on money laundering.



The Cost of Deterrence

Banks' average 1989 spending for keeping records on and reporting suspicious transactions.

Source: American Bankers Association

The banks were asked if they believe that currency transaction reports are an effective deterrent to crime. Only 7% of the banks were aware of any prosecutions that resulted from filing the reports or alerting authorities about suspicious transactions. One in four banks were unsure whether regulatory agencies are doing all they can do to attack the problem; one in three said the agencies are not doing enough.

* * *

Heist Suspect Dies in Cell

A Boston man who allegedly pulled off three bank robberies in less than an hour on June 4 was arrested the following day and died in his jail cell of an apparent drug overdose, according to police.

Stephen Price, 34, allegedly robbed a Pioneer Financial office in the south end of Boston at 11:07 a.m. He next allegedly robbed a BayBanks branch, several blocks away, at 11:21, then moved to a nearby suburb, Brighton, to hit New World Bank.

The robber allegedly showed a handgun at all three banks and escaped from each with an undetermined amount of cash.

Police said Mr. Price became a suspect when they stopped his car and found an illegal sawed-off shotgun in the vehicle. After he was in custody on the weapons charge, police said, they discovered he was wanted on several warrants, including one for bank robbery.

Eyewitness accounts led police to believe that Mr. Price also pulled off the triple bank heist.

The investigation into Mr. Price's death is pending. Police could not explain how Mr. Price might have obtained narcotics in the jail cell.

Mr. Price was a suspect in eight other bank robberies in the Boston area, police said.

* * *

Sentencing in Fraud Case

The former chief executive of a bankrupt clothing store franchise was sentenced last week to six months in a halfway house for bank fraud and securities fraud.

Joseph Wolfer of Cresskill, N.Y: told U.S. District Judge H. Lee Sarokin in Newark, N.J., that he perpetrated the frauds because he had big dreams for Oliver's Stores. He operated the franchise in New York, New Jersey, and Connecticut.

The judge ordered Mr. Wolfer to make restitution of $700,000 to former Oliver Stores shareholders. He also sentenced Mr. Wolfer to five years probation with 500 hours of community service each year.

Mr. Wolfer, 47, admitted falsifying company financial statements to help Oliver's obtain a $2.95 million loan from Midlantic National Bank and a $1.5 million loan from Manufacturers Hanover Trust Co. The false financial information was used to raise $7.8 million in an initial public offering, according to U.S. attorney Samuel A. Alito in Newark, N.J., who prosecuted the case.

Mr. Wolfer pleaded guilty to creating false invoices and bills of lading to make it appear that another apparel company, Maspeth Industries, had purchased $689,775 of inventory in 1985 and 1986. ☐

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 29

Privacy Law Good As Is, Survey Finds

Continued from *page* 2

sumer privacy using "the present system or setting up a nonregulatory privacy board." Another 41% favor the creation of a regulatory privacy commission to increase protection.

Several banking and credit industry trade groups want to forestall additional disclosure requirements and other major changes in privacy regulations.

A proposed overhaul of the Fair Credit Reporting Act, one of the bills to be discussed in the congressional hearings today, is "premature," said Marcia Sullivan, vice president and senior legislative counsel for the Consumer Bankers Association, which represents about 900 retail banks.

"Everyone agrees that organizations have not been clear enough in saying, 'here are your rights,' " said Ms. Sullivan. "We feel consumers should be made to know what their rights are."

The association would be willing to consider additional legislation only if problems with fair credit reporting continue once consumers are better informed of their rights, Ms. Sullivan said.

Weaknesses Cited

Representatives of the American Financial Services Association and the Associated Credit Bureaus cited inadequate enforcement as one major weakness of the existing law. The credit reporting act took effect in 1971 and has not undergone a major overhaul since then.

Under this law, only U.S. attorneys may prosecute cases of unauthorized access to personal information collected by reporting agencies.

Walter Kurth, president of Associated Credit Bureaus, wants to allow consumers and reporting agencies to file complaints. He opposes other proposed amendments to the legislation that would tighten up credit reporting requirements.

Proposed Legislation

At today's hearing, legislation proposed by subcommittee chairman Richard Lehman, D-Calif., would strengthen the existing law in a number of ways. Mr. Lehman would:

- Prevent credit bureaus from releasing information unless the consumer granted express permission.
- Shorten the statute of limitations on negative credit information that a reporting agency could use.

Banking and credit industry trade groups want to forestall additional disclosure requirements.

- Require reporting agencies to offer consumers entire files, not just summaries.
- Require a consumer to be notified of their Fair Credit Reporting Act rights each time an agency reports information about that person.
- Require reporting agencies to provide annual copies of its reports to consumers.

The subcommittee will also consider similar bills submitted by Rep. Charles Schumer, D-N.Y., and Rep. Matthew Rinaldo, R-N.J.

Although past attempts at reform have not advanced in Congress, David John, special assistant to Rep. Rinaldo, predicts the current raft of bills may go further. "The question is when," he said.

Edmund Mierzwinski of the U.S. Public Interest Research Group, a consumer group founded by Ralph Nader, said he is optimistic the legislation will go further than in the past because of growing concern about the computer revolution. Increasing numbers of people have access to credit information, which agencies repeatedly"splice and dice"' and resell to ever more users. ☐

Apple Challenges Suitor on Partners

WASHINGTON — Apple Bancorp Inc. said in letters to federal and state banking regulators that Stanley Stahl should be required to file new applications with them to include partners in his effort to acquire Apple.

In letters dated June 5 to the New York State Banking Department and the Federal Reserve Bank of New York, Apple said Mr. Stahl's original applications for approval as a potential bank owner are invalid because they did not include his relationship with Apple Bancorp shareholders Edward Brodsky, Richard Czaja, and William Mason.

The letters were released in a Securities and Exchange Commission filing.

Mr. Stahl, Mr. Brodsky, Mr. Czaja, and Mr. Mason all are on the Apple Shareholders Protective Committee and have filed as a group with the SEC. Mr. Stahl, who holds a 30.6% stake in Apple, has made a $38-a-share tender offer for the company. — **Reuters**

The Fed Gives New Powers To Major Japanese Banks

By LINDA CORMAN

WASHINGTON — The Federal Reserve Board has approved the applications of two major Japanese banks to expand their activities in the United States.

Over the objections of Fed Governor Martha Seger, the board allowed the Bank of Tokyo , the 18th-largest bank worldwide, to do securities brokerage, trade foreign exchange, and provide investment advisory services through its wholly owned subsidiary, BOT Securities Inc., New York.

Fed Governor Martha Seger objected, saying neither bank meets capital requirements.

The board also approved the application of Nippon Credit Bank Ltd., Tokyo, the world's 32d-largest bank, to acquire Nippon Credit Trust Co. of New York and become a bank holding company.

Ms. Seger objected to both actions because she said neither Nippon Credit nor Bank of Tokyo meet capital requirements for U.S. banks. But the board issued its approval because it said the applicants met capital requirements using Japanese banking and accounting practices and taking into consideration the unrealized appreciation of their equity securities.

The board of governors also approved the application of Amsterdam-Rotterdam Bank and Stichting Amro, both of Amsterdam, to underwrite and deal in securities through their New York-based subsidiary, Amro Securities Inc.

The decision also allows the Netherlands' second-largest banking organization to perform limited dealing in mortgage-related securities, municipal revenue bonds, commercial paper and consumer-debt related securities, to privately place securities, to engage in a full range of brokerage activities, and to advise customers.

The Dutch banks were deemed to meet U.S. capital requirements. ☐

Investor Group Gets RTC Thrift in Florida

VIRGINIA BEACH, Va. — Essex Financial Partners, a group organized last year to buy thrift assets in the Southeast, said it has acquired Financial Security Savings and Loan of Delray Beach, Fla., in a deal with the Resolution Trust Corp.

The company said it will change Financial Security's name to Essex Savings Bank and inject enough capital to bring the thrift into compliance with regulatory guidelines. It said it will assume management of $125 million in Financial Security loans, investments, and deposits and has up to 90 days to decide which loans to keep and which to return to the RTC. — **Reuters**

Toll Free 800-221-1910

LEGAL ADVERTISING

Toll Free 800-221-1910

Auction Notices

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC #841437 Sell June 27, 1990 9:30 A.M. 2743 Stillwell Ave Bklyn 1981 Ford Van 1FTHS3469BHA37056 Re: F. Colon: 10:15 A.M. 174 Noll St Bklyn 1978 Oldsmobile 2 Dr Sdn 3K47F82432804 Re: J. Gonzalez: 10:30 A.M. 184 Noll St Bklyn 1979 Homemade Boat 160040883 Re: A. Vita: 11:00 A.M. 42-07 27th St Queens 1981 Plymouth Subn 1P3BK49B1BF264648 Re: A. Migliaccio: 11:30 A.M. 126-40 Northern Blvd Queens 1987 Yamaha Scooter JYA50N006HA010147 Re: C. Bliss: 12:00 P.M. 41-02 College Point Blvd Queens 1984 Toyota 2 Dr Sdn JT2RA63C3E6220128 Re: D. Anastasia: 12:30 P.M. 69-01 Woodhaven Blvd Queens 1983 Honda Moped AB133XDK100604 Re: E. Walters: 1:00 P.M. 122-26 Farmers Blvd Queens 1981 Yamaha Motorcycle 4W1000129 Re: E. Clayton, Jr.: 1:30 P.M. 126-14 Merrick Blvd Queens 1955 Chevrolet 2 Dr Sdn 55B025407 Re: R. Hardy: 2:00 P.M. 116-60 Sutphin Blvd Queens 1980 BMW 2 Dr Sdn 7180986 Re: A. Brand: 2:30 P.M. 106-17 Sutphin Blvd Queens 1981 Buick 4 Dr Sdn 1G4AC69X6BW234931 Re: P. Atkinson: 3:00 P.M. 103-45 Lefferts Blvd Queens 1983 Dodge 2 Dr Sdn 1B3BV51CEDG139439 Re: M. Freedman: 3:30 P.M. 87-15 Beach Channel Drive Queens 1987 Jeep Utility Vehicle 2BCCV8135HB521846 Re: VFC Transp. Lessors Inc.: 4:00 P.M. 706 E. 98th St Bklyn 1983 Volkswagon 4 Dr Sdn WVWFA0326DE005619 Re: L. Alexander: 4:30 P.M. 5818 Foster Ave Bklyn 1985 Audi 4 Dr Sdn WAUFB0449FN022914 Re: K. Strachan: 4:45 P.M. 4812 Farragut Rd Bklyn 1987 Lincoln 4 Dr Sdn 1LNBM81F3HY619604 Re: J. Moise. Metropolitan Auctioneers, Inc. Published June 12, 1990 & June 20, 1990.

E .F. Fazio Auct'r Lic #798972 Sells on 06/27/90 9 AM at 431 West 203rd ST NYC '78 Porsche #9308700704 Re: J. Perez; 9:30 AM at 1828 Webster Ave Bx '80 Chevy #1X115AT243077 Re: M. Colon, '83 BMW #WBADK7301D7956095 Re: Interstate A/S &/or F. Delos Santos, '88 Buick #1G4CW51C9J1600010 Re: E. R. Hayward '89 Pontiac #1G2JB11K9K7539493 Re: M. G. &/or C. Sarmento, '88 Dodge #JB3BA26K9JU061661 Re: B. Samedi, '88 VW #9BWGA0306JP083956 Re: J. Burke, '68 Ford #F50BED1176 Re: P. Stravoskoufis, '79 Datsun #HLS130134986 Re: P. Coffe, '85 Chevy #1G1AW19X1FG103574 Re: C. P. Joyner, '82 Ford #2FABP38F6CB177000 Re: F. Artiles; 11 AM at 57 Sinsink Dr. Wash, '85 VW #WVWGB0161FW558795 Re: VW Credit Inc/P. Kilcullen; 12 PM at 103-02 Rockaway Blvd Qns '81 Chevy #1G1AT35KXBK506359 Re: A. Frincu, '83 Nissan #JN1HT13S6DT111317 Re: W. B. Coligado, '81 Olds #2G3AR47A8B2497784 Re: A. Holland; 1 PM at 259 58th St Bklyn '83 Mitsubishi #JA3BF4640DZ704028 Re: W. Vega; 1:30 PM at 471 Baltic St Bklyn '87 Nissan #JN1PS24S7HW028602 Re: R. Hyman; 2 PM at 592 Pacific St Bklyn '67 Olds #338677W413375 Re: J. Doe; 2:30 PM at 990 Metro Ave Bklyn '79 Ford #F14HLDJ9171 Re: R. & M.C. Falcone; 3 PM at 516 West 27th St NYC '89 Ford #1FTEF25Y1KLB22379 Re: P. & O. Olaru; 3:30 PM at 502 West 35th St NYC '81 Ford #1FABP23B0BK157005 Re: J. Karaypof; 4 PM at 609 11th Ave NYC '86 Buick #1G4NJ27UXGM119177 Re: E. Henries; 4:30 PM at 2 West End Ave NYC '76 Cady #6S69R6Q460178 Re: J. Belin; 5 PM at 236 West 60th St NYC '81 Buick #1G4AX69Y8BH432802 Re: M. Izhri. Published 06/12 & 06/19/90.

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC #841437 Sell June 19, 1990 10:00 A.M. 846 Atlantic Ave Bklyn 1979 Oldsmobile 2 Dr Sdn 3Z57R9E123673 Re: J. Feliciano; 10:30 A.M. 827 Sterling Place Bklyn 1972 Triumph 2 Dr Conv. CC81397U Re: M. Gizang; 1989 Hyundai 4 Dr Sdn KMHLF21J2KU514745 Re: Marine Midland Auto Fin Corp./A. Thomas; 1984 Mitsubishi 2 Dr H/B JA3BF44D6EZ451673 Re: A. Philbert: 11:00 A.M. 114 Lexington Ave Bklyn 1979 Chevrolet 4 Dr Sdn 1L69G9S143452 Re: D. Sing: 11:30 A.M. 200 Skillman St Bklyn 1987 Subaru 4 Dr Sdn JF1AC44B6HC202212 Re: D. Rollines: 12:15 P.M. 681-685 McDonough St Bklyn 1978 Cadillac 4 Dr Sdn 6S69B8Q506499 Re: E. Lewis: 12:45 P.M. 1967 Atlantic Ave Bklyn 1981 Datsun 4 Dr Sdn JN1PB01S7BU170749 Re: A. Bevacqua: 1:15 P.M. 2786 Atlantic Ave Bklyn 1949 Willy's Utility Vehicle 10086 Re: R. Fordin: 1:45 P.M. 2501 Fulton St Bklyn 1982 Cadillac 2 Dr Sdn 1G6AB4784C9134689 Re: G. Singletary: 2:15 P.M. 1756 Bushwick Ave Bklyn 1985 Mercedes Benz 4 Dr Sdn WDBDA24D7FF057372 Re: The Dartmouth Plan Inc/Mobile Audio Specialists Inc: 2:45 P.M. 1576 Bushwick Ave Bklyn 1984 Ford 2 Dr Sdn 1FABP4638EH124867 Re: K. Wright: 3:15 P.M. 1676 East New York Ave Bklyn 1980 Audi 4 Dr Sdn 81A0123349 Re: L. Stagg: 3:45 P.M. 168 Liberty Ave Bklyn 1978 Cadillac 4 Dr Sdn 6B69S8Q287339 Re: J. Hall: 4:15 P.M. 169 New Lots Ave Bklyn 1980 Mazda 4 Dr Sdn CB2MS624377 Re: H. Babbitt: 4:30 P.M. 120 New Lots Ave Bklyn 1973 Mack Truck DM685SX11815 Re: A. Agnello: Metropolitan Auctioneers, Inc. Published June 4, 1990 & June 12, 1990.

C. LAUDISI & ASSOCS., INC., auct'rs sell June 20, 1990 at 9 AM at 100-35 Atlantic Ave., Qns 1987 Dodge #2B7HB23T2HK262076 Acct. Oxford Resources Corp and/or A. Eskanizy; 9:30 AM at 97-07 100th St., Qns. 1986 Buick #1G4AH19X7GT474745 Acct. A. J. Ventura; 10 AM at 135-15 130th Place, Qns 1988 Ford #1FAPP9196JT183020 Acct. R. M. Marquez, 1984 Datsun #JN1MN24S7EM037155 Acct. A. Hill; 12 Noon at 151-20 6th Road, Qns. 1987 Volvo #YV1FX8841H1128579 Acct. D. Charkhy; 12:30 PM at 34-01 Union St., Qns. 1978 Ford #U15HLCH0519 Acct. S. Nam; 1 PM at 70-11 50th Ave., Qns. 1987 Chevrolet #1Y1SK5144HZ085025 Acct. S. D. Kinsella; 1:30 PM at 95-02 Northern Blvd, Qns. 1987 Mitsubishi #JA3BA36K3HU107661 Acct. G. Gonzales; 2 PM at 36-11 Northern Blvd, Qns. 1987 M/B #WDBDA34D3HF380780 Acct. D. Whiting; 3 PM at 57-11 79th Ave., Qns. 1986 Oldsmobile #1G3GR69A5GR331021 Acct. L. H. Endara and/or U. Endara, 1984 V/W #1VWAA0173EV080382 Acct. P.A. Havighorst; at 4 PM at 506 East 76th St., N.Y.C. 1983 Ford #1FABP46W9DH174220 Acct. S. P. White and/or R. Gordon; 4:30 PM at 421 East 93rd St., N.Y.C. 1989 Acura #JH4KA4642KC008835 Acct. M. R. Heffernan. Published June 5th & 12th, 1990.

Hal Zakow auct'rs sells 6/26/90 5 PM at 899 E. 134th St, Bx, NY '78 Chevy Tow Trk #CCL4481111902 Re: Imperial Collision. Published 6/12 & 6/19/90.

Have an Important Legal Notice?
Call Gail Edwards at 212/943-5716

Joel Pope auct'r Lic #794209 sells 6/27/90 10 AM at 50-06 72nd St Qns NY, '82 Dat #JN1CB0252CU105810 Re: League Ins Co.; 11 AM at 56-17 58th St Qns NY, '87 Chev #1G1YY3184H5102359 Re: Mhntn Lsng Grp Inc., Tilden Commer Alliance Inc, '46 HA/DA mcy #46F5918 Re: M. Connelly, J. Doe et al, '84 Olds #1G3AJ19E7EG317570 Re: A. Tuturici, '84 Ford #2FABP43F6EX193944 Re: S. Kramer; 12 PM at 241-07 Jam Ave Qns NY, '85 Pont #1G2FW87F7FN202741 Re: S. Parks, Bk of NY; 1 PM at 945 Atlantic Ave Bklyn NY, '89 Honda #1HGED3548KA030935 Re: L. Dandridge, Citibank NA, '89 Linc #1LNBM81F1KY612030 Re: CARS of NY Inc, NatWest Bk USA; on 6/28/90 9 AM at 660 Newbridge Rd, East Meadow NY, '71 Volvo #1453363-102515 Re: CJC Collision Inc., J. Doe, '88 Dodge #1B3BX48D6JN309951 Re: F. Inaldi, GMAC; 10 AM at 803 Cross Bay Blvd, Qns NY '84 Kawaski mcy 'JKAZXBA18EB502766 Re: M. Carr; 12 PM at 28 Sylvia St, SI NY '88 Merc #1MEBM50U5JG631623 Re: E. Barrett, Ford Mtr Cred Co., '68 Diamond REO Truck #DRB42DC585072 Re: Wander Iron Trkng; 3 PM at 55 Ludy St, Hcksville NY, '83 Chrys #2C3BF66PXDR123870 Re: Zara Contrctng Co. Inc., GE Cred Corp, LI Trst Co. Published 6/12 & 6/19/90.

Banking Coverage
Where It Counts
WASHINGTON MONDAY
Every Week in
AMERICAN BANKER

860

C0175-1

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 118 *Monday, June 18, 1990* *155th year*

FDIC Appears Flexible on Insurance Issue

By YVETTE D. KANTROW

ANALYSIS: *Follow-up on the news*

L. William Seidman, chairman of the Federal Deposit Insurance Corp., surprised the industry last week when he announced that his agency is reviewing whether bank insurance powers recently granted by a Delaware law are too risky for the deposit insurance system.

The brief announcement, made at the beginning of the agency's regular monthly meeting, caused speculation that the agency might take a hard line and prohibit its member banks from underwriting insurance. Such a step would undo the major expansion of insurance powers banks won after a hard-fought battle in Delaware.

But the consensus among industry observers is that the FDIC will not prevent banks from taking advantage of the wide-ranging Delaware law. To be sure, the FDIC may very well conclude that underwriting and other insurance activities are risky for banks and warrant close scrutiny. But observers say the FDIC will most likely seek provisions to control the risk – such as the construction of firewalls – rather than attempt to outlaw underwriting altogether.

Stance Is Termed Decade Old

"I don't believe for a minute they would say that it can't be done," said William Isaac, a former FDIC chairman who is now with the Secura Group in Washington. He expects the FDIC to require all underwriting activities to be handled out of a bank subsidiary rather than out of a bank itself.

"That's been the position of the FDIC for a decade or so," he said.

Other observers expressed similar sentiments.

"I'd be shocked if Seidman said he wouldn't insure a state bank" that took advantage of the Delaware law, said Dennis J. Lehr, a partner with Hogan & Hartson in Washington. "There's a hundred ways [the law] could be conditioned and studied."

Signed May 30

Mr. Seidman asked his agency's staff last week to review the Delaware law, which grants state-chartered banks the power to underwrite and sell insurance nationwide. The law, signed by Gov. Michael L. Castle on May 30, effectively allows major banks like Citicorp and Chase

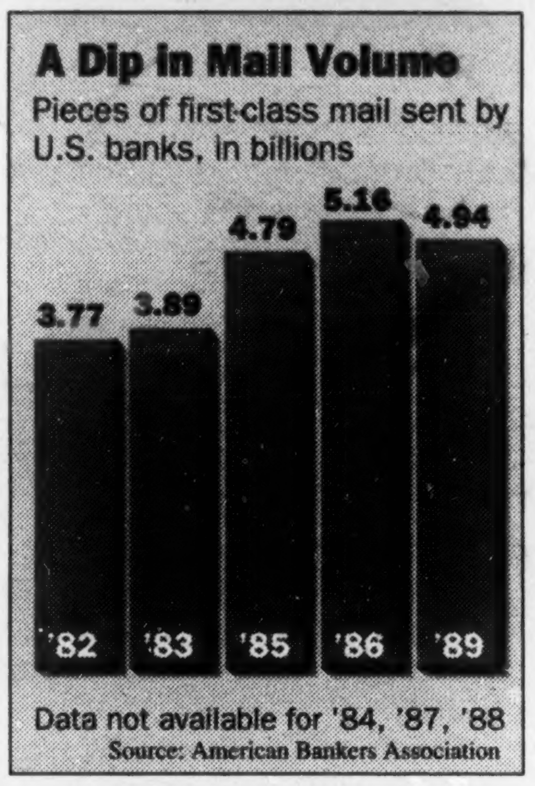
See **FDIC** *page* **16**

INSIDE NEWS

TECHNOLOGY

A Dip in Mail Volume

Pieces of first-class mail sent by U.S. banks, in billions



Data not available for '84, '87, '88

Source: American Bankers Association

SPIRALING POSTAL costs have led banks to send 4% fewer first-class letters than they did three years ago, according to an ABA study. *Page 3*

FINANCE

FIRST INTERSTATE Bancorp has sharply reduced the commercial paper it has outstanding as well as its reported purchases of federal funds. *Page 24*

WASHINGTON

MANUEL JOHNSON'S successor, if tradition holds, will have strong ties to the international banking community. *Page 8*

CONSUMER

REGULATORS and bankers are working together to iron out problems with the Community Reinvestment Act before July 1, the day CRA evaluations can be made public. *Page 6*

INTERNATIONAL

CHASE MANHATTAN and Citicorp are said to be planning to swap some of their loans to Argentina for minority stakes in the country's airline. *Page 10*

OTHER NEWS

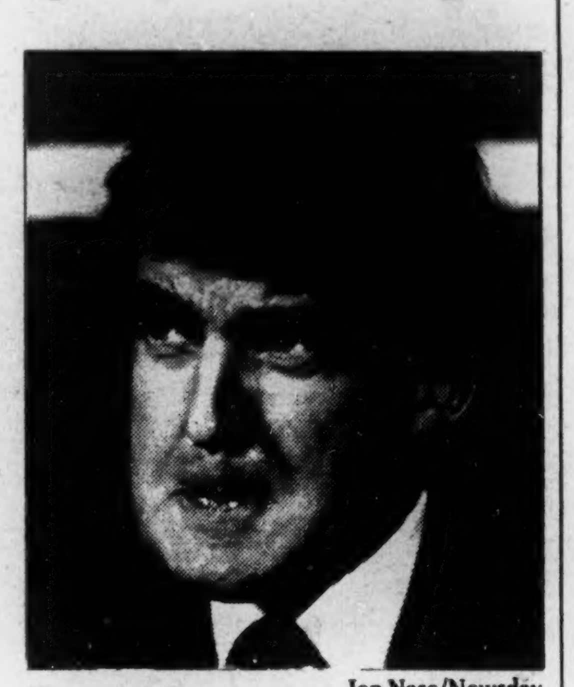
LAWMAKERS' FURY over the conduct of the thrift bailout boiled over as members of a House panel accused the Resolution Trust Corp. of tolerating excessive salaries at seized thrifts and showing favoritism in awarding contracts. *Page 2*

INDEX

Company Index 2
Sound Off 4
Executive Changes 11
Weekly Index of Stories 12
Classified Advertising 20
Bank and Thrift Stocks 23

Missed Bond Payment Starts A Clock Ticking for Trump

By STEPHEN KLEEGE



Donald Trump Jon Naso/Newsday

The Trump Organization said Friday a $30 million payment to bondholders of Trump's Castle casino was not being made, pending the outcome of negotiations with its bank lenders.

The move started a clock ticking that gives the faltering empire headed by Donald J. Trump 10 to 30 days in which to make the payment, or default on the bonds. A default could force Trump's casinos into bankruptcy, further impairing his ability to repay $2 billion in bank loans.

Pressure on First Fidelity

The failure to make the payment also puts heavy pressure on First Fidelity Bank, Newark, N.J., which is trustee of the bonds.

As trustee, the First Fidelity Bancorp. unit would have the option of extending the deadline to 30 days, according to one high-yield analyst. A spokesman for First Fidelity, which also holds $75 million of Trump loans, declined to comment.

Trump's major lenders – Citicorp, Chase Manhattan Corp., Bankers Trust New York Corp., and Manufacturers Hanover Corp. – reportedly had agreed to lend the developer an additional $60 million and defer interest payments on the bank loans. But this agreement was said to be contingent on approval from the other Trump bankers.

Bankruptcy Possible

However, some of the smaller lenders are holding out. Sources said the smaller banks might want to force a bankruptcy, because that would leave them in a better position if their interest in a particular Trump property were secured.

But a bankruptcy specialist said that reasoning would be "naive thinking" by the bankers because of the interrelationships of Trump's myriad holdings. He said it was more likely that the smaller banks were stalling in hopes that they would be bought

See **TRUMP** *page* **16**

Miami Bank To Post Loss As Bad Loans Soar by 30%

By KENNETH CLINE
and GORDON MATTHEWS

In a sign that real estate woes in the Southeast may be getting worse, Miami-based Southeast Banking Corp. said Friday that its nonperforming loans would rise by 30% in the second quarter and that it would post an unspecified loss for the quarter and the year.

The $17.1 billion-asset bank also announced it would cut it quarterly dividend by 64%, to 10 cents a share.

Deficit Estimated

Robinson-Humphrey Co., an Atlanta-based brokerage house, estimated the quarterly loss at $15 million to $20 million and projected a $25 million deficit for the year. The annual loss will be mitigated by a gain of up to $100 million on the sale of mortgage assets, the company said.

The surprise news drove down the bank's stock by $2.125, to $11.25.

After Southeast posted a first-quarter loss of $56.8 million, chairman and chief executive Charles J. Zwick said the bank

See **SOUTHEAST** *page* **16**

Mass. Bankers Protest Plan To Tax Services

By ELLEN MEMMELAAR

Massachusetts bankers are up in arms over a bill passed by the state Senate that would impose a 5% tax on their services.

Mortgage bankers say they would be most affected, and some are threatening to leave the state if the measure becomes law.

Others Would Be Taxed, Too

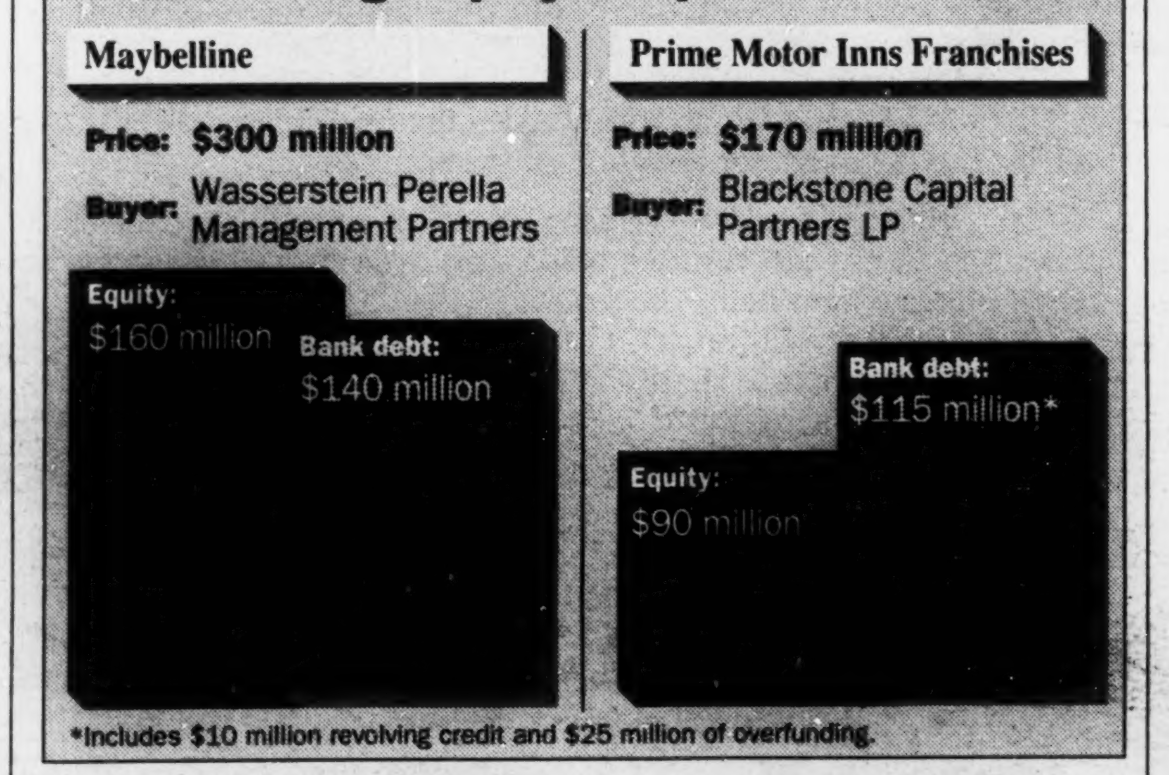
As part of wide-ranging package to raise $1.6 billion in taxes, the Senate is seeking to levy the 5% tax on most service industries – including law, engineering, surveying, research management, consulting, public relations, and money management. A few services, such as advertising and hairdressing, are exempt.

The bill has moved to a conference committee, where the Senate must reconcile it with a House tax package. The House version does not call for a tax on services.

"We think that the chances for

See **TAX** *page* **6**

Deals with High Equity Components



*Includes $10 million revolving credit and $25 million of overfunding.

Deals with Bigger Equity Stakes Could Set New Pattern for Buyouts

By STEVEN LIPIN

The recently proposed acquisitions of Maybelline and part of Prime Motor Inns Inc. could signal the way deals will need to be structured in the leverage-averse 1990s, bankers and buyout specialists said.

Unlike most of the deals that characterized the go-go years of the past decade, both buyouts feature extremely big equity components – in the range of 50% of the purchase price.

With banks wary of highly leveraged transactions, experts say more buyouts will need to have such conservative financial structures in order to attract lenders.

"This is what the retooled market looks like," said Michael Madden, cohead of investment

See **DEALS** *page* **22**

Mac Network's Banks Help To Test New Kind of ATM

By RICHARD LAYNE

PHILADELPHIA — Nine Midlantic banks have agreed to help CoreStates Financial Corp. develop two new teller machines that will allow consumers to cash checks, buy certificates of deposit, and receive account statements.

As CoreStates said when it began testing the machines last year, the new generation of ATMs could fulfill the technology's promise by taking customers off the teller line and providing round-the-clock service.

But like any new technology that could alter retail banking service, bankers are expected to spend up to a year testing it before beginning a rollout.

Installation in 1991

CoreStates said some of the banks will begin installing the two machines next year. The Mac Check machine cashes checks, and Mac Info dispenses account information and performs transactions.

In a presentation to bankers on Thursday, CoreStates also announced that it would market a telephone banking service and a machine that will allow banks to issue ATM cards in branches. All of the services are being offered to members of the Mac ATM network.

Some observers have suggested a check-cashing ATM could help banks comply with rules to make deposited funds available sooner, but the machines are not expected to be in use until well after such regulations take effect in September.

A Tight Schedule

Banks will then be required to credit to a customer's account within two days virtually any check deposited through an ATM.

More than 90% of banks plan to continue accepting deposits through their existing ATMs after Sept. 1, according to an American Bankers Association survey. Those banks plan to adapt in other ways to make funds available sooner.

CoreStates, working with NCR, installed the two new ATMs in a branch of Philadelphia National Bank in Newtown, Pa., 14 months ago. IBM now offers a version of both machines.

Costs Would Be Cut

In an interview last year, Bipin C. Shah, now CoreStates vice chairman, said the new ATMs could knock $150,000 a year off the cost of running a branch.

> **"The steak is the Mac Check. The sizzle is Mac Info."**
>
> **Bonnie Hill**
> *Philadelphia National*

Richard W. Epps, senior vice president at the banking company, estimated that 75% of a teller's activities involve cashing checks. By installing check-cashing ATMs, a bank can reduce or reassign tellers.

At the Newtown branch, the ATMs have been available 24 hours a day, seven days a week. Mr. Epps said that 50% of the transactions other than cash dispensing were done outside of work hours, mostly on the weekend. Mac Check handled an estimated 70% of the electronic transactions, he said. "The steak is the Mac Check," said Bonnie Hill, a Philadelphia National executive. "The sizzle is Mac Info." ☐

Banks Using Less First-Class Mail

ABA Study to Be Cited in Case Against Rate Increase

By JEANNE IIDA

NEW YORK — Responding to spiraling postal costs, banks are sending 4% fewer first-class letters than they did three years ago, according to a study just completed by the American Bankers Association.

The study shows that bankers, the single biggest group of first-class mailers, are choosing less-expensive postal services when they can. It also indicates that a proposed 20% increase in first-class rates could be counterproductive for the U.S. Postal Service – by spurring declines in usage, at least among bankers.

The ABA plans to use the findings in testimony on July 17 before the Postal Rate Commission as ammunition in its fight against the rate increase.

Previous ABA studies showed steady increases in the use of first-class mail by bankers. The shift in mailing habits, bankers say, is a response to actual and anticipated increases in postal rates, declines in postal service, and technology advances that allow them to send memos, documents, and intracompany letters by facsimile machine or electronic mail.

"Banks are really looking for alternatives to first-class mail," said Carlyle Jensen, vice president and manager of centralized services for U.S. National Bank of Oregon, Portland.

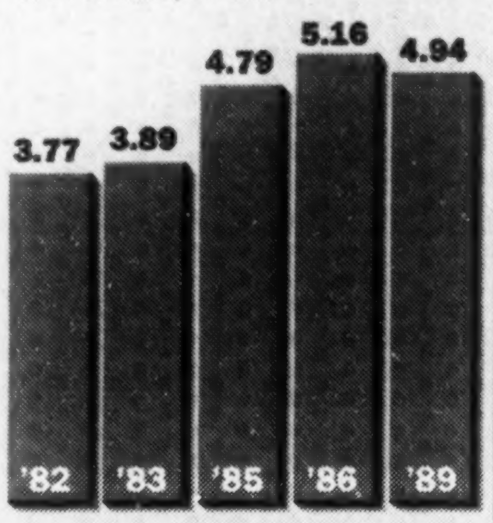
Required Uses

Banks are required, however, to use first-class mail for certain types of mailings, such as bank statements. The Oregon bank's postal costs will increase by about $2 million if the proposed rate increase goes into effect, Mr. Jensen said.

The ABA study, tabulating mail volume and expenses for 651 U.S.-based banks in 1989, shows that bankers sent less first-class mail but paid more for it than in 1986, when the group last conducted a survey.

A Dip in Mail Volume

Pieces of first-class mail sent by U.S. banks, in billions



Data not available for '84, '87, '88

Source: American Bankers Association

While the volume of first-class mail sent by banks declined 4.3% – to 4.940 billion pieces in 1989 from 5.162 billion pieces in 1986 – the cost to banks of sending first-class mail increased to $1.526 billion from $1.467 billion. The cost increase can be attributed to a 3-cent increase in first-class rates in April 1988.

"Those numbers suggest bankers are in a competitive environment where costs matter, and they're going to do everything possible to lower those costs," said Perry D. Quick, a principal of Quick, Finan & Associates, a Washington-based economic consulting firm. Mr. Quick will represent the ABA before the Postal Rate Commission.

Major Shifts Seen

Bankers increased the amount of mail sent by third-class bulk rate by about 160% over the three-year period, to 162.4 million pieces from 61.6 million pieces.

The study showed a 300% increase in the use of priority mail, to 21.7 million pieces in 1989 from 5.4 million pieces in 1986.

A spokesman for the ABA said the study bears out the trade association's warning to the Postal Service in a 1986 rate case, when the rates climbed 25%. The ABA said the postal plan would backfire, because companies would change the way they did their mailings.

But at least one banker said it is not fair to blame the Postal Service for all of the decline in first-class mailings. "Our customers are demanding faster resolution of questions, and so we've gone to new technology," such as telephone response centers and fax, the banker said. "This is not a shift that we calculated coldly," he added.

Presorting Advocated

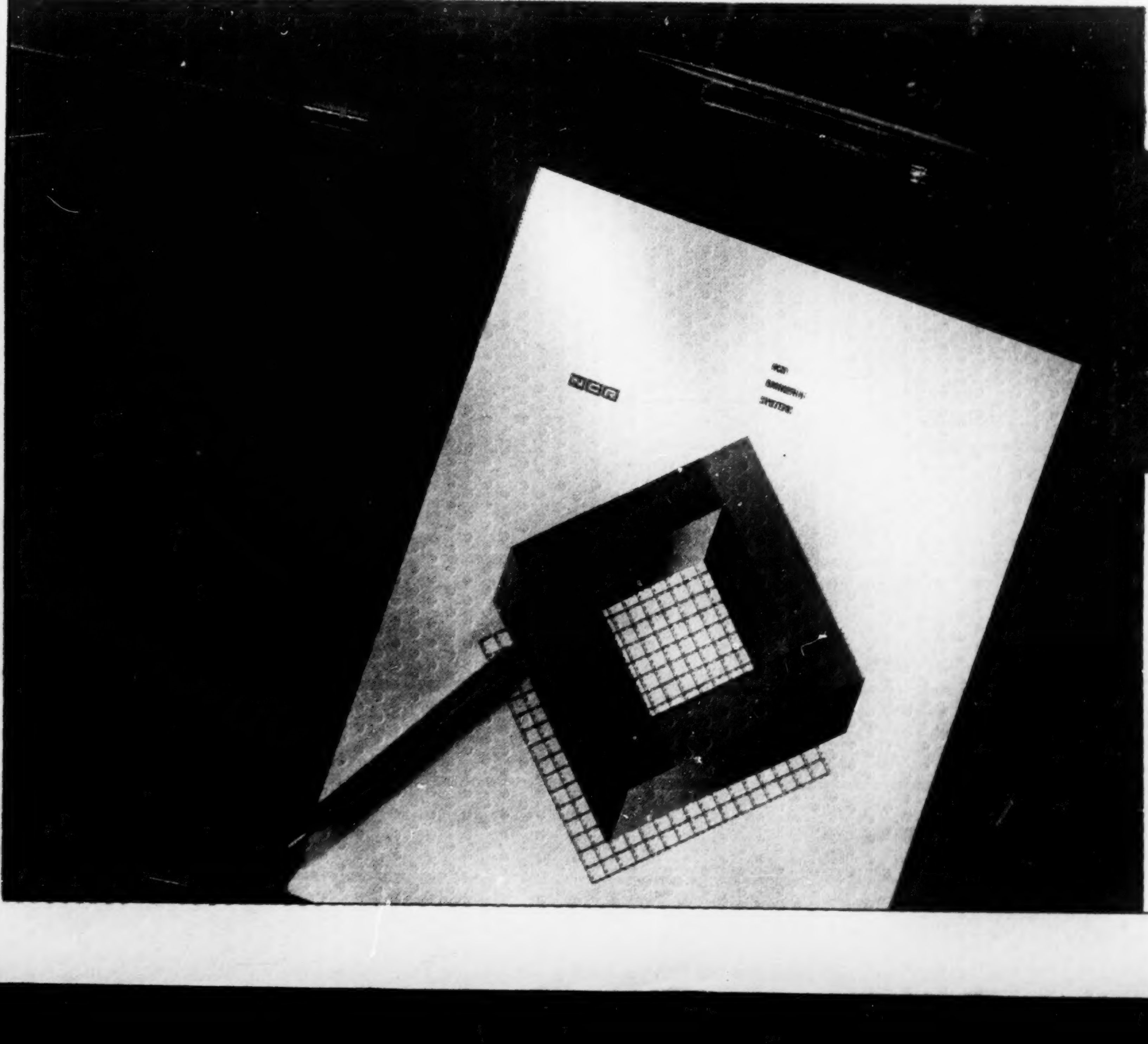
Postmaster General Anthony Frank, a former banker, has encouraged banks and other companies to invest in bar-coding and presorting equipment. "If you're paying 25 cents right now, shame on you," Mr. Frank told bankers at a recent ABA conference.

If mailers presort their mail and put bar codes on it, they could pay as little as 24.3 cents a letter, according to the Postal Service.

"For a bank our size, [installing presorting equipment] is cost-prohibitive," said L.R. Connelly, executive vice president and chief operating officer of Plaza Bank of Commerce, San Jose, Calif.

Presorting and bar-coding equipment costs $40,000 to $500,000, Mr. Quick said.

About 54% of all banks presort some or all of their mail, according to the study. A full 100% of banks with assets of $10 billion or more presorted their mail in 1989, while only 22% of banks with assets of less than $25 million did. ☐



Helping Financial Leaders Manage Change.

The NCR family of advanced financial solutions proudly welcomes another industry leader. To find out how we can help you manage change in the 1990's, phone 1-800-CALL NCR.

NCR

Open, Cooperative Computing.
The Strategy For Managing Change.

© Copyright 1990, NCR Corporation

COMMENT/

By Paul S. Nadler

Investment Officers Ascend, But at a Perilous Moment

We all used to pity the investment officer. He was the guy who got the money when loan demand was weak, interest rates were low, and bond prices were high and was told to put it to work.

Then, when loan demand picked up, interest rates rose, and bond prices fell, the CEO would say, "Sell the bonds so we can lend out the money."

Naturally, bond prices having fallen, the next words the poor investment officer would hear from the CEO would be: "Schmidlapp! Why do you always lose money in the bond market?"

The Downside of 'Idiocy'

Investment officers seldom got to the top of the bank because you couldn't convince the board that this "idiot" who buys high and sells low should be promoted.

Today, however, investment officers' status should have improved.

After all, it is the loans that are causing today's losses. And with regulators having become so tough in evaluating loans and forcing banks to write off those that would have been accepted as solid before the thrift crisis, eyes are turning to good old Schmidlapp, the investment officer.

And CEOs are wondering whether he or she might not be the salvation of the bank – in other words, whether the investment arena might not be the place where the bank can find the yields it needs to cover the cost of deposits and possibly even make a profit, too!

More Complicated Investing

But those who are now turning to the investment department as their bank's salvation may find the switch tougher than they expected.

Brian Glenn – vice president of UBS Securities in New York, a certified public accountant, lawyer, and a former Internal Revenue Service agent and bank tax counsel – basically is saying: "It's tough making a decision in investments today because, now, regulatory and accounting rules are driving the transaction."

What are this expert's reasons?

First, all tax advantages for investments are gone. Banks used to be able to deduct the cost of time and savings deposit interest yet place the money in tax-exempt bonds – making a profit on the after-tax spread. No more.

Capital gains and normal income tax rates are roughly the same, so the benefits of tax planning have largely disappeared from investment decision-making. That leaves accounting and regulatory rulemaking as the keys to investment opportunities.

And bankers soon must deal with a final set of accounting guidelines on investing versus trading, Mr. Glenn said, which will further complicate investment decision-making.

Under the guidelines, a bank must designate trading and investment portfolios. If an asset is available for sale, it must be marked to market regularly. If the bank wants to keep an investment on the books at cost, it can only sell the item under severe restrictions.

Which is the better approach? Who knows?

Restriction on CMOs

On top of this, Mr. Glenn reports that the Office of the Comptroller of the Currency will soon restrict certain collateralized mortgage obligations by declaring that those that are too volatile will not be accepted as suitable bank investments.

What is this test of volatility? If a rise or fall of 300 basis points in interest rates would lead to a change of more than seven years in the average life of these CMOs – due to a change in early repayment patterns – then the investment would be considered unsuitable for a bank.

What are Mr. Glenn's conclusions?

Tax-exempt securities will play virtually no role in most banks' portfolios in the years ahead, but CMOs will continue to be useful.

Lure of Shorter Maturities

Even with the new volatility rule, most CMOs will meet regulatory standards for bank investment. This is especially true with regard to shorter-maturity CMOs, and Mr. Glenn reports that many banks are now shortening the average life of all securities.

This is both to meet the volatility test and to minimize reported gains or losses if a bank decides to keep investments in the trading portfolio and thus must mark them to market.

So while the investment officer finally has a chance to be the bank's hero, achieving this status will not be a piece of cake. Rather, it will require understanding the implications of regulatory changes and accounting complexities that investment officers never had to face before.

So Schmidlapp has his, or her, work cut out in order to build an image and be considered a potential bank CEO. But it remains easier for this to happen than it was in the old days of being forced to buy high and sell low while lending officers' needs got high priority. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

A recent study by Grant Thornton, a Chicago-based accounting and consulting firm, examined the performance of 97 thrifts and the salaries paid to their top executives. Of the executives who run the 20 largest institutions, the study showed, nine received pay raises although the performance of their institutions declined. *American Banker* reporter Bill Atkinson asked:

Q ***In light of the shakeout in the savings and loan industry, should executives decline to take increases in salary?***

J. Lee McCullough
Partner/Consultant
The Hay Group Inc.

Merit increases or short-term incentives should be tied to the performances of both the institution and the individual. Compensation should be more a question of how I – or the company – have performed rather than how the industry is doing.

Nonetheless, in light of the poor performance of many thrifts, I think the compensation levels of some senior executives are questionable. And I don't think the shareholders are really as sensitive to executive compensation as they should be.

Pay isn't always linked to performance. If I were a shareholder, I would be worried about that.

But if you are a shareholder in a thrift, and you object to outrageous compensation, there is an obvious question: Where were you when the proxy came out and you approved the compensation plan?

Michael J. Leding Jr.
President
Michael J. Leding
Jr. & Associates
Tampa, Fla.

If a thrift is a viable business, and it is run accordingly, then a raise makes sense. On the other hand, if the savings and loan is in trouble, that should mean no salary increases.

Compensation in the savings and loan industry started to change when Wall Street started to pay more attention to earnings per share. Until then, part of a thrift executive's compensation was considered to be the prestige he gained in the community.

Now, officials read proxy statements, and they say: "So and so is making this, so I should be making that."

Frederick L. Webber
President/CEO
U.S. League
Of Savings Institutions

The question ignores the fact that the majority of thrifts are healthy and profitable. Executives of healthy and prudently operated institutions – burdened as they are by the costs imposed on them by the Financial Institutions Reform, Recovery, and Enforcement Act – have earned their salaries.

As for troubled institutions, the question is moot. The regulators control those salary levels.

William F. Sinclair
Chairman/CEO
Washington Federal Savings Bank
Washington, D.C.

If an institution is profitable and has a strong net worth, executives should be given a raise. Likewise, as an executive if you've performed well, you should take a raise. If you don't reward people who are performing well, capable people are going to find work elsewhere.

By contrast, if the company is in trouble, an executive has to bite the bullet, knowing that until they get out of the jam, there aren't going to be any raises.

At Washington Federal, we are making money, yet our executive committee voluntarily cut their fees in half. That adds up to a lot of money.

Frank P. Felton
Chairman/CEO
First American Savings
Jenkintown, Pa.

If a savings and loan is profitable and it meets all of its fully phased-in capital requirements, its executives should be paid for performance and should not be penalized because some institutions have been poorly handled.

If thrifts were not able to pay salaries comparable to those at other financial institutions, it would be impossible for them to attract qualified, well-trained personnel.

Besides, the salaries paid to executives by savings and loans have to be reported to the Office of Thrift Supervision. If in the opinion of the OTS, any officer is being paid too much, the agency will advise the institution involved. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 4

LEADING BUSINESS, REAL ESTATE LENDERS
Tables begin on page 8

AMERICAN BANKER

VOL. CLV NO. 119 | Tuesday, June 19, 1990 | 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Why Banks Make So Many Bad Loans

By SANFORD ROSE

Let us state a simple but often overlooked proposition: The health of a country's banking industry is inversely related to the speed and efficiency of information transfer.

That is, the more information that is available to market participants, the weaker are the banks. The less available information, the stronger are the banks.

Few should question the notion that banks thrive when information is not widely disseminated – i.e., markets are reasonably imperfect. In a world of perfect knowledge of existing market conditions, there would be no need for financial intermediaries. Buyers and sellers of credit would interact directly, without recourse to middlemen.

Comment

The prosperity of banks depends on a monopoly or quasi-monopoly of customer-specific information. As the technology of information transfer improves, it erodes this monopoly and with it the raison d'etre of financial intermediaries.

Banks Love a Mystery

Otherwise put, banks love a mystery. They batten on credit opacity; they abhor credit transparency. When credit risk is opaque, banks can sell highly valued analytic services. When risks are transparent, banks are reduced to being purveyors of money, a low-valued and widely available commodity.

In this country, we are passing through an age characterized by the predominance of "borrowers and lenders" and entering an age characterized by the predominance of "issuers and investors." In the earlier period, ultimate investors, lacking the requisite information about creditworthiness of borrowers, lent their funds first to banks and thrifts, which, possessed of the needed data, relent to borrowers. In the emerging period, this roundabout and costly technique of funds transfer is rapidly being short-circuited, replaced by the more efficient security-issuance process.

It is unquestionable that increased competition from progressively better informed public markets has greatly diminished the franchise value of banks and thrifts. And as the value of bank and thrift charters has declined, the incentive to indulge in less-than-prudent lending behavior has corresponding-

See **WHY** page 27

INSIDE NEWS

INTERNATIONAL

ROBERT ABBOUD'S First City Bancorp. of Texas, bucking a trend, is targeting international trade finance as one of its biggest growth opportunities. *Page 24*

TECHNOLOGY

VISA U.S.A. has reached an agreement with Internet Inc., operator of the Most automated teller machine network, to provide credit, debit, and other processing services to member banks. *Page 3*

FINANCE

A SELECT GROUP of 12 superregional banks has made up all ground lost in the early part of the year – on a price-to-book basis. But the rally for most other banks has been tepid of late. *Page 32*

CONSUMER

THE NATIONAL Association of Insurance Commissioners will investigate ways to control the profits being made on sales of credit life insurance. *Page 6*

REAL ESTATE

STEPHEN ANFANG, a New York investor, is betting that London will emerge as the banking capital of Europe and that commercial property there is a good buy. *Page 18*

PEOPLE

BANK BOARD CHIEFS used to have no trouble at all finding a cushy job in the private sector. But it's not quite that easy for M. Danny Wall. *Page 2*

INDEX

Company Index 2
Crime Blotter 4
Letters to the Editor 5
Classified Advertising 28
Bank and Thrift Stocks 31

Cirrus, Plus Seen Gaining In ATM Wars

By RICHARD LAYNE

NEW YORK — For the first time since they were formed in the early 1980s, national automated teller machine networks are poised to take away market share from the regional networks that currently dominate the business, according to Speer & Associates, an Atlanta consulting company.

In its annual survey of ATM networks, Speer forecast that the national networks' share of interchange transactions – in which a customer of one bank conducts a transaction at the ATM of another bank – will rise to 10% in 1993 from 4% this year.

The data indicate that the national networks are proving cost-effective alternatives to regional processors. The most prominent national networks are Cirrus System Inc., a MasterCard International subsidiary, and Plus System Inc., which is part-owned by Visa U.S.A.

Until now, Cirrus and Plus ATMs have been used relatively rarely by travelers wanting to obtain cash from their bank accounts back home. But a 10% market share in 1993 will add up to a sizable 232 million transac-

See **ATM** page 3

U.S. Postmaster Hints At Check-Cashing Role

By ROBERT M. GARSSON

WASHINGTON — In a move that might spare banks from being forced to cash government checks, Postmaster General Anthony M. Frank said on Monday that he is studying whether his agency's 40,000 branches could be used for that purpose.

The proposal, disclosed in an interview, comes at a time when the banking industry is gearing up to fight legislation that would require all banks to cash U.S. government checks. The measure, sponsored by Sen. Howard Metzenbaum, D-Ohio, would also require banks to cash state and municipal government checks within the state of issue.

The proposal by Mr. Frank, a former thrift executive, could help the banking industry fight the legislation.

Duty to Taxpayers

In discussing the idea, Mr. Frank said, "We are owned by the American people. If we can serve, by cashing government checks, people who would otherwise not be served, we should take a look at it."

However, he said, if Congress requires banks to cash government checks, there would be little need for his agency to offer the service.

"The only exceptions would be in rural areas, where there aren't many banks, and in the inner cities," he said.

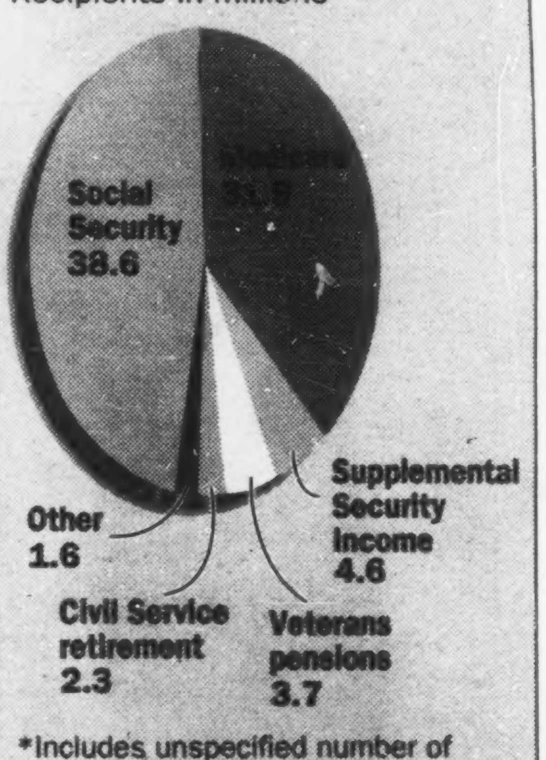
Each month, the federal government makes about 83 million payments, primarily by check. Social Security and Medicare, the two largest categories, are responsible for $70 million of the payments.

Mr. Frank, former chief executive officer of First Nationwide

See **FRANK** page 26

Who Gets Government Checks Each Month

Recipients in millions*



*Includes unspecified number of paperless direct deposits, probably under 25% of total.

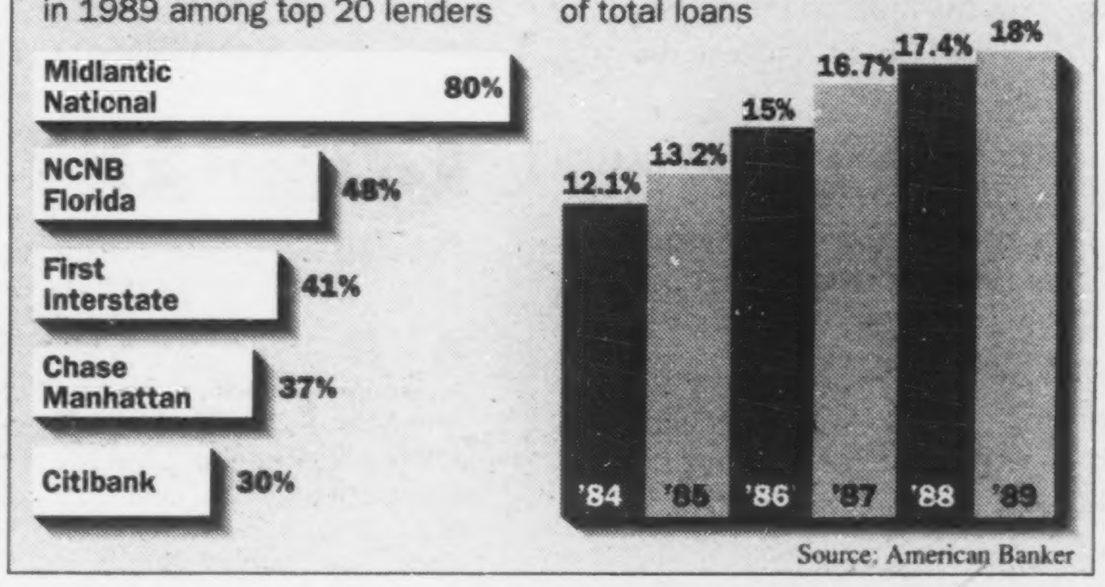
Source: Consumer Bankers Association

Real Estate Loans Grow Rapidly...

Biggest percentage increase in 1989 among top 20 lenders

Increasing Their Share Of Total Loan Market

Real estate loans as a percentage of total loans



Source: American Banker

Loans for Real Estate Grew Twice As Fast as Business Loans in 1989

By STEPHEN KLEEGE

Usually, a top-10 ranking is a source of pride for bankers. But this year, when it comes to real estate lending, a top ranking seems about as welcome as a visit from bank examiners.

Asked about the *American Banker*'s annual survey of the top 100 banks in commercial real estate loans, top-ranked Citicorp quarreled over data showing rapid loan growth, second-ranked Wells Fargo found itself on the defensive despite a good track record, and third-ranked Chase Manhattan Bank declined to comment at all.

(The rankings are in tables that begin on page 19. Tables listing the top business lenders begin on page 8.)

The sensitivity reflects growing concern about the dangers of lending in overbuilt markets. It

See **REALTY** page 18

Great Western To Buy Carteret Units in Florida

By TERESA CARSON

LOS ANGELES — Seeking a major expansion in Florida, Great Western Bank announced onMonday that it has agreed to acquire 13 Carteret Savings Bank branches in the state with $700 million in deposits. The Beverly Hills-based thrift also disclosed that it wants to make another big Florida purchase and remains interested in the the failed CenTrust Bank.

The Carteret acquisition will boost Great Western's Florida deposit base 40% to $2.4 billion and increase its branch network there to more than 60. Eleven of the branches are in affluent Palm Beach County, where Great Western already has 20 branches.

From Eighth Place to Sixth

The acquisition will make Great Western the sixth-largest thrift in Florida based on year-end deposits, up from its No. 8 ranking. The thrift also operates

See **GREAT** page 26

ATM Wars: National Nets Gaining

Survey Shows Regionals Poised to Lose Market Share

Continued from *page* **1**

tions, four times the nationals' 1990 volume, Speer projected.

The national networks' gains will come mainly at the expense of the smallest, regional networks handling between 6 million and 24 million interchange transactions a year.

Superregionals Slipping

Meanwhile, the market share of the major superregional networks will drop by two percentage points to 82% in 1993, Speer said. That slip does not represent a major setback, considering that total interchange volume is growing 60% to 70% a year, according to Richard N. Speer Jr., chairman of the consulting firm.

The company sees the superregionals – led by CoreStates Financial Corp.'s Mac system and the New York Cash Exchange network – increasing their transaction total 50% to 1.9 billion in 1993 from 1.27 billion this year.

The interchange transactions will rise to 2.3 billion in 1993 from the current 1.5 billion annual rate, Speer said.

Mac Still Dominates

Even with their projected gains, the combined volumes of Cirrus, Plus, and a few smaller nationwide interchanges may not exceed the projected volume of the Mac network, which is the perennial leader in interchange transactions.

At 17.7 million interchange transactions a month, Mac is twice as active as the Nyce network and almost three times as big as Star System, a California-based network that is No. 3 on the Speer list. Nyce is the biggest network in total transactions – which are not reflected in Speer's measures – and in teller machines, with 8,819. Star has about 7,700 machines, Mac 6,919.

The gains in market share by the national networks are impressive. "You start to believe that Plus and Cirrus can become viable," said Ron Dennis, a senior vice president with Speer. "Before, their volumes were so low, they weren't doing as much volume as the successful regional networks."

Consolidation Credited

Plus and Cirrus owe their growth to several factors, including consolidation among small regional ATM networks. National networks, which have doubled their market share from 2% in 1987, are gaining as the regionals merge or find that bigger switches can process transactions cheaper than they can.

Mr. Dennis of Speer said that not long ago there were more than 200 networks. Now that number is down to over 100, with only 90 registering any significant volume.

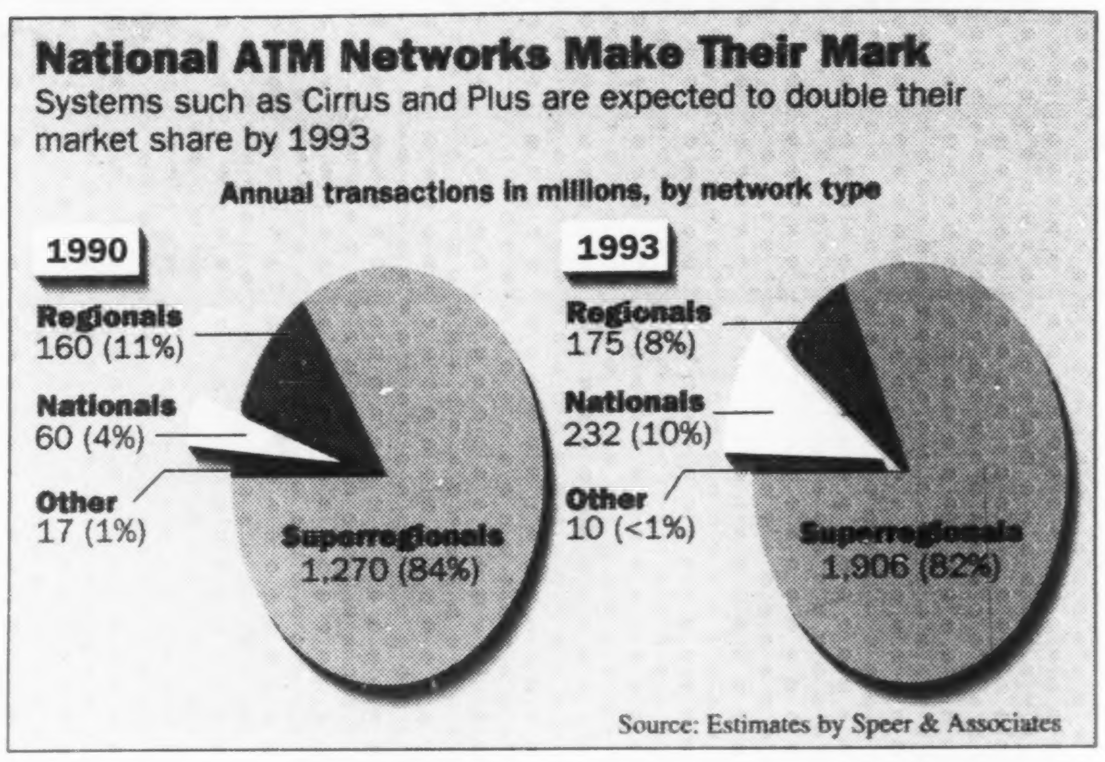
In one example of consolidation, the Honor, Avail, and Relay systems merging in the Southeast gives the national networks an opportunity to process interchange transactions.

"With consolidation, like in the Southeast, the nationals may play a greater role in those markets," said Ron Reed, vice president of Plus System Inc., Denver. One option that Honor, Relay, and Avail are considering is adopting a national identity such as Plus to create a common image.

Also, some regions of the country, including Vermont and parts of Tennessee and Virginia, are not served by large, shared ATM networks, according to Mr. Speer. In these markets, banks may elect to offer a Plus or Cirrus service, increasing the number of ATMs available to cardholders and perhaps cutting down processing costs. ☐

National ATM Networks Make Their Mark

Systems such as Cirrus and Plus are expected to double their market share by 1993



Source: Estimates by Speer & Associates

Visa to Provide Services to Member Banks of Internet

By YVETTE D. KANTROW

NEW YORK – Hoping to gain a foothold in the emerging debit card market, Visa U.S.A. has reached an agreement to provide credit, debit, and other processing services to the members of a major automated teller machine network.

The deal allows Internet Inc. – operator of the Most ATM network in Virginia and nearby states – to hawk Visa's payment processing services to its 420 participating banks. The nonexclusive agreement represents potentially millions of new transactions for Visa's authorization and processing businesses.

Executives at the San Mateo, Calif.-based card association say the deal is significant because it diversifies Visa outside of its traditional strength in credit cards.

Forging Relationships

Visa already has close ties to bank credit card executives. But as debit card systems proliferate, Visa is looking to forge similar relationships with the debit card departments of banks.

"Debit card decisions will be made by the same people who make ATM decisions, and it's important that we have a dialogue with that side of the bank," said Roger Peirce, a Visa executive vice president.

The Most network, which serves the Middle Atlantic and Mid-South regions, also has a service contract with Deluxe Data Systems Inc., Brown Deer, Wis. Most's banks will have the option of relying on either Deluxe or Visa for their ATM network processing needs.

"In the long term, there is a potentially competitive dimension to [the agreement]," said David O'Connor, president and chief executive officer of Internet, Reston, Va. "Especially if we can find more efficiencies and applications with Visa than with Deluxe Data."

Incentives Provided

Visa will provide Internet with financial incentives to promote its services to its member banks, Mr. Peirce said.

A Deluxe spokesman said the company has been providing terminal-driving and transaction authorization services for Internet since 1983. Internet signed a new five-year contract with Deluxe about two months ago, the spokesman said.

Mr. O'Connor said the Visa arrangement gives Most members an opportunity to take advantage of Visa's huge payments processing infrastructure. "The regional networks might see this as giving up control to Visa and allowing Visa to gain a foothold," he said. "We don't see that at all."

While some regional network executives have been wary of Visa as a potential competitor, they say the Internet deal represents a new way of thinking for the card association.

"They've said, 'We've got to find a way to be partners with the regionals,' " said Richard P. Yanak, president of the Yankee24 network in Wallingford, Conn. "I'm positive about [the agreement], and it can help Most better service their marketplace."

According to Mr. O'Connor, banks in the future will rely heavily on the regional networks to help them develop new EFT applications for both merchants and consumers. For example, Visa's wide range of services can help Most develop cash management services for merchants, he said. ☐

ANOTHER

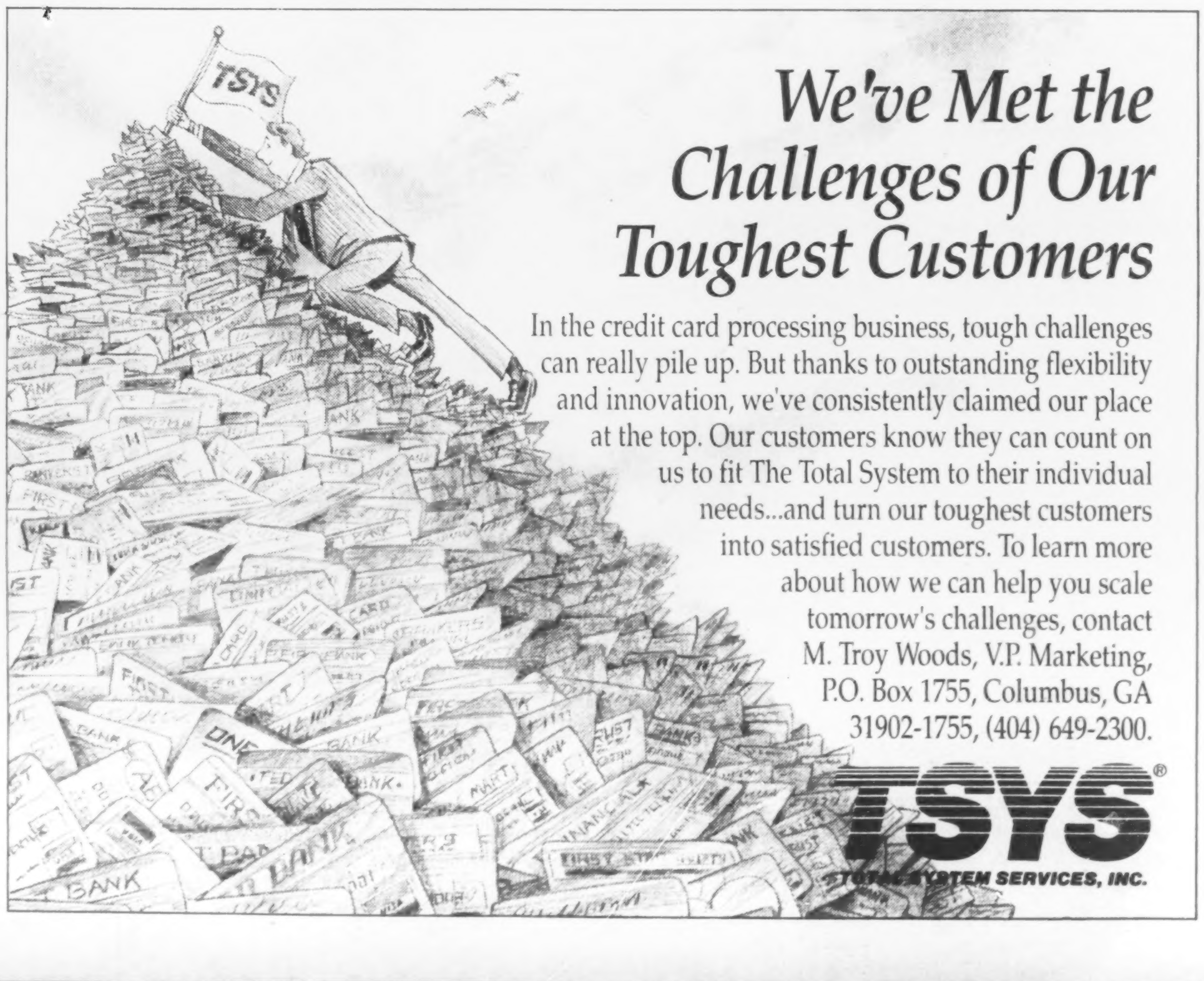
" The highest compliment I can pay Shared Financial Systems is to say that their EFT/POS software produces results."

O. C. "Bud" Russell, Jr., Vice Chairman of the Board
Hibernia National Bank, New Orleans

SHARED
FINANCIAL SYSTEMS

15301 Dallas Pkwy • Ste 600 • Dallas, TX 75248 • 214 / 233-8356
© 1990 Shared Financial Systems, Inc.

SHARED SUCCESS®



We've Met the Challenges of Our Toughest Customers

In the credit card processing business, tough challenges can really pile up. But thanks to outstanding flexibility and innovation, we've consistently claimed our place at the top. Our customers know they can count on us to fit The Total System to their individual needs...and turn our toughest customers into satisfied customers. To learn more about how we can help you scale tomorrow's challenges, contact
M. Troy Woods, V.P. Marketing,
P.O. Box 1755, Columbus, GA
31902-1755, (404) 649-2300.

TSYS®
TOTAL SYSTEM SERVICES, INC.

COMMENT/ By Peter K. Keogh

Well-Meant Regulations May Thwart RTC Mission

All parties watching the Resolution Trust Corp.'s performance acknowledge the challenge of disposing of the largest portfolio of commercial real estate yet assembled in this country. Fewer see that the tight regulatory jacket tailored for the RTC, though nobly intentioned, could well throttle its attempts to meet this challenge.

From birth, the RTC has been torn between mandates.

Its Washington-based creators, sensitive to charges that their regulatory laxity brought on the savings and loan crisis in the first place, have taken pains to insure that the agency operate above ethical suspicion. But equally anxious that thrift takeover costs be minimized, they have also pressed for a rapid return of seized real estate assets to the private sector.

Rigid Auction Regulation

The RTC has accommodated both mandates by choosing to use a rigidly regulated auction process to dispose of real estate. The agency's safeguards have put particular – and undue – focus on appraisals, to which much of the disastrous smoke-and-mirrors commercial real estate gimmickry of the last decade has been traced.

But delay is the RTC's enemy, not uncontrolled appraisals. By its latest estimates, the agency must dispose of $100 billion in real estate assets held by failing S&Ls in addition to the $100 billion in such assets it now holds.

Disposing of that much real estate under any conditions would be a monumental task. Under appraisal guidelines the RTC has proposed, the task may never be completed.

Under the proposed rules promulgated in order to satisfy Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act, appraisals must include three years of sales history, a market-trends analysis, and a determination of market value.

> **"The fact is, however, that the standard criteria used to establish appraised 'market value' of commercial properties . . . simply don't apply in the distressed RTC markets."**

Proposed Appraisal Rules

The rules also require use of certified appraisers by Aug. 9, 1990, on federal transactions and by July 9, 1991, on state-level deals. Conflict of interest guidelines are spelled out for both in-house and fee appraisers.

The Federal Deposit Insurance Corp., aware of the general challenge facing the RTC, has acknowledged that the agency is being asked, in the proposed licensing process alone, to do in two years what professional organizations have taken decades to accomplish.

The RTC's appraisal burden is, again, the price for balancing agendas.

The agency's own policies call for "maximizing net present value" of seized real estate, which means disposing of parcels before carrying costs or physical deterioration further erode their worth. But it has also had to assure regional commercial interests that auctions will not disrupt already weak markets.

The RTC's masters apparently believe fair appraisals are the key to protecting the value of everyone's real-property interests.

The fact is, however, that the standard criteria used to establish appraised "market value" of commercial properties – current sale prices, income-generating potential, and replacement costs – simply don't apply in the distressed RTC markets. There are few current sales, little immediate income potential, and no replacement equivalents because no one is building.

Many projects under RTC control, conceived and built in speculative frenzy, simply have no economic reason to exist.

The entire approach, moreover, implies there *are* intrinsic market values and that they can be "found" and protected.

Self-Interest Is Market Key

If so, why is the market – here in the form of auction bidders – not seen as capable of determining such values? The standard definition of "market value" used by the RTC, Fannie Mae, Freddie Mac, and professional appraisal organizations assumes parties in a transaction are acting in their own self-interest.

Surely, calculating the impact of a depressed market on a property's value, and bidding accordingly, is acting in self-interest.

The RTC's own strategic plan acknowledges that holding properties off the market may cause more disruption rather than less because of the uncertainty these "overhangs" pose in specific markets.

Arizona, where the RTC controls $10 billion in real estate assets (80% of it raw land), seems to provide a case in point. On a recent trip to Phoenix, I found raw land sales nonexistent. While acknowledging that Arizona real estate is troubled by many depressed fundamentals, I was also struck by a market-wide paralysis

While the RTC waits, problems mount.

Quick disposal is the mandate that must prevail, and the way to make it work is the most open auction process possible

Some bankers may fear that allowing preinsolvency development interests into the RTC auction process without regulation is tantamount to admitting the Trojan horse. They need not. The proposed rules have value as preventive measures against the recurrence of abuses and should be retained as such.

To its credit, the RTC has taken a number of recent steps to ease its auction process. Rules regarding down payment, seller financing, and the onerous 95%-of-appraised-value auction price floor have all been loosened.

Cut Auction-Appraisal Linkage

What the agency should do now, during the comment period on the proposed appraisal rules, is to unshackle the seized-asset auction process from appraisal reform.

It should be very clear to every kind of financial institution that its interest lies in seeing the RTC recover its savings and loan takeover costs as quickly as possible.

The alternative is the current scenario – an RTC burdened by the carrying and maintenance costs of a growing and stagnant portfolio, solvent institutions threatened with levies to support the bailout effort, increasing government resistance to further financial assistance, and eroding public trust. □

Mr. Keogh is executive vice president of Metropolitan Consulting Group, New York, which offers real estate location counseling and transaction services.

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Letters may be edited for space.

CRIME BLOTTER/ By Tom Leander

Bank Bombers Strike Again

A rash of Monday morning bombings has extended to a third bank in Southern California, a Security Pacific National Bank branch in the resort community of Indio.

Last week's explosion sent a fallout of thousands of dollars raining down on the bank's parking lot, but police said robbery did not appear to be the motive in any of the bombings. All three bombs were detonated with timing devices.

The Security Pacific blast, which occurred before the bank's 19 employees arrived for work, touched off a substantial fire. Police said they were seeking two suspects seen leaving the branch but could offer no motive for the bombings.

Security Pacific issued a statement reassuring customers that the vault and safe-deposit boxes at the Indio branch are intact and that all deposits are safe.

The first Monday morning bombing, about five weeks ago, hit a Bank of America branch at nearby Palm Springs. The second struck a Provident Savings and Loan branch at Rancho Mirage, near Palm Springs. Some money was blown out of aBankAmerica Corp. branch in Palm Springs, but the Provident branch survived with all its money intact.

The California Bankers Association is offering $50,000 for information leading to the arrest of the Monday bombers.

* * *

Conviction in Fraud Case

A federal jury in Los Angeles convicted David A. Feldman, former owner of a mortgage-finance company, of mail fraud in a complex swindle that cost the Bank of America $95 million.

Prosecutors said Mr. Feldman, 50, approached banks across the country through his now-defunct National Mortgage Equity Corp. He talked these banks into investing in certificates that were supposedly backed by pools of high-interest residential mortgages in Southern California and Texas.

The senior officers believed Mr. Feldman when he told them that the certificates were protected by several layers of guarantees – including assurances from independent underwriters that the borrowers could pay their debts. According to prosecutors, there were no independent underwriters. All the brokers and borrowers were in cahoots.

Contrary to what Mr. Feldman told the investors, the mortgage borrowers did not make their loan payments – the loans in the pool were in default. Mr. Feldman diverted millions of dollars of investor funds to a bonding company.

The losses of the defrauded institutions were covered by the Bank of America, which acted as escrow and trustee for all but three of the mortgage pools.

Bank of America has a civil racketeering suit pending against Mr. Feldman, seeking restitution of the $95 million. Mr. Feldman faces a possible 15-year prison term when he is sentencing Aug. 20 in U.S. District Court.

* * *

Indictment in Vernon Probe

An additional indictment was handed up last week in the continuing investigation of fraud at Vernon Savings and Loan, the Texas thrift that already provided the setting for numerous S&L fraud convictions.

A federal grand jury in Texas indicted Laurence B. Vineyard Jr., president of Key Savings and Loan Association, Dallas, on one count of defrauding Vernon of $2.6 million in 1986.

Officials of the Justice Department's Dallas Fraud Task Force allege that Mr. Vineyard drew a $2.6 million advance on a $12.7 million loan agreement with Vernon, supposedly to pay certain obligations for the benefit of Vernon.

Justice officials claim that Mr. Vineyard used the money to buy a $1.4 million house and other items for his personal use. □

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004
Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 300 Banks in Business Lending

Based on Federal Regulatory Report of Condition data for Dec. 31, 1989, compared with Dec. 31, 1988 (dollar amounts in thousands)

Rank 12/89		Total Business Loans			Bad Bus. Loans	Bad Bus. Loans/	Total Loans			Total Assets		
		12/31/89	12/31/88	% Chg.	12/31/89	Bus. Loans	12/31/89	12/31/88	% Chg.	12/31/89	12/31/88	% Chg.
1	Citibank NA, New York	33,347,000	31,427,000	6.11	2,318,000	6.95	108,694,000	99,756,000	8.96	161,988,000	150,241,000	7.82
2	Bank of America NT&SA, San Francisco	22,205,000	21,637,000	2.63	1,236,000	5.57	65,118,000	59,444,000	9.55	86,712,000	82,912,000	4.58
3	Chase Manhattan Bank NA, New York	21,072,410	19,491,022	8.11	1,232,475	5.85	54,995,735	49,819,356	10.39	83,807,666	77,542,498	8.08
4	Manufacturers Hanover Trust Co., New York	17,453,000	17,249,000	1.18	622,000	3.56	37,322,000	37,736,000	-1.10	54,740,000	54,210,000	0.98
5	Bank of New York	16,245,228	7,709,336	110.72	606,848	3.74	32,515,308	14,052,357	131.39	46,361,809	22,614,229	105.01
6	Chemical Bank, New York	11,952,000	11,634,000	2.73	739,000	6.18	29,585,000	28,738,000	2.95	45,469,000	50,933,000	-10.73
7	First National Bank, Boston	11,771,292	10,893,282	8.06	291,336	2.47	19,151,082	19,102,908	0.25	30,000,100	26,182,108	14.58
8	Wells Fargo Bank NA, San Francisco	11,087,907	10,337,957	7.25	330,633	2.98	39,349,480	35,780,803	9.97	45,555,858	43,732,080	4.17
9	Security Pacific National Bank, Los Angeles	10,232,712	10,014,236	2.18	515,981	5.04	38,040,612	32,863,618	15.75	54,313,683	48,920,495	11.02
10	Continental Bank NA, Chicago	10,149,967	10,736,102	-5.46	125,628	1.24	15,757,309	17,650,651	-10.73	29,358,018	30,571,113	-3.97
11	Morgan Guaranty Trust Co., New York	10,051,586	11,101,006	-9.45	583,650	5.81	26,324,706	28,308,171	-7.01	64,707,226	71,227,778	-9.15
12	First National Bank, Chicago	8,777,681	9,015,027	-2.63	252,592	2.88	21,496,967	22,091,941	-2.69	36,410,165	35,172,664	3.52
13	Bankers Trust Co., New York	8,493,655	10,953,369	-22.46	569,358	6.70	20,877,925	22,948,410	-9.02	51,113,127	55,349,881	-7.65
14	Mellon Bank NA, Pittsburgh	7,392,659	6,768,163	9.23	120,642	1.63	13,698,786	13,626,775	0.53	22,697,193	22,154,559	2.45
15	NCNB Texas National Bank, Dallas	6,835,195	4,413,291	54.88	19,811	0.29	12,875,875	11,630,363	10.71	33,748,419	25,573,596	31.97
16	National Westminster Bank USA, New York	6,746,076	6,106,939	10.47	161,027	2.39	10,770,611	9,897,088	8.83	14,531,012	13,286,323	9.37
17	Marine Midland Bank NA, Buffalo, N.Y.	5,242,439	5,590,948	-6.23	291,344	5.56	17,847,778	18,142,542	-1.62	21,546,713	20,987,400	2.66
18	National Bank of Detroit	4,843,286	4,895,516	-1.07	24,884	0.51	8,962,643	8,589,333	4.35	17,014,841	15,459,413	10.06
19	First Bank NA, Minneapolis	4,576,016	4,805,917	-4.78	147,544	3.22	9,265,478	10,194,095	-9.11	12,702,725	14,982,414	-15.22
20	Union Bank, San Francisco	4,410,988	4,655,671	-5.26	113,665	2.58	11,481,395	11,028,993	4.10	15,375,629	15,011,186	2.43
21	NCNB National Bank of North Carolina, Charlotte	4,201,828	3,547,663	18.44	74,105	1.76	11,174,872	9,982,007	11.95	20,443,391	16,741,026	22.12
22	Bank of New England NA, Boston	3,937,796	4,209,035	-6.44	113,414	2.88	11,009,058	11,905,197	-7.53	14,292,638	15,564,083	-8.17
23	First Interstate Bank of California, Los Angeles	3,499,438	3,740,362	-6.44	169,085	4.83	14,256,722	13,472,078	5.82	21,228,507	20,489,545	3.61
24	Midlantic National Bank, Newark, N.J.	3,268,579	1,837,612	77.87	138,082	4.22	8,075,293	4,731,831	70.66	9,818,182	5,712,781	71.86
25	Philadelphia National Bank	3,236,359	3,109,378	4.08	18,335	0.57	6,267,410	5,566,902	12.58	10,038,832	10,395,009	-3.43
26	Bank of Tokyo Trust Co., New York	3,193,763	2,980,053	7.17	19,336	0.61	3,995,041	3,684,865	8.42	8,259,816	6,945,732	18.92
27	Texas Commerce Bank NA, Houston	3,138,384	3,450,936	-9.06	155,896	4.97	5,427,306	6,102,276	-11.06	11,625,807	11,651,575	-0.22
28	Pittsburgh National Bank	3,112,457	3,236,080	-3.82	150,839	4.85	8,663,247	7,653,542	13.19	17,151,513	16,793,779	2.13
29	Wachovia Bank and Trust Co. NA, Winston-Salem, N.C.	3,045,486	2,952,455	3.15	7,179	0.24	9,847,819	8,370,118	17.65	15,143,871	13,584,304	11.48
30	First Union National Bank of N.C., Charlotte	2,841,989	2,517,669	12.88	16,771	0.59	11,365,692	9,915,743	14.62	16,767,084	15,061,529	11.32
31	First Fidelity Bank NA, Newark, N.J.	2,821,045	2,546,094	10.80	124,099	4.40	7,575,873	7,170,269	5.66	12,342,949	11,201,201	10.19
32	Ameritrust Co. NA, Cleveland	2,727,530	2,533,310	7.67	95,291	3.49	6,296,248	5,815,116	8.27	8,923,360	8,429,749	5.86
33	Meridian Bank, Reading, Pa.	2,710,929	2,422,220	11.92	53,347	1.97	6,843,415	5,279,588	29.62	10,084,789	7,909,881	27.50
34	Harris Trust and Savings Bank, Chicago	2,669,375	2,711,114	-1.54	66,078	2.48	5,506,375	5,287,377	4.14	9,969,430	9,209,202	8.26
35	Citizens & Southern National Bank, Atlanta	2,659,395	2,300,727	15.59	46,304	1.74	8,069,690	7,643,149	5.58	12,441,682	11,461,816	8.55
36	Comerica Bank-Detroit	2,587,357	2,313,707	11.83	15,667	0.61	6,540,111	5,593,420	16.93	10,097,839	8,782,806	14.97
37	United States National Bank, Portland, Ore.	2,561,529	2,133,333	20.07	57,155	2.23	7,060,312	5,798,569	21.76	10,263,310	8,524,105	20.40
38	Fidelity Bank NA, Philadelphia	2,547,412	3,045,563	-16.36	73,808	2.90	6,568,150	6,789,524	-3.26	9,475,294	10,165,302	-6.79
39	Sovran Bank NA, Richmond	2,531,323	2,427,562	4.27	14,637	0.58	9,014,468	8,473,140	6.39	13,815,734	12,412,914	11.30
40	Norwest Bank Minnesota NA, Minneapolis	2,513,002	2,257,345	11.33	71,407	2.84	5,766,343	5,246,399	9.91	8,512,834	8,479,295	0.40
41	Provident National Bank, Philadelphia	2,474,361	2,100,413	17.80	20,776	0.84	5,766,353	5,036,695	14.49	8,322,387	7,977,681	4.32
42	Manufacturers National Bank of Detroit	2,473,755	2,437,382	1.49	19,280	0.78	5,225,501	5,235,111	-0.18	8,678,071	7,818,327	11.00
43	Crestar Bank, Richmond	2,470,821	2,186,170	13.02	33,619	1.36	7,455,095	7,055,222	5.67	10,190,113	9,367,784	8.78
44	Seattle-First National Bank	2,438,209	2,379,442	2.47	28,334	1.16	9,950,703	8,823,133	12.78	12,332,648	10,834,350	13.83
45	Republic National Bank, New York	2,398,661	1,519,845	57.82	16,956	0.71	4,674,355	3,692,197	26.60	21,399,222	20,085,759	6.54
46	Northern Trust Co., Chicago	2,362,480	1,929,815	22.42	34,534	1.46	4,939,453	4,134,391	19.47	8,634,500	8,061,840	7.10
47	National City Bank, Cleveland	2,294,877	2,024,660	13.35	13,767	0.60	4,883,364	4,306,724	13.39	8,209,006	7,622,497	7.69
48	Morgan Bank (Delaware), Wilmington	2,251,005	855,976	162.98	11,945	0.53	3,772,864	1,957,949	92.69	4,900,310	3,229,693	51.73
49	Shawmut Bank NA, Boston	2,242,614	2,238,805	0.17	56,698	2.53	6,223,824	5,300,265	17.42	9,270,551	8,869,586	4.52
50	Bank One Texas NA, Dallas	2,214,594	....	....	611,398	27.61	7,244,411	....	....	12,271,581	....	....
51	First Jersey National Bank, Jersey City N.J.	2,149,165	2,193,729	-2.03	65,807	3.06	3,714,980	3,851,190	-3.54	5,071,749	5,148,803	-1.50
52	Industrial Bank of Japan Trust Co., New York	2,118,505	1,814,842	16.73	1,137	0.05	2,388,561	2,097,364	13.88	5,575,039	4,747,502	17.43
53	Southeast Bank NA, Miami	2,109,074	2,238,886	-5.80	54,410	2.58	10,748,235	8,876,038	21.09	15,966,390	13,782,545	15.85
54	Connecticut Bank & Trust Co. NA, Hartford	1,978,870	2,420,632	-18.25	115,062	5.81	5,920,220	6,961,365	-14.96	9,735,030	9,916,178	-1.83
55	Fleet National Bank, Providence, R.I.	1,968,931	1,746,218	12.75	26,439	1.34	6,348,536	5,453,367	16.41	9,701,134	7,948,879	22.04
56	Bank of California NA, San Francisco	1,949,608	1,980,912	-1.58	121,945	6.25	6,438,500	5,710,667	12.75	7,897,834	6,932,653	13.92
57	Connecticut National Bank, Hartford	1,942,936	1,934,269	0.45	56,951	2.93	8,328,176	7,426,431	12.14	12,471,078	12,182,456	2.37
58	Maryland National Bank, Baltimore	1,903,640	1,967,346	-3.24	20,739	1.09	6,347,656	6,282,970	1.03	9,487,848	9,017,583	5.21
59	AmSouth Bank NA, Birmingham, Ala.	1,888,103	1,776,055	6.31	23,906	1.27	4,958,949	4,694,082	5.64	7,557,555	7,339,014	2.98
60	Trust Company Bank, Atlanta	1,849,578	1,521,816	21.54	8,543	0.46	3,828,505	3,534,875	8.31	6,312,806	5,965,614	5.82
61	First City National Bank, Houston	1,848,147	1,534,406	20.45	21,951	1.19	4,701,041	4,143,082	13.47	7,622,619	6,296,958	21.05
62	Michigan National Bank, Farmington Hills	1,812,640	1,751,393	3.50	37,246	2.05	6,100,076	6,294,279	-3.09	9,853,367	9,296,202	5.99
63	First Interstate Bank of Oregon NA, Portland	1,761,886	1,568,411	12.34	10,462	0.59	4,014,529	3,454,964	16.20	6,333,899	5,835,425	8.54
64	First Pennsylvania Bank NA, Philadelphia	1,759,931	1,508,257	16.69	36,349	2.07	4,649,150	4,206,704	10.52	6,635,086	6,376,335	4.06
65	American National Bank & Trust Co., Chicago	1,697,892	1,438,842	18.00	35,723	2.10	3,397,036	3,021,121	12.44	4,492,976	4,135,111	8.65
66	Continental Bank, Norristown, Pa.	1,589,665	1,450,523	9.59	20,541	1.29	3,596,519	3,261,527	10.27	4,373,021	3,903,435	12.03
67	Huntington National Bank, Columbus, Ohio	1,548,861	1,421,685	8.95	21,832	1.41	5,631,848	5,122,898	9.93	8,899,567	7,961,567	11.78
68	Security Pacific Bank Washington NA, Seattle	1,519,810	1,357,914	11.92	16,487	1.08	6,297,386	5,356,186	17.57	8,073,701	7,105,063	13.63
69	Society National Bank, Cleveland	1,518,393	1,476,558	2.83	38,404	2.53	4,841,750	3,474,699	39.34	8,130,642	6,086,826	33.58
70	Bank of Hawaii, Honolulu	1,470,892	1,167,759	25.96	4,421	0.30	4,691,168	3,907,638	20.05	8,016,497	6,367,581	25.90
71	Hibernia National Bank, New Orleans	1,445,846	1,618,295	-10.66	25,448	1.76	4,710,589	4,237,647	11.16	6,525,987	5,783,052	12.85
72	Sanwa Bank California, San Francisco	1,411,510	1,768,344	-20.18	36,499	2.59	4,731,065	4,463,235	6.00	6,918,322	6,427,937	7.63
73	Boatmen's National Bank, St. Louis	1,403,830	731,051	92.03	17,725	1.26	4,703,227	2,503,024	87.90	7,808,409	4,334,179	80.16
74	Valley National Bank, Phoenix, Ariz.	1,377,924	1,437,486	-4.14	52,464	3.81	6,544,612	6,603,738	-0.90	9,391,928	10,187,118	-7.81
75	First National Bank of Maryland, Baltimore	1,366,166	1,275,141	7.14	21,231	1.55	4,083,142	3,519,704	16.01	6,367,057	5,677,592	12.14
76	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	1,361,318	1,352,350	0.66	45,264	3.33	3,534,144	3,244,123	8.94	5,659,249	5,133,890	10.23
77	South Carolina National Bank, Columbia	1,354,585	1,244,410	8.85	10,500	0.78	4,181,495	3,719,051	12.43	6,074,409	5,480,373	10.84
78	European American Bank, New York	1,313,533	1,466,841	-10.45	81,805	6.23	3,322,112	3,350,856	-0.86	5,293,279	5,335,141	-0.78
79	First Interstate Bank NA, Houston	1,300,816	1,546,160	-15.87	94,295	7.25	4,098,755	4,575,374	-10.42	6,345,285	6,722,384	-5.61
80	Fuji Bank and Trust Co., New York	1,292,643	1,166,580	10.81	0	0.00	1,991,247	1,861,094	6.99	4,291,061	4,910,091	-12.61
81	Bank Leumi Trust Co., New York	1,291,051	1,384,815	-6.77	55,132	4.27	2,133,312	1,998,876	6.73	3,348,375	3,129,940	6.98
82	Bankers Trust (Delaware), Wilmington	1,283,210	1,468,156	-12.60	36,309	2.83	1,861,013	1,702,966	9.28	2,404,019	2,338,844	2.79
83	Chase Lincoln First Bank NA, Rochester, N.Y.	1,281,840	1,384,594	-7.42	24,990	1.95	5,487,513	5,164,078	6.26	6,444,770	6,257,096	3.00
84	United Jersey Bank, Hackensack, N.J.	1,281,268	1,109,645	15.47	22,635	1.77	3,563,533	2,923,647	21.89	5,277,948	4,332,093	21.83
85	First National Bank, Atlanta	1,258,874	1,340,524	-6.09	7,552	0.60	5,125,383	5,034,592	1.80	8,493,590	7,947,463	6.87
86	U.S. Bank of Washington NA, Seattle	1,253,017	907,205	38.12	13,421	1.07	3,608,225	3,029,532	19.10	5,091,369	4,093,077	24.39
87	American Security Bank NA, Washington, D.C.	1,200,359	977,048	22.86	13,683	1.14	4,156,500	3,635,105	14.34	5,915,215	5,382,288	9.90
88	NCNB National Bank of Florida NA, Tampa	1,183,667	1,616,084	-26.76	19,644	1.66	6,587,796	5,926,560	11.16	11,876,828	9,645,879	23.13
89	Exchange National Bank, Chicago	1,164,538	931,982	24.95	19,942	1.71	1,667,397	1,468,695	13.53	3,016,449	2,593,598	16.30
90	Bank One NA, Indianapolis	1,148,129	1,150,478	-0.20	24,712	2.15	2,922,591	2,867,488	1.92	4,123,294	4,080,091	1.06
91	Mellon Bank (East) NA, Philadelphia	1,146,505	1,214,012	-5.56	21,980	1.92	3,232,336	3,144,772	2.78	4,670,096	4,590,202	1.74
92	Norstar Bank NA, Buffalo, N.Y.	1,144,317	993,422	15.19	13,643	1.19	2,930,994	2,905,639	0.87	3,899,913	3,891,972	0.20
93	First National Bank, Louisville, Ky.	1,139,416	1,205,241	-5.46	6,648	0.58	2,725,278	2,592,797	5.11	4,303,960	4,353,393	-1.14
94	Signet Bank-Virginia, Richmond	1,118,815	1,140,250	-1.88	17,841	1.59	4,602,600	4,287,535	7.35	8,934,256	7,480,047	19.44
95	Fifth Third Bank, Cincinnati	1,046,589	871,185	20.13	2,031	0.19	3,024,474	2,583,993	17.05	4,105,360	3,564,240	15.18
96	IBJ Schroder Bank & Trust Co., New York	1,043,082	722,926	44.29	14,051	1.35	1,659,380	1,402,722	18.30	3,074,761	3,424,308	-10.21
97	First Union National Bank of Florida, Jacksonville	1,026,630	1,006,869	1.96	12,717	1.24	5,404,871	4,642,715	16.42	9,180,518	9,139,431	0.45
98	BancOhio National Bank, Columbus	1,024,698	997,854	2.69	20,894	2.04	3,874,607	3,730,411	3.87	5,910,659	5,131,435	15.19
99	Society Bank & Trust, Toledo, Ohio	1,017,354	1,187,318	-14.31	28,327	2.78	2,189,354	2,568,946	-14.78	3,131,824	3,769,682	-16.92
100	Bank South NA, Atlanta	1,016,256	1,006,176	1.00	16,859	1.66	2,616,925	2,622,354	-0.21	4,072,434	3,882,068	4.90

Data Source: Data are from the federal regulatory "Report of Condition" filed by all federally-insured commercial banks. American Banker's statistical staff extracted these data from **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex. The 1988 data are not adjusted for mergers in 1989. **Business Loans** are total commercial and industrial loans, and are taken from schedule RC-C of the Report of Condition. Data are consolidated to include both domestic and foreign offices. Loans to both domestic and foreign businesses are included. The appropriate line reference numbers on Schedule RC-C are: Column A— Consolidated Bank— item 4.a. (commercial and industrial loans to U.S. addressees) and item 4.b. (commercial and industrial loans to non-U.S. addressees). **Bad Business Loans** are total business loans that are 90 or more days past due plus total business loans placed on a nonaccrual basis. Data are from Schedule RC-N, item 3a + item 3b (Columns B + C). **Bad Business Loans/Business Loans** is the ratio of bad business loans to total business loans, expressed as a percentage. **Total Loans** are loans and leases, net of unearned income and are from RC-Balance Sheet, line 4.a. **Total Assets** are total consolidated assets from RC-Balance Sheet, line 12. **Compiled by American Banker, Copyright 1990.**

Top Tier of Business Lenders Underwent Reshuffling in '89

By WILLIAM GOODWIN

NEW YORK — Major New York banks continued to dominate the top tier of business lenders last year, but major shifts occurred in the rankings, according to an *American Banker* survey.

The banking subsidiaries of Bankers Trust New York Corp. and J.P. Morgan & Co. reported big declines in their outstanding commercial and industrial loans at yearend 1989. Bank of New York Co., meanwhile, after its merger with Irving Trust Co., catapulted into the top five lenders.

(The tables of top business lenders begin on page 8. Tables listing the top real estate lenders begin on page 19.)

First Increase Since 1984

The sum of business loans held by the 10 biggest lenders grew by 6.4%, the first increase since the annual survey was begun in 1984. This growth reflects a rise in demand for working capital loans and the Bank of New York merger, observers said.

Business loans held by all domestic banks increased by 3.1%, to $618.7 billion, the fastest rate of growth since 1986. But growth slowed at the U.S. branches of foreign banks. Their increase – a robust 10.7% – was down from 14.9% in 1988.

The 6.4% increase in business loans by the 10 biggest lenders, to $165.5 billion, was partly skewed by the merger that left Bank of New York with $17.5 billion in such loans. Even excluding the merger's effects, however, the top 10 banks had loan growth of about 2.4%.

Business loans held by all domestic banks increased by 3.1%, to $618.7 billion, the fastest rate of growth since 1986.

Slowing Economy Felt

The increase partly reflects the fact that the economy was slowing in 1989, said Richard Bove, a banking industry analyst at Dean Witter Reynolds Inc. Demand for working capital loans typically rises when the economy slows and corporate revenues fall, he said.

Banks were also in a better position to make loans last year, according to Mr. Bove. "For the first time since 1982, banks reached the point where the Fed believed they were no longer undercapitalized," he said.

The collapse of the junk bond market eliminated a major source of competition for banks, Mr. Bove said. At the same time, the market's devaluation of the yen contributed last year to a reduction in the price advantage Japanese banks hold over their U.S. counterparts, he said.

A pullback by European banks was probably the main reason for the declining rate of growth in business loans held by foreign bank branches, Mr. Bove said. These loans totaled $138.2 billion at yearend 1989.

Bank of New York's Mark

The survey is based on data culled from federal call reports and includes commercial and industrial loans made both in the United States and abroad.

Among individual lenders, the most dramatic growth in such loans was the 111% increase at Bank of New York, to $16.2 billion, from $7.7 billion.

New York banks held four of the five top spots among business lenders in 1989 and five of the top 10 spots.

Citibank, the Citicorp subsidiary, was at the top of the list, with $33.3 billion in business loans. After Citibank came the banking units of BankAmerica Corp., Chase Manhattan Corp., Manufacturers Hanover Corp., and Bank of New York Co.

Two Fall from Top 10

With the exception of Bank of New York, which supplanted Chemical Banking Corp.'s lead subsidiary in fifth place, the top five rankings were unchanged from 1988.

But major shifts occurred among the top 10. Bankers Trust and Morgan fell out of the group.

In the case of Bankers Trust, which ranked seventh in 1988, outstanding business loans plunged 22.5% in 1989, to $8.5 billion. A Bankers Trust spokesman said the decline in reported commercial and industrial loans reflected the bank's "development of a strong loan distribution capability" in recent years, rather than a decline in loan originations.

"For the first time since 1982, banks reached the point where the Fed believed they were no longer undercapitalized."

Richard Bove
Dean Witter Reynolds Inc.

"It's a trend that began four years ago," when the bank developed its capability to sell loans that it originated, the spokesman said.

Commercial Paper Blamed

Morgan Guaranty Trust Co. of New York, meanwhile, pointed the finger at the commercial paper market, saying its customers are using that market as a cheaper source of funds.

"The decline in C&I loans in 1989 is consistent with a long-term trend among our custom-

See **TOP** *page* **29**

SERVICE
IS NOT
A THING
OF THE PAST

You can still find it at Balboa Life and Casualty.

In fact, we don't just talk about providing service.

We impose the strictest of performance standards in such key areas as customer contact, information processing and response to service requests.

For instance, every one of the 800,000 documents we receive monthly from our customers is processed within 48 hours, with over 99.8% accuracy. Our service representatives, who receive over 120,000 phone calls each month, are continually trained and monitored.

So you and your customers can count on fast, courteous service as well as virtually flawless precision.

At Balboa Life and Casualty, we approach business with the values of the past. We find the future looks better that way.

For more information, call David de Gorter, Marketing Director at 714-553-7692.

AVCO INSURANCE
BALBOA LIFE & CASUALTY
YOUR PARTNER IN INSURANCE

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 4, 8-10,

12-15, 18-23, 29

Top 300 Banks in Business Lending

Based on Federal Regulatory Report of Condition data for Dec. 31, 1989, compared with Dec. 31, 1988 (dollar amounts in thousands)

Rank 12/89		Total Business Loans			Bad Bus. Loans 12/31/89	Bad Bus. Loans/ Bus. Loans	Total Loans			Total Assets		
		12/31/89	12/31/88	% Chg.			12/31/89	12/31/88	% Chg.	12/31/89	12/31/88	% Chg.
101	State Street Bank and Trust Co., Boston	998,331	870,291	14.71	3,364	0.34	2,479,022	2,193,008	13.04	10,101,462	8,543,089	18.24
102	First Interstate Bank of Arizona NA, Phoenix	987,694	1,476,054	-33.09	86,916	8.80	4,582,901	4,682,454	-2.13	6,754,000	6,689,515	0.96
103	City National Bank, Beverly Hills	905,380	894,293	1.24	33,054	3.65	2,731,284	2,459,279	11.06	4,696,685	4,295,645	9.34
104	First American Bank of Virginia, McLean	864,939	794,063	8.93	10,268	1.19	2,526,193	2,405,780	5.01	3,861,848	3,568,710	8.21
105	Norstar Bank of Upstate NY, Albany	857,180	792,975	8.10	11,125	1.30	2,748,972	2,726,362	0.83	4,542,627	4,480,378	1.39
106	Team Bank NA, Fort Worth, Tex.	855,438	....	....	154,947	18.11	2,513,713	....	....	3,594,218	....	....
107	Barnett Bank of South Florida NA, Miami	853,614	679,384	25.65	22,718	2.66	4,663,455	4,101,635	13.70	6,102,846	5,599,186	9.00
108	Central Trust Co. NA, Cincinnati	849,976	840,780	1.09	41,426	4.87	2,634,166	2,477,832	6.31	3,973,481	3,511,236	13.16
109	BayBank Middlesex, Burlington, Mass.	843,266	851,805	-1.00	22,908	2.72	3,085,287	2,978,460	3.59	3,972,210	3,904,671	1.73
110	Citytrust, Bridgeport, Conn.	827,087	817,166	1.21	92,476	11.18	1,987,884	2,028,165	-1.99	2,626,458	2,589,519	1.43
111	Signet Bank/Maryland, Baltimore	822,448	740,742	11.03	13,093	1.59	2,544,054	2,422,312	5.03	3,788,142	3,486,205	8.66
112	Riggs National Bank, Washington, D.C.	815,982	798,863	2.14	1,945	0.24	3,423,670	3,298,441	3.80	6,691,634	6,467,526	3.47
113	Sovran Bank/Central South, Nashville, Tenn.	810,501	639,658	26.71	7,545	0.93	2,715,169	2,229,901	21.76	3,986,337	3,221,329	23.75
114	Security Pacific Bank Arizona, Phoenix	805,069	812,097	-0.87	30,795	3.83	3,142,167	4,164,684	-24.55	4,228,792	5,292,791	-20.10
115	First Tennessee Bank NA, Memphis	802,526	1,007,343	-20.33	16,844	2.10	3,541,061	3,474,665	1.91	6,142,997	5,733,432	7.14
116	First Interstate Bank of Nevada NA, Reno	801,095	648,356	23.56	16,959	2.12	2,293,103	1,900,207	20.68	3,857,809	3,446,040	11.95
117	M&I Marshall and Ilsley Bank, Milwaukee	799,947	746,864	7.11	4,785	0.60	1,705,196	1,510,133	12.92	2,692,560	2,630,138	2.37
118	Midlantic National Bank/North, West Paterson, N.J.	789,112	653,036	20.84	21,981	2.79	2,811,310	2,516,423	11.72	3,757,314	3,285,289	14.37
119	First City, Texas-Dallas	780,298	341,053	128.79	10,668	1.37	1,748,146	1,310,984	33.35	2,589,122	2,296,766	12.73
120	First Hawaiian Bank, Honolulu	777,370	700,470	10.98	3,748	0.48	2,495,576	2,119,548	17.74	4,765,425	3,970,072	20.03
121	First National Bank, Cincinnati	776,421	693,618	11.94	18,122	2.33	2,146,313	1,968,543	9.03	3,146,184	3,030,652	3.81
122	Union Trust Co., Stamford, Conn.	771,512	761,125	1.36	22,093	2.86	2,468,394	2,430,565	1.56	3,487,926	3,402,175	2.52
123	First Wisconsin National Bank, Milwaukee	770,720	766,612	0.54	6,502	0.84	2,403,650	2,407,207	-0.15	3,669,265	3,570,769	2.76
124	Old Kent Bank and Trust Co., Grand Rapids, Mich.	767,412	675,853	13.55	8,340	1.09	1,872,167	1,627,288	15.05	3,238,265	3,259,086	-0.64
125	First Florida Bank NA, Tampa	764,750	716,554	6.73	13,166	1.72	3,691,342	3,537,459	4.35	5,570,949	5,104,694	9.13
126	Sun Bank NA, Orlando, Fla.	756,760	693,799	9.07	6,368	0.84	2,893,590	2,688,519	7.63	4,326,301	3,937,904	9.86
127	Sumitomo Bank of California, San Francisco	752,265	706,055	6.54	8,084	1.07	3,398,626	2,765,357	22.90	4,400,655	3,718,885	18.33
128	Provident Bank, Cincinnati	742,548	571,346	29.96	4,047	0.55	1,480,462	1,318,813	12.26	2,094,884	1,944,696	7.72
129	Whitney National Bank, New Orleans	740,486	838,941	-11.74	30,662	4.14	1,434,965	1,551,416	-7.51	2,727,479	2,745,857	-0.67
130	INB National Bank, Indianapolis	728,404	713,968	2.02	12,644	1.74	3,352,884	3,246,276	3.28	4,960,730	4,914,945	0.93
131	First Union National Bank of Georgia, Atlanta	728,116	594,639	22.45	18,149	2.49	3,244,492	2,948,127	10.05	4,508,899	4,161,750	8.34
132	Chemical Bank New Jersey NA, Morristown	719,045	472,609	52.14	17,799	2.48	3,616,392	1,490,516	142.63	4,704,676	1,988,756	136.56
133	Bank One Columbus NA, Ohio	712,510	723,626	-1.54	13,742	1.93	2,703,633	2,430,156	11.25	4,247,840	4,085,281	3.98
134	Bank One Milwaukee NA	699,997	509,689	37.34	7,528	1.08	1,734,340	1,265,339	37.07	2,573,590	1,829,221	40.69
135	First Interstate Bank of Wasgington NA, Seattle	695,905	597,821	16.41	5,798	0.83	2,481,922	2,046,879	21.25	3,642,129	3,288,401	10.76
136	Citibank (South Dakota) NA, Sioux Falls	687,609	555,955	23.68	21,900	3.18	10,090,796	12,805,721	-21.20	11,142,112	13,557,319	-17.81
137	First Alabama Bank, Montgomery	687,009	660,058	4.08	5,909	0.86	3,619,507	3,117,717	16.09	5,398,038	5,069,517	6.48
138	NCNB National Bank of South Carolina, Columbia	686,420	524,953	30.76	5,351	0.78	3,207,954	2,614,886	22.68	5,025,504	3,556,512	41.30
139	Equitable Bank NA, Baltimore	682,377	736,506	-7.35	17,695	2.59	2,976,952	2,724,704	9.26	4,824,998	4,643,873	3.90
140	Manufacturers Hanover Bank (Delaware), Wilmington	679,725	936,872	-27.45	21,145	3.11	958,797	1,345,216	-28.73	1,916,379	2,163,869	-11.44
141	Israel Discount Bank of New York	678,329	727,015	-6.70	8,798	1.30	1,013,582	1,125,836	-9.97	4,776,924	4,310,499	10.82
142	Merchants National Bank & Trust Co., Indianapolis	662,209	585,593	13.08	7,359	1.11	2,133,832	1,947,077	9.59	3,632,032	3,336,776	8.85
143	Northeastern Bank of Pennsylvania, Wilkes-Barre	655,669	700,225	-6.36	30,339	4.63	1,847,081	1,898,433	-2.70	2,681,999	2,480,887	8.11
144	Tokai Bank of California, Los Angeles	654,430	520,089	25.83	16,829	2.57	974,432	802,759	21.39	1,127,179	939,277	20.00
145	Premier Bank NA, Baton Rouge, La.	643,719	704,345	-8.60	50,053	7.78	2,220,217	NA	...	4,230,700	4,067,211	4.02
146	Banco Popular de Puerto Rico, San Juan	642,923	595,792	7.91	10,963	1.71	3,277,659	3,097,359	5.82	5,923,309	5,661,394	4.63
147	Florida National Bank, Jacksonville	636,642	671,117	-5.14	16,225	2.55	4,248,139	4,586,760	-7.38	7,815,325	7,761,996	0.69
148	Citizens and Southern National Bank of South Carolina	635,205	591,507	7.39	2,374	0.37	2,501,064	2,305,413	8.49	3,938,167	3,732,422	5.51
149	Central Bank of the South, Birmingham, Ala.	635,201	591,024	7.47	5,494	0.86	2,644,496	2,470,489	7.04	4,238,285	3,889,690	8.96
150	Valley Bank of Nevada, Las Vegas	626,992	550,941	13.80	4,435	0.71	1,788,297	1,490,514	19.98	2,881,101	2,361,111	22.02
151	Bank of Boston Connecticut, Waterbury	622,900	579,746	7.44	31,847	5.11	2,041,677	2,185,114	-6.56	2,661,594	2,680,338	-0.70
152	Daiwa Bank Trust Co., New York	612,997	607,460	0.91	0	0.00	1,001,012	915,991	9.28	2,491,302	2,132,168	16.84
153	Manufacturers and Traders Trust Co., Buffalo, N.Y.	607,763	540,938	12.35	2,144	0.35	2,772,560	2,452,797	13.04	4,044,705	3,855,814	4.90
154	United Jersey Bank NA, Princeton, N.J.	602,684	464,782	29.67	16,844	2.79	1,407,820	1,229,345	14.52	2,028,105	1,860,189	9.03
155	Mercantile Bank NA, Clayton, Mo.	602,595	670,055	-10.07	9,256	1.54	2,878,681	2,779,026	3.59	4,264,659	3,915,781	8.91
156	Branch Banking and Trust Co., Wilson, N.C.	601,887	527,061	14.20	5,542	0.92	2,932,204	2,796,978	4.83	4,456,943	4,065,078	9.64
157	First Security Bank of Utah NA, Salt Lake City	592,488	626,066	-5.36	2,985	0.50	2,255,493	2,023,168	11.48	3,411,723	3,018,662	13.02
158	Norstar Bank, Hempstead, N.Y.	590,239	495,449	19.13	3,820	0.65	1,692,635	1,541,711	9.79	2,623,176	2,502,461	4.82
159	Mitsui Manufacturers Bank, Los Angeles	581,656	712,538	-18.37	38,416	6.60	992,257	1,118,272	-11.27	1,346,558	1,608,317	-16.28
160	National Community Bank, Rutherford, N.J.	580,000	510,259	13.67	8,294	1.43	2,966,036	2,757,025	7.58	4,022,772	3,614,416	11.30
161	Sovran Bank/Maryland, Bestheda	578,239	693,898	-16.67	12,797	2.21	2,608,399	2,641,247	-1.24	4,171,579	3,993,149	4.47
162	Deposit Guaranty National Bank, Jackson, Miss.	572,566	540,324	5.97	9,434	1.65	2,341,335	2,204,225	6.22	3,728,679	3,556,611	4.84
163	Rhode Island Hospital Trust National Bank, Providence,	567,415	782,698	-27.51	26,167	4.61	1,813,942	1,944,699	-6.72	2,965,676	3,003,179	-1.25
164	LTCB Trust Co., New York	559,713	415,902	34.58	0	0.00	819,804	522,047	57.04	992,370	659,255	50.53
165	Barclays Bank of New York NA, New York	559,381	550,271	1.66	11,649	2.08	2,543,552	2,424,377	4.92	3,339,696	3,136,265	6.49
166	Imperial Bank, Los Angeles	556,308	383,566	45.04	3,650	0.66	1,873,477	1,225,788	52.84	2,914,163	2,390,809	21.89
167	West One Bank Idaho NA, Boise	556,067	460,683	20.70	5,612	1.01	1,931,031	1,669,864	15.64	3,258,625	3,002,192	8.54
168	Citizens & Southern National Bank, Ft. Lauderdale, Fla	555,875	439,043	26.61	5,643	1.02	3,827,147	3,422,445	11.82	6,209,090	5,302,580	17.10
169	First American National Bank, Nashville, Tenn.	552,741	573,534	-3.63	26,296	4.76	2,036,871	1,972,499	3.26	3,047,923	3,272,427	-6.86
170	First Bank NA, Milwaukee	549,345	488,256	12.51	6,470	1.18	1,222,962	1,113,482	9.83	1,551,203	1,510,579	2.69
171	Bank of New England-West NA, Springfield, Mass.	543,698	576,702	-5.72	20,343	3.74	1,351,075	1,728,221	-21.82	1,682,104	2,037,721	-17.45
172	Union Planters National Bank, Memphis, Tenn.	529,450	571,343	-7.33	2,455	0.46	1,608,274	1,593,070	0.95	2,584,207	2,688,932	-3.89
173	SouthTrust Bank of Alabama NA, Birmingham	528,833	501,736	5.40	6,039	1.14	2,038,508	1,828,239	11.50	3,473,260	3,113,604	11.55
174	Puget Sound National Bank, Tacoma, Wash.	512,637	400,071	28.14	2,798	0.55	2,025,279	1,576,022	28.51	2,655,180	2,124,540	24.98
175	Dominion Bank NA, Roanoke, Va.	510,684	571,844	-10.70	5,401	1.06	2,875,378	2,373,008	21.17	4,763,899	4,403,948	8.17
176	Mercantile-Safe Deposit and Trust Co., Baltimore	508,109	511,131	-0.59	7,714	1.52	1,201,833	1,106,542	8.61	1,743,136	1,582,219	10.17
177	Third National Bank, Nashville, Tenn.	505,260	594,605	-15.03	6,957	1.38	1,850,450	1,967,642	-5.96	2,618,347	2,736,555	-4.32
178	Central Fidelity Bank, Richmond	503,936	530,279	-4.97	3,013	0.60	3,518,300	3,251,147	8.22	5,433,351	4,826,668	12.57
179	Liberty National Bank & Trust Co., Louisville, Ky.	501,641	448,188	11.93	4,260	0.85	1,735,219	1,564,502	10.91	2,559,270	2,306,162	10.98
180	Banco de Ponce, P.R.	500,199	398,328	25.57	20,886	4.18	1,714,849	1,651,300	3.85	2,947,020	2,745,626	7.34
181	United Bank & Trust Co., Hartford, Conn.	487,672	544,388	-10.42	18,334	3.76	1,732,174	1,537,844	12.64	2,332,842	2,166,596	7.67
182	New Jersey National Bank, Pennington	476,439	552,637	-13.79	3,923	0.82	1,909,790	1,851,516	3.15	2,428,007	2,346,203	3.49
183	Trustmark National Bank, Jackson, Miss.	475,218	483,032	-1.62	4,732	1.00	1,810,182	1,780,204	1.68	3,101,804	2,890,722	7.30
184	Marine Midland (Delaware) NA, Wilmington	454,043	441,840	2.76	14,394	3.17	2,167,185	2,031,680	6.67	2,250,055	2,074,999	8.44
185	Texas Commerce Bank, Dallas NA	445,656	474,270	-6.03	15,265	3.43	781,672	890,071	-12.18	2,090,567	1,970,192	6.11
186	Commerce Bank of St. Louis NA, Clayton, Mo.	445,186	336,223	32.41	1,588	0.36	1,517,330	1,215,930	24.79	2,192,532	1,958,268	11.96
187	Banco Central Corp., Hato Rey, P.R.	443,618	359,660	23.34	19,618	4.42	697,889	631,305	10.55	1,647,600	1,473,920	11.78
188	LaSalle National Bank, Chicago	431,174	488,709	-11.77	10,196	2.36	897,712	955,921	-6.09	1,408,570	1,367,225	3.02
189	Banco de Santander-Puerto Rico, Hato Rey	429,939	398,977	7.76	21,022	4.89	1,410,059	1,130,135	24.77	2,171,418	1,876,260	15.73
190	Union Bank and Trust Co. NA, Grand Rapids, Mich.	428,814	368,564	16.35	560	0.13	1,023,904	848,980	20.60	1,292,011	1,071,330	20.60
191	Bank of the West, San Francisco	428,320	346,575	23.59	22,721	5.30	1,473,335	1,246,205	18.23	1,912,098	1,683,433	13.58
192	Bank One Dayton NA, Ohio	426,658	432,435	-1.34	6,707	1.57	1,604,681	1,511,716	6.15	2,397,604	2,167,583	10.61
193	First Eastern Bank NA, Wilkes-Barre, Pa.	424,367	536,767	-20.94	2,684	0.63	1,833,931	1,543,856	18.79	2,295,695	2,075,889	10.59
194	United States Trust Co., Boston	423,595	386,470	9.61	4,511	1.06	959,651	886,487	8.25	1,399,599	1,253,580	11.65
195	Merchants Bank, Kansas City, Mo.	420,773	477,744	-11.93	8,584	2.04	1,490,901	1,441,930	3.40	1,836,352	1,648,930	11.37
196	Trust Company of New Jersey, Jersey City	419,652	381,103	10.12	22,440	5.35	1,136,833	1,108,515	2.55	1,845,911	1,655,532	11.50
197	Hamilton Bank, Lancaster, Pa.	415,431	437,581	-5.06	1,243	0.30	2,320,634	2,134,020	8.74	2,727,436	2,718,769	0.32
198	National Bank of Alaska, Anchorage	413,363	348,479	18.62	6,043	1.46	920,246	818,795	12.39	2,130,404	1,636,895	30.15
199	Union National Bank, Pittsburgh	410,123	429,726	-4.56	9,749	2.38	1,411,053	1,469,460	-3.97	2,296,402	2,464,725	-6.83
200	Wilmington Trust Co., Del.	405,213	292,661	38.46	2,357	0.58	2,371,708	2,045,261	15.96	3,702,878	2,982,145	24.17

Data Source: Data are from the federal regulatory "Report of Condition" filed by all federally-insured commercial banks. American Banker's statistical staff extracted these data from **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex. The 1988 data are not adjusted for mergers in 1989. **Business Loans** are total commercial and industrial loans, and are taken from schedule RC-C of the Report of Condition. Data are consolidated to include both domestic and foreign offices. Loans to both domestic and foreign businesses are included. The appropriate line reference numbers on Schedule RC-C are: Column A— Consolidated Bank— item 4.a. (commercial and industrial loans to U.S. addressees) and item 4.b. (commercial and industrial loans to non-U.S. addressees). **Bad Business Loans** are total business loans that are 90 or more days past due plus total business loans placed on a nonaccrual basis. Data are from Schedule RC-N, item 3a + item 3b (Columns B + C). **Bad Business Loans/Business Loans** is the ratio of bad business loans to total business loans, expressed as a percentage. **Total Loans** are loans and leases, net of unearned income and are from RC-Balance Sheet, line 4.a. **Total Assets** are total consolidated assets from RC-Balance Sheet, line 12. **Compiled by American Banker, Copyright 1990.**

Top 300 Banks in Business Lending

Based on Federal Regulatory Report of Condition data for Dec. 31, 1989, compared with Dec. 31, 1988 (dollar amounts in thousands)

Rank		Total Business Loans			Bad Bus. Loans	Bad Bus. Loans/	Total Loans			Total Assets		
12/89		12/31/89	12/31/88	% Chg.	12/31/89	Bus. Loans	12/31/89	12/31/88	% Chg.	12/31/89	12/31/88	% Chg.
201	Key Bank NA, Albany, N.Y.	395,122	360,407	9.63	7,306	1.85	1,719,724	1,551,299	10.86	2,624,120	2,417,338	8.55
202	Zions First National Bank, Salt Lake City, Utah	394,840	367,665	7.39	17,590	4.45	1,617,647	1,615,853	0.11	2,500,694	2,442,930	2.36
203	First American Bank of Maryland, Silver Spring	393,935	340,068	15.84	1,043	0.26	1,006,954	888,987	13.27	1,530,522	1,369,668	11.74
204	Citizens First National Bank, Ridgewood, N.J.	388,869	379,396	2.50	15,039	3.87	2,157,857	1,941,074	11.17	3,060,705	2,662,627	14.95
205	Prudential Bank & Trust Co., Atlanta	385,142	327,269	17.68	750	0.19	471,837	421,556	11.93	1,262,027	1,075,168	17.38
206	Sovran Bank/DC National, Washington, D.C.	383,026	307,227	24.67	5,162	1.35	848,150	659,181	28.67	1,074,771	813,513	32.11
207	Sun Bank/Miami NA	382,302	400,247	-4.48	6,289	1.65	1,466,933	1,519,737	-3.47	2,152,796	2,133,275	0.92
208	National Bank of Washington, Washington, D.C.	382,188	327,917	16.55	15,840	4.14	1,458,148	1,455,397	0.19	1,884,642	1,967,460	-4.21
209	Fleet Bank, Nashua, N.H.	381,920	206,593	84.87	9,743	2.55	1,468,152	768,120	91.14	1,890,011	969,087	95.03
210	First American Bank NA, Washington, D.C.	377,449	387,509	-2.60	7,389	1.96	1,160,862	1,195,441	-2.89	2,027,253	1,926,611	5.22
211	Community Bank, Los Angeles	376,903	409,845	-8.04	6,197	1.64	820,087	707,587	15.90	1,320,393	1,278,594	3.27
212	Equibank, Pittsburgh	372,097	367,330	1.30	12,525	3.37	1,660,137	1,473,056	12.70	3,023,971	2,662,570	13.57
213	First National Bank of Commerce, New Orleans	362,923	322,610	12.50	745	0.21	1,522,716	1,360,893	11.89	3,020,945	2,692,182	12.21
214	First-Citizens Bank & Trust Co., Raleigh, N.C.	362,326	364,954	-0.72	1,927	0.53	2,164,899	1,857,664	16.54	3,678,959	3,396,198	8.33
215	Merchants Bank NA, Allentown, Pa.	357,021	316,998	12.63	14,371	4.03	1,202,961	1,197,376	0.47	1,956,494	1,831,297	6.84
216	Society Bank NA, Dayton, Ohio	354,046	351,158	0.82	3,353	0.95	1,397,612	1,303,094	7.25	1,973,133	1,942,888	1.56
217	National State Bank, Elizabeth, N.J.	353,842	329,160	7.50	18,007	5.09	1,570,379	1,452,028	8.15	2,193,000	2,134,490	2.74
218	First Source Bank, South Bend, Ind.	353,451	386,220	-8.48	3,827	1.08	735,832	741,741	-0.80	1,143,624	1,060,010	7.89
219	Key Bank Maine, Augusta	352,901	263,460	33.95	4,755	1.35	1,285,663	1,224,636	4.98	1,754,305	1,681,080	4.36
220	Shawmut Worcester County Bank NA, Worcester, Mass.	351,347	306,254	14.72	7,059	2.01	1,134,790	1,114,622	1.81	1,531,364	1,503,472	1.86
221	Key Bank of Central New York NA, Syracuse	349,878	321,853	8.71	13,697	3.91	1,710,544	1,591,286	7.49	2,516,249	2,400,031	4.84
222	Bank of Oklahoma NA, Tulsa	349,276	306,591	13.92	6,108	1.75	1,156,172	1,010,138	14.46	1,957,735	1,712,208	14.34
223	Shawmut Arlington Trust Co., Lawrence, Mass.	347,715	447,444	-22.29	14,712	4.23	1,187,024	1,379,452	-13.95	1,761,214	2,008,195	-12.30
224	Marquette Bank Minneapolis NA	342,540	295,260	16.01	5,410	1.58	955,646	866,723	10.26	1,645,613	1,455,787	13.04
225	York Bank & Trust Co., Pa.	341,467	295,648	15.50	6,092	1.78	966,239	827,524	16.76	1,285,349	1,110,384	15.76
226	United Bank of Denver NA, Denver	340,559	332,828	2.32	17,854	5.24	1,398,137	1,344,276	4.01	2,870,804	2,740,911	4.74
227	Casco Northern Bank NA, Portland, Me.	338,523	373,247	-9.30	6,364	1.88	1,382,892	1,313,031	5.32	1,765,822	1,599,699	10.38
228	Boatmen's First National Bank, Kansas City, Mo.	336,184	389,090	-13.60	20,440	6.08	1,690,909	1,435,906	17.76	3,033,435	2,290,342	32.44
229	Extebank, Stony Brook, N.Y.	334,935	278,416	20.30	9,553	2.85	489,038	430,417	13.62	688,226	568,472	21.07
230	First Security Bank of Idaho NA, Boise	334,882	294,868	13.57	182	0.05	1,554,469	1,371,484	13.34	2,095,378	1,776,973	17.92
231	Canadian Imperial Bank of Commerce (New York)	331,817	350,727	-5.39	21,414	6.45	591,417	692,563	-14.60	624,824	693,079	-9.85
232	First Security National Bank & Trust Co., Lexington, K	330,331	282,281	17.02	4,084	1.24	928,148	869,308	6.77	1,469,804	1,348,051	9.03
233	Chicago-Tokyo Bank	327,668	286,896	14.21	874	0.27	422,166	353,460	19.44	582,079	487,665	19.36
234	Bucks County Bank & Trust Co., Perkasie	324,178	303,490	6.82	4,519	1.39	913,844	861,496	6.08	1,231,870	1,271,309	-3.10
235	Summit Bank, Fort Wayne, Ind.	323,811	300,758	7.66	8,766	2.71	1,194,110	1,155,432	3.35	1,810,424	1,693,237	6.92
236	Sunburst Bank, Grenada, Miss.	323,627	294,992	9.71	6,451	1.99	904,732	803,305	12.63	1,478,527	1,402,504	5.42
237	Norwest Bank Des Moines NA, Iowa	322,741	281,442	14.67	1,290	0.40	1,019,871	980,951	3.97	1,592,699	1,390,099	14.57
238	Frost National Bank, San Antonio, Tex.	321,758	408,623	-21.26	10,708	3.33	986,071	1,047,102	-5.83	2,686,184	2,352,508	14.18
239	Lake Shore National Bank, Chicago	321,674	300,735	6.96	3,460	1.08	569,157	552,732	2.97	820,988	824,463	-0.42
240	United Missouri Bank of Kansas City NA	321,378	303,308	5.96	2,248	0.70	621,145	650,688	-4.54	2,103,358	1,899,684	10.72
241	First American Bank of New York	320,316	268,795	19.17	6,982	2.18	1,007,808	875,733	15.08	1,615,826	1,381,762	16.94
242	Commerce Bank of Kansas City NA, Mo.	315,319	353,729	-10.86	2,720	0.86	826,809	796,515	3.80	1,737,560	1,516,217	14.60
243	Valley National Bank, Passaic, N.J.	311,430	250,338	24.40	1,281	0.41	1,352,619	1,165,941	16.01	1,809,049	1,686,021	7.30
244	Boulevard Bank NA, Chicago	310,582	301,970	2.85	6,245	2.01	722,363	669,405	7.91	911,215	874,230	4.23
245	Bank One Cleveland NA	310,299	316,807	-2.05	13,698	4.41	1,195,882	1,304,055	-8.30	1,778,419	1,774,510	0.22
246	First National Bank, Toms River, N.J.	310,162	476,681	-34.93	7,839	2.53	1,295,541	1,296,192	-0.05	1,864,572	1,924,751	-3.13
247	North Fork Bank & Trust Co., Mattituck, N.Y.	310,157	235,661	31.61	9,426	3.04	738,940	659,055	12.12	990,531	847,222	16.92
248	First Interstate Bank of Denver NA	306,878	387,422	-20.79	6,502	2.12	989,610	1,012,351	-2.25	1,825,592	2,028,480	-10.00
249	First Los Angeles Bank	306,525	246,342	24.43	12,660	4.13	622,631	522,021	19.27	1,035,687	861,051	20.28
250	Southern National Bank of N.C., Lumberton, N.C.	306,167	347,451	-11.88	2,272	0.74	1,609,530	1,489,330	8.07	2,502,824	2,246,448	11.41
251	First Valley Bank, Bethlehem, Pa.	303,351	201,526	50.53	8,431	2.78	680,253	625,094	8.82	994,089	1,001,566	-0.75
252	Citibank (Delaware), New Castle	300,588	104,634	187.28	2,522	0.84	842,712	593,262	42.05	2,051,967	1,459,930	40.55
253	Bank of New York (Delaware), Wilmington	300,542	260,985	15.16	0	0.00	3,783,265	3,241,419	16.72	3,859,017	3,294,913	17.12
254	Peoples Bank & Trust Co., Rocky Mount, N.C.	297,525	282,916	5.16	824	0.28	742,914	751,834	-1.19	1,074,734	1,085,875	-1.03
255	Bank of Delaware, Wilmington	296,199	291,315	1.68	1,473	0.50	1,371,546	1,275,066	7.57	2,083,287	1,905,940	9.30
256	Dominion Bank of Middle Tennessee, Nashville	291,115	291,154	-0.01	7,260	2.49	1,089,749	1,061,806	2.63	1,649,345	1,535,010	7.45
257	First American Bank of Georgia NA, Atlanta	287,651	308,842	-6.86	3,170	1.10	859,953	930,748	-7.61	1,845,043	1,721,424	7.18
258	Bank IV Wichita NA, Kan.	285,587	300,269	-4.89	2,802	0.98	840,147	836,715	0.41	1,574,363	1,514,259	3.97
259	First Fidelity Bank NA, Burlington Township, N.J.	283,588	256,100	10.73	9,066	3.20	1,497,496	1,402,973	6.74	2,251,966	2,045,843	10.08
260	American National Bank & Trust C., St. Paul, Minn.	278,024	219,922	26.42	3,594	1.29	546,530	466,846	17.07	797,689	697,328	14.39
261	Merrill/Norstar Bank, Bangor, Me.	277,698	345,866	-19.71	10,381	3.74	1,347,402	1,299,388	3.70	1,823,762	1,861,893	-2.05
262	Cole Taylor Bank, Chicago	275,963	75,159	267.17	11,524	4.18	680,809	196,966	245.65	1,201,261	338,750	254.62
263	Merchants Bank of New York	274,515	266,575	2.98	3,608	1.31	311,409	305,112	2.06	667,521	668,007	-0.07
264	Westamerica Bank NA, San Rafael, Calif.	273,059	286,867	-4.81	2,722	1.00	941,827	935,449	0.68	1,343,415	1,264,761	6.22
265	Texas Commerce Bank El Paso NA	273,019	306,823	-11.02	3,836	1.41	541,400	587,264	-7.81	1,201,646	1,227,577	-2.11
266	First American National Bank, Knoxville, Tenn.	272,800	278,735	-2.13	6,689	2.45	965,092	942,231	2.43	1,431,157	1,455,194	-1.65
267	Central Trust Co., Rochester, N.Y.	271,565	240,351	12.99	2,934	1.08	727,214	702,476	3.52	997,379	957,033	4.22
268	BayBank Norfolk County Trust Co., Dedham, Mass.	269,738	253,665	6.34	280	0.10	1,424,628	1,343,043	6.07	1,776,362	1,620,122	9.64
269	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	269,594	305,313	-11.70	11,731	4.35	778,011	820,587	-5.19	1,471,723	1,341,596	9.70
270	Colorado National Bank, Denver	268,818	238,474	12.72	4,924	1.83	886,761	783,128	13.23	1,504,834	1,408,171	6.86
271	Capital Bank, Miami	267,158	265,757	0.53	19,677	7.37	655,752	619,373	5.87	971,179	918,268	5.76
272	Sun Bank/South Florida NA, Ft. Lauderdale	266,514	239,343	11.35	7,181	2.69	1,369,004	1,256,488	8.95	2,145,086	1,965,908	9.11
273	First National Bank, Dayton, Ohio	261,352	253,023	3.29	1,569	0.60	811,088	748,973	8.29	1,036,131	968,887	6.94
274	Durfee Attleboro Bank, Fall River, Mass.	256,962	214,337	19.89	12,239	4.76	396,187	353,407	12.11	472,137	449,468	5.04
275	Pacific Bank NA, San Francisco	256,103	193,350	32.46	879	0.34	523,470	441,028	18.69	676,510	551,141	22.75
276	First New York Bank For Business	254,858	225,953	12.79	4,955	1.94	535,395	446,488	19.91	695,830	604,648	15.08
277	Marine Bank, Warren, Pa.	251,881	221,624	13.65	6,128	2.43	798,355	711,509	12.21	1,766,426	1,675,667	5.42
278	Summit Trust Co., N.J.	251,270	198,867	26.35	2,657	1.06	1,081,137	949,518	13.86	1,535,590	1,372,548	11.88
279	First Peoples Bank of New Jersey, Haddon Township	249,782	154,424	61.75	11,064	4.43	747,596	646,256	15.68	1,046,351	944,925	10.73
280	Security Pacific Bank Oregon, Portland	249,683	219,678	13.66	10,207	4.09	1,085,864	953,737	13.85	1,425,821	1,226,892	16.21
281	Mark Twain Bank NA, Ladue, Mo.	246,998	249,434	-0.98	6,466	2.62	1,061,953	1,020,307	4.08	1,422,469	1,352,941	5.14
282	Citibank (Arizona), Phoenix	246,766	445,043	-44.55	35,562	14.41	1,886,289	2,137,780	-11.76	2,862,953	2,816,042	1.67
283	Bank of New England/Old Colony NA, Providence, R.I.	245,722	290,527	-15.42	8,482	3.45	856,675	853,964	0.32	1,300,942	1,120,368	16.12
284	First of America Bank-SE Michigan NA, Detroit	244,733	243,032	0.70	1,743	0.71	1,814,074	1,706,680	6.29	2,634,659	2,557,293	3.03
285	Atlantic Bank of New York	244,678	166,740	46.74	4,303	1.76	712,135	619,664	14.92	1,041,075	1,100,321	-5.38
286	Citizens Bank of Maryland, Riverdale	244,216	191,076	27.81	2,387	0.98	1,405,416	1,100,643	27.69	2,105,353	1,774,477	18.65
287	South Shore Bank, Quincy, Mass.	241,015	296,249	-18.64	327	0.14	810,690	795,799	1.87	1,148,072	1,120,629	2.45
288	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	240,490	289,382	-16.90	3,130	1.30	1,337,304	1,319,219	1.37	2,387,576	2,490,797	-4.14
289	BayBank Boston NA	235,367	173,614	35.57	7,406	3.15	614,162	500,334	22.75	813,072	686,489	18.44
290	National Bank of Commerce, Memphis, Tenn.	233,624	265,961	-12.16	399	0.17	813,078	811,758	0.16	1,632,720	1,482,655	10.12
291	United Penn Bank, Wilkes-Barre, Pa.	233,575	159,946	46.03	11,613	4.97	965,390	874,356	10.41	1,308,649	1,272,160	2.87
292	Ameritrust National Bank-Michiana, Elkhart, Ind.	232,907	188,918	23.28	5,546	2.38	791,387	634,699	24.69	988,690	854,647	15.68
293	Commonwealth National Bank, Harrisburg, Pa.	232,621	240,627	-3.33	206	0.09	1,117,632	1,005,774	11.12	1,461,600	1,405,746	3.97
294	BayBank Harvard Trust Co., Cambridge, Mass.	231,154	238,965	-3.27	5,626	2.43	1,030,795	1,020,247	1.03	1,466,346	1,429,737	2.56
295	Barnett Bank of Jacksonville NA, Fla.	229,029	203,019	12.81	529	0.23	1,521,352	1,286,564	18.25	1,997,847	1,784,228	11.97
296	United Carolina Bank, Whiteville, N.C.	224,516	221,765	1.24	1,074	0.48	1,459,230	1,395,178	4.59	2,248,821	2,034,002	10.56
297	Laredo National Bank, Tex.	223,918	360,558	-37.90	1,184	0.53	424,063	542,340	-21.81	1,252,341	1,321,682	-5.25
298	Norwest Bank South Dakota NA, Sioux Falls	221,513	204,651	8.24	2,246	1.01	1,329,557	1,161,472	14.47	2,141,456	1,831,253	16.94
299	United Jersey Bank/South NA, Cherry Hill, N.J.	220,884	145,616	51.69	3,816	1.73	695,749	616,477	12.86	1,061,406	960,352	10.52
300	National City Bank, Akron, Ohio	220,701	195,835	12.70	2,996	1.36	852,405	782,457	8.94	1,050,724	983,925	6.79

Data Source: Data are from the federal regulatory "Report of Condition" filed by all federally-insured commercial banks. American Banker's statistical staff extracted these data from **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex. The 1988 data are not adjusted for mergers in 1989. **Business Loans** are total commercial and industrial loans, and are taken from schedule RC-C of the Report of Condition. Data are consolidated to include both domestic and foreign offices. Loans to both domestic and foreign businesses are included. The appropriate line reference numbers on Schedule RC-C are: Column A— Consolidated Bank— item 4.a. (commercial and industrial loans to U.S. addressees) and item 4.b. (commercial and industrial loans to non-U.S. addressees). **Bad Business Loans** are total business loans that are 90 or more days past due plus total business loans placed on a nonaccrual basis. Data are from Schedule RC-N, item 3a + item 3b (Columns B + C). **Bad Business Loans/Business Loans** is the ratio of bad business loans to total business loans, expressed as a percentage. **Total Loans** are loans and leases, net of unearned income and are from RC-Balance Sheet, line 4.a. **Total Assets** are total consolidated assets from RC-Balance Sheet, line 12. **Compiled by American Banker, Copyright 1990.**

Top 300 Banks in Business Loans

Listed geographically in business loan size order within states

Rank 12/89		Business Loans 12/31/89	Business Loans 12/31/88	% Chg.
	ALABAMA			
59	AmSouth Bank NA, Birmingham	1,888,103	1,776,055	6.31
137	First Alabama Bank, Montgomery	687,009	660,058	4.08
149	Central Bank of the South, Birmingham	635,201	591,024	7.47
173	SouthTrust Bank of Alabama NA, Birmingham	528,833	501,736	5.40
	ALASKA			
198	National Bank of Alaska, Anchorage	413,363	348,479	18.62
	ARIZONA			
74	Valley National Bank, Phoenix	1,377,924	1,437,486	-4.14
102	First Interstate Bank of Arizona NA, Phoenix	987,694	1,476,054	-33.09
114	Security Pacific Bank Arizona, Phoenix	805,069	812,097	-0.87
282	Citibank (Arizona), Phoenix	246,766	445,043	-44.55
	CALIFORNIA			
2	Bank of America NT&SA, San Francisco	22,205,000	21,637,000	2.63
8	Wells Fargo Bank NA, San Francisco	11,087,907	10,337,957	7.25
9	Security Pacific National Bank, Los Angeles	10,232,712	10,014,236	2.18
20	Union Bank, San Francisco	4,410,988	4,655,671	-5.26
23	First Interstate Bank of California, Los Angeles	3,499,438	3,740,382	-6.44
56	Bank of California NA, San Francisco	1,949,608	1,980,912	-1.58
72	Sanwa Bank California, San Francisco	1,411,510	1,768,344	-20.18
103	City National Bank, Beverly Hills	905,380	894,293	1.24
127	Sumitomo Bank of California, San Francisco	752,265	706,055	6.54
144	Tokai Bank of California, Los Angeles	654,430	520,089	25.83
159	Mitsui Manufacturers Bank, Los Angeles	581,656	712,538	-18.37
166	Imperial Bank, Los Angeles	556,308	383,566	45.04
191	Bank of the West, San Francisco	428,320	346,575	23.59
211	Community Bank, Los Angeles	376,903	409,845	-8.04
249	First Los Angeles Bank	306,525	246,342	24.43
264	Westamerica Bank NA, San Rafael	273,059	286,867	-4.81
275	Pacific Bank NA, San Francisco	256,103	193,350	32.46
	COLORADO			
226	United Bank of Denver NA, Denver	340,559	332,828	2.32
248	First Interstate Bank of Denver NA	306,878	387,422	-20.79
270	Colorado National Bank, Denver	268,818	238,474	12.72
	CONNECTICUT			
54	Connecticut Bank & Trust Co. NA, Hartford	1,978,870	2,420,632	-18.25
57	Connecticut National Bank, Hartford	1,942,936	1,934,269	0.45
110	Citytrust, Bridgeport	827,087	817,166	1.21
122	Union Trust Co., Stamford	771,512	761,125	1.36
151	Bank of Boston Connecticut, Waterbury	622,900	579,746	7.44
181	United Bank & Trust Co., Hartford	487,672	544,388	-10.42
	DELAWARE			
48	Morgan Bank (Delaware), Wilmington	2,251,005	855,976	162.98
82	Bankers Trust (Delaware), Wilmington	1,283,210	1,468,156	-12.60
140	Manufacturers Hanover Bk (Delaware), Wilmington	679,725	936,872	-27.45
184	Marine Midland (Delaware) NA, Wilmington	454,043	441,840	2.76
200	Wilmington Trust Co.	405,213	292,661	38.46
252	Citibank (Delaware), New Castle	300,588	104,634	187.28
253	Bank of New York (Delaware), Wilmington	300,542	260,985	15.16
255	Bank of Delaware, Wilmington	296,199	291,315	1.68
	DISTRICT OF COLUMBIA			
87	American Security Bank NA, Washington, D.C.	1,200,359	977,048	22.86
112	Riggs National Bank, Washington, D.C.	815,982	798,863	2.14
206	Sovran Bank/DC National, Washington, D.C.	383,026	307,227	24.67
208	National Bank of Washington, D.C.	382,188	327,917	16.55
210	First American Bank NA, Washington, D.C.	377,449	387,509	-2.60
	FLORIDA			
53	Southeast Bank NA, Miami	2,109,074	2,238,886	-5.80
88	NCNB National Bank of Florida NA, Tampa	1,183,667	1,616,084	-26.76
97	First Union National Bank of Florida, Jacksonville	1,026,630	1,006,869	1.96
107	Barnett Bank of South Florida NA, Miami	853,614	679,384	25.65
125	First Florida Bank NA, Tampa	764,750	716,554	6.73
126	Sun Bank NA, Orlando	756,760	693,799	9.07
147	Florida National Bank, Jacksonville	636,642	671,117	-5.14
168	Citizens & Southern National Bank, Ft. Lauderdale	555,875	439,043	26.61
207	Sun Bank/Miami NA	382,302	400,247	-4.48
271	Capital Bank, Miami	267,158	265,757	0.53
272	Sun Bank/South Florida NA, Ft. Lauderdale	266,514	239,343	11.35
295	Barnett Bank of Jacksonville NA	229,029	203,019	12.81
	GEORGIA			
35	Citizens & Southern National Bank, Atlanta	2,659,395	2,300,727	15.59
60	Trust Company Bank, Atlanta	1,849,578	1,521,816	21.54
85	First National Bank, Atlanta	1,258,874	1,340,524	-6.09
100	Bank South NA, Atlanta	1,016,256	1,006,176	1.00
131	First Union National Bank of Georgia, Atlanta	728,116	594,639	22.45
205	Prudential Bank & Trust Co., Atlanta	385,142	327,269	17.68
257	First American Bank of Georgia NA, Atlanta	287,651	308,842	-6.86
	HAWAII			
70	Bank of Hawaii, Honolulu	1,470,892	1,167,759	25.96
120	First Hawaiian Bank, Honolulu	777,370	700,470	10.98
	IDAHO			
167	West One Bank Idaho NA, Boise	556,067	460,683	20.70
230	First Security Bank of Idaho NA, Boise	334,882	294,868	13.57
	ILLINOIS			
10	Continental Bank NA, Chicago	10,149,967	10,736,102	-5.46
12	First National Bank, Chicago	8,777,681	9,015,027	-2.63
34	Harris Trust and Savings Bank, Chicago	2,669,375	2,711,114	-1.54
46	Northern Trust Co., Chicago	2,362,480	1,929,815	22.42
	ILLINOIS (continued)			
65	American National Bank & Trust Co., Chicago	1,697,892	1,438,842	18.00
89	Exchange National Bank, Chicago	1,164,538	931,982	24.95
188	LaSalle National Bank, Chicago	431,174	488,709	-11.77
233	Chicago-Tokyo Bank	327,668	286,896	14.21
239	Lake Shore National Bank, Chicago	321,674	300,735	6.96
244	Boulevard Bank NA, Chicago	310,582	301,970	2.85
262	Cole Taylor Bank, Chicago	275,963	75,159	267.17
	INDIANA			
90	Bank One NA, Indianapolis	1,148,129	1,150,478	-0.20
130	INB National Bank, Indianapolis	728,404	713,968	2.02
142	Merchants National Bank & Trust Co., Indianapolis	662,209	585,593	13.08
218	First Source Bank, South Bend	353,451	386,220	-8.48
235	Summit Bank, Fort Wayne	323,811	300,758	7.66
269	Lincoln National Bank & Trust Co., Fort Wayne	269,594	305,313	-11.70
292	Ameritrust National Bank-Michiana, Elkhart	232,907	188,918	23.28
	IOWA			
237	Norwest Bank Des Moines NA	322,741	281,442	14.67
	KANSAS			
258	Bank IV Wichita NA	285,587	300,269	-4.89
	KENTUCKY			
76	Citizens Fidelity Bank & Trust Co., Louisville	1,361,318	1,352,350	0.66
93	First National Bank, Louisville	1,139,416	1,205,241	-5.46
179	Liberty National Bank & Trust Co., Louisville	501,641	448,188	11.93
232	First Security National Bank & Trust Co., Lexington	330,331	282,281	17.02
	LOUISIANA			
71	Hibernia National Bank, New Orleans	1,445,846	1,618,295	-10.66
129	Whitney National Bank, New Orleans	740,486	838,941	-11.74
145	Premier Bank NA, Baton Rouge	643,719	0	....
213	First National Bank of Commerce, New Orleans	362,923	322,610	12.50
	MAINE			
219	Key Bank Maine, Augusta	352,901	263,460	33.95
227	Casco Northern Bank NA, Portland	338,523	373,247	-9.30
261	Merrill/Norstar Bank, Bangor	277,698	345,866	-19.71
	MARYLAND			
58	Maryland National Bank, Baltimore	1,903,640	1,967,346	-3.24
75	First National Bank of Maryland, Baltimore	1,366,166	1,275,141	7.14
111	Signet Bank/Maryland, Baltimore	822,448	740,742	11.03
139	Equitable Bank NA, Baltimore	682,377	736,506	-7.35
161	Sovran Bank/Maryland, Bestheda	578,239	693,898	-16.67
176	Mercantile-Safe Deposit and Trust Co., Baltimore	508,109	511,131	-0.59
203	First American Bank of Maryland, Silver Spring	393,935	340,068	15.84
286	Citizens Bank of Maryland, Riverdale	244,216	191,076	27.81
	MASSACHUSSETTS			
7	First National Bank, Boston	11,771,292	10,893,282	8.06
22	Bank of New England NA, Boston	3,937,796	4,209,035	-6.44
49	Shawmut Bank NA, Boston	2,242,614	2,238,805	0.17
101	State Street Bank and Trust Co., Boston	998,331	870,291	14.71
109	BayBank Middlesex, Burlington	843,266	851,805	-1.00
171	Bank of New England-West NA, Springfield	543,698	576,702	-5.72
194	United States Trust Co., Boston	423,595	386,470	9.61
220	Shawmut Worcester County Bank NA, Worcester	351,347	306,254	14.72
223	Shawmut Arlington Trust Co., Lawrence	347,715	447,444	-22.29
268	BayBank Norfolk County Trust Co., Dedham	269,738	253,665	6.34
274	Durfee Attleboro Bank, Fall River	256,962	214,337	19.89
287	South Shore Bank, Quincy	241,015	296,249	-18.64
289	BayBank Boston NA	235,367	173,614	35.57
294	BayBank Harvard Trust Co., Cambridge	231,154	238,965	-3.27
	MICHIGAN			
18	National Bank of Detroit	4,843,286	4,895,516	-1.07
36	Comerica Bank-Detroit	2,587,357	2,313,707	11.83
42	Manufacturers National Bank of Detroit	2,473,755	2,437,382	1.49
62	Michigan National Bank, Farmington Hills	1,812,640	1,751,393	3.50
124	Old Kent Bank and Trust Co., Grand Rapids	767,412	675,853	13.55
190	Union Bank and Trust Co. NA, Grand Rapids	428,814	368,564	16.35
284	First of America Bank-SE Michigan NA, Detroit	244,733	243,032	0.70
	MINNESOTA			
19	First Bank NA, Minneapolis	4,576,016	4,805,917	-4.78
40	Norwest Bank Minnesota NA, Minneapolis	2,513,002	2,257,345	11.33
224	Marquette Bank Minneapolis NA	342,540	295,260	16.01
260	American National Bank & Trust Co., St. Paul	278,024	219,922	26.42
	MISSISSIPPI			
162	Deposit Guaranty National Bank, Jackson	572,566	540,324	5.97
183	Trustmark National Bank, Jackson	475,218	483,032	-1.62
236	Sunburst Bank, Grenada	323,627	294,992	9.71
	MISSOURI			
73	Boatmen's National Bank, St. Louis	1,403,830	731,051	92.03
155	Mercantile Bank NA, Clayton, Mo.	602,595	670,055	-10.07
186	Commerce Bank of St. Louis NA, Clayton	445,186	336,223	32.41
195	Merchants Bank, Kansas City	420,773	477,744	-11.93
228	Boatmen's First National Bank, Kansas City	336,184	389,090	-13.60
240	United Missouri Bank of Kansas City NA	321,378	303,308	5.96
242	Commerce Bank of Kansas City NA	315,319	353,729	-10.86
281	Mark Twain Bank NA, Ladue	246,998	249,434	-0.98
	NEVADA			
116	First Interstate Bank of Nevada NA, Reno	801,095	648,356	23.56
150	Valley Bank of Nevada, Las Vegas	626,992	550,941	13.80

Top 300 Banks in Business Loans

Listed geographically in business loan size order within states

Rank 12/89		Business Loans		
		12/31/89	12/31/88	% Chg.
	NEW HAMPSHIRE			
209	Fleet Bank, Nashua	381,920	206,593	84.87
	NEW JERSEY			
24	Midlantic National Bank, Newark	3,268,579	1,837,612	77.87
31	First Fidelity Bank NA, Newark	2,821,045	2,546,094	10.80
51	First Jersey National Bank, Jersey City	2,149,165	2,193,729	-2.03
84	United Jersey Bank, Hackensack	1,281,268	1,109,645	15.47
118	Midlantic National Bank/North, West Paterson	789,112	653,036	20.84
132	Chemical Bank New Jersey NA, Morristown	719,045	472,609	52.14
154	United Jersey Bank NA, Princeton	602,684	464,782	29.67
160	National Community Bank, Rutherford	580,000	510,259	13.67
182	New Jersey National Bank, Pennington	476,439	552,637	-13.79
196	Trust Company of New Jersey, Jersey City	419,652	381,103	10.12
204	Citizens First National Bank, Ridgewood	388,869	379,396	2.50
217	National State Bank, Elizabeth	353,842	329,160	7.50
259	First Fidelity Bank NA, Burlington Township	283,588	256,100	10.73
243	Valley National Bank, Passaic	311,430	250,338	24.40
246	First National Bank, Toms River	310,162	476,681	-34.93
278	Summit Trust Co.	251,270	198,867	26.35
279	First Peoples Bank of N.J., Haddon Township	249,782	154,424	61.75
299	United Jersey Bank/South NA, Cherry Hill	220,884	145,616	51.69
	NEW YORK			
1	Citibank NA, New York	33,347,000	31,427,000	6.11
3	Chase Manhattan Bank NA, New York	21,072,410	19,491,022	8.11
4	Manufacturers Hanover Trust Co., New York	17,453,000	17,249,000	1.18
5	Bank of New York	16,245,228	7,709,336	110.72
6	Chemical Bank, New York	11,952,000	11,634,000	2.73
11	Morgan Guaranty Trust Co., New York	10,051,586	11,101,006	-9.45
13	Bankers Trust Co., New York	8,493,655	10,953,369	-22.46
16	National Westminster Bank USA, New York	6,746,076	6,106,939	10.47
17	Marine Midland Bank NA, Buffalo	5,242,439	5,590,948	-6.23
26	Bank of Tokyo Trust Co., New York	3,193,763	2,980,053	7.17
45	Republic National Bank, New York	2,398,661	1,519,845	57.82
52	Industrial Bank of Japan Trust Co., New York	2,118,505	1,814,842	16.73
78	European American Bank, New York	1,313,533	1,466,841	-10.45
80	Fuji Bank and Trust Co., New York	1,292,643	1,166,580	10.81
81	Bank Leumi Trust Co., New York	1,291,051	1,384,815	-6.77
83	Chase Lincoln First Bank NA, Rochester	1,281,840	1,384,594	-7.42
92	Norstar Bank NA, Buffalo	1,144,317	993,422	15.19
96	IBJ Schroder Bank & Trust Co., New York	1,043,082	722,926	44.29
105	Norstar Bank of Upstate NY, Albany	857,180	792,975	8.10
141	Israel Discount Bank of New York	678,329	727,015	-6.70
152	Daiwa Bank Trust Co., New York	612,997	607,460	0.91
153	Manufacturers and Traders Trust Co., Buffalo	607,763	540,938	12.35
158	Norstar Bank, Hempstead	590,239	495,449	19.13
164	LTCB Trust Co., New York	559,713	415,902	34.58
165	Barclays Bank of New York NA, New York	559,381	550,271	1.66
201	Key Bank NA, Albany	395,122	360,407	9.63
221	Key Bank of Central New York NA, Syracuse	349,878	321,853	8.71
229	Extebank, Stony Brook	334,935	278,416	20.30
231	Canadian Imperial Bank of Commerce (New York)	331,817	350,727	-5.39
241	First American Bank of New York	320,316	268,795	19.17
247	North Fork Bank & Trust Co., Mattituck	310,157	235,661	31.61
263	Merchants Bank of New York	274,515	266,575	2.98
267	Central Trust Co., Rochester	271,565	240,351	12.99
276	First New York Bank For Business	254,858	225,953	12.79
285	Atlantic Bank of New York	244,678	166,740	46.74
	NORTH CAROLINA			
21	NCNB National Bank of North Carolina, Charlotte	4,201,828	3,547,663	18.44
29	Wachovia Bank and Trust Co. NA, Winston-Salem	3,045,486	2,952,455	3.15
30	First Union National Bank of N.C., Charlotte	2,841,989	2,517,669	12.88
156	Branch Banking and Trust Co., Wilson	601,887	527,061	14.20
214	First-Citizens Bank & Trust Co., Raleigh	362,326	364,954	-0.72
250	Southern National Bank of N.C., Lumberton	306,167	347,451	-11.88
254	Peoples Bank & Trust Co., Rocky Mount	297,525	282,916	5.16
296	United Carolina Bank, Whiteville	224,516	221,765	1.24
	OHIO			
32	Ameritrust Co. NA, Cleveland	2,727,530	2,533,310	7.67
47	National City Bank, Cleveland	2,294,877	2,024,660	13.35
67	Huntington National Bank, Columbus	1,548,861	1,421,685	8.95
69	Society National Bank, Cleveland	1,518,393	1,476,558	2.83
95	Fifth Third Bank, Cincinnati	1,046,589	871,185	20.13
98	BancOhio National Bank, Columbus	1,024,698	997,854	2.69
99	Society Bank & Trust, Toledo	1,017,354	1,187,318	-14.31
108	Central Trust Co. NA, Cincinnati	849,976	840,780	1.09
121	First National Bank, Cincinnati	776,421	693,618	11.94
128	Provident Bank, Cincinnati	742,548	571,346	29.96
133	Bank One Columbus NA	712,510	723,626	-1.54
192	Bank One Dayton NA	426,658	432,435	-1.34
216	Society Bank NA, Dayton	354,046	351,158	0.82
245	Bank One Cleveland NA	310,299	316,807	-2.05
273	First National Bank, Dayton	261,352	253,023	3.29
300	National City Bank, Akron	220,701	195,835	12.70
	OKLAHOMA			
222	Bank of Oklahoma NA, Tulsa	349,276	306,591	13.92
	OREGON			
37	United States National Bank, Portland	2,561,529	2,133,333	20.07
63	First Interstate Bank of Oregon NA, Portland	1,761,886	1,568,411	12.34
280	Security Pacific Bank Oregon, Portland	249,683	219,678	13.66
	PENNSYLVANIA			
14	Mellon Bank NA, Pittsburgh	7,392,659	6,768,163	9.23
25	Philadelphia National Bank	3,236,359	3,109,378	4.08
28	Pittsburgh National Bank	3,112,457	3,236,080	-3.82
33	Meridian Bank, Reading	2,710,929	2,422,220	11.92
38	Fidelity Bank NA, Philadelphia	2,547,412	3,045,563	-16.36
41	Provident National Bank, Philadelphia	2,474,361	2,100,413	17.80
64	First Pennsylvania Bank NA, Philadelphia	1,759,931	1,508,257	16.69
66	Continental Bank, Norristown	1,589,665	1,450,523	9.59
91	Mellon Bank (East) NA, Philadelphia	1,146,505	1,214,012	-5.56
143	Northeastern Bank of Pennsylvania, Wilkes-Barre	655,669	700,225	-6.36
193	First Eastern Bank NA, Wilkes-Barre	424,367	536,767	-20.94
197	Hamilton Bank, Lancaster	415,431	437,581	-5.06
199	Union National Bank, Pittsburgh	410,123	429,726	-4.56
212	Equibank, Pittsburgh	372,097	367,330	1.30
215	Merchants Bank NA, Allentown	357,021	316,998	12.63
225	York Bank & Trust Company	341,467	295,648	15.50
234	Bucks County Bank & Trust Co., Perkasie	324,178	303,490	6.82
251	First Valley Bank, Bethlehem	303,351	201,526	50.53
277	Marine Bank, Warren	251,881	221,624	13.65
288	Dauphin Deposit Bank & Trust Co., Harrisburg	240,490	289,382	-16.90
291	United Penn Bank, Wilkes-Barre	233,575	159,946	46.03
293	Commonwealth National Bank, Harrisburg	232,621	240,627	-3.33
	PUERTO RICO			
146	Banco Popular de Puerto Rico, San Juan	642,923	595,792	7.91
180	Banco de Ponce	500,199	398,328	25.57
187	Banco Central Corp., Hato Rey	443,618	359,660	23.34
189	Banco de Santander-Puerto Rico, Hato Rey	429,939	398,977	7.76
	RHODE ISLAND			
55	Fleet National Bank, Providence	1,968,931	1,746,218	12.75
163	Rhode Island Hospital Trust Nat'l Bank, Providence	567,415	782,698	-27.51
283	Bank of New England/Old Colony NA, Providence	245,722	290,527	-15.42
	SOUTH CAROLINA			
77	South Carolina National Bank, Columbia	1,354,585	1,244,410	8.85
138	NCNB National Bank of South Carolina, Columbia	686,420	524,953	30.76
148	Citizens and Southern Nat'l Bank of South Carolina	635,205	591,507	7.39
	SOUTH DAKOTA			
136	Citibank NA, Sioux Falls	687,609	555,955	23.68
298	Norwest Bank South Dakota NA, Sioux Falls	221,513	204,651	8.24
	TENNESSEE			
113	Sovran Bank/Central South, Nashville	810,501	639,658	26.71
115	First Tennessee Bank NA, Memphis	802,526	1,007,343	-20.33
169	First American National Bank, Nashville	552,741	573,534	-3.63
172	Union Planters National Bank, Memphis	529,450	571,343	-7.33
177	Third National Bank, Nashville	505,260	594,605	-15.03
256	Dominion Bank of Middle Tennessee, Nashville	291,115	291,154	-0.01
266	First American National Bank, Knoxville	272,800	278,735	-2.13
290	National Bank of Commerce, Memphis	233,624	265,961	-12.16
	TEXAS			
15	NCNB Texas National Bank, Dallas	6,835,195	4,413,291	54.88
27	Texas Commerce Bank NA, Houston	3,138,384	3,450,936	-9.06
50	Bank One Texas NA, Dallas	2,214,594	0	....
61	First City National Bank, Houston	1,848,147	1,534,406	20.45
79	First Interstate Bank NA, Houston	1,300,816	1,546,160	-15.87
106	Team Bank NA, Fort Worth	855,438	0	....
119	First City, Texas-Dallas	780,298	341,053	128.79
185	Texas Commerce Bank, Dallas NA	445,656	474,270	-6.03
238	Frost National Bank, San Antonio	321,758	408,623	-21.26
265	Texas Commerce Bank El Paso NA	273,019	306,823	-11.02
297	Laredo National Bank	223,918	360,558	-37.90
	UTAH			
157	First Security Bank of Utah NA, Salt Lake City	592,488	626,066	-5.36
202	Zions First National Bank, Salt Lake City	394,840	367,665	7.39
	VIRGINIA			
39	Sovran Bank NA, Richmond	2,531,323	2,427,562	4.27
43	Crestar Bank, Richmond	2,470,821	2,186,170	13.02
94	Signet Bank-Virginia, Richmond	1,118,815	1,140,250	-1.88
104	First American Bank of Virginia, McLean	864,939	794,063	8.93
175	Dominion Bank NA, Roanoke	510,684	571,844	-10.70
178	Central Fidelity Bank, Richmond	503,936	530,279	-4.97
	WASHINGTON			
44	Seattle-First National Bank	2,438,209	2,379,442	2.47
68	Security Pacific Bank Washington NA, Seattle	1,519,810	1,357,914	11.92
86	U.S. Bank of Washington NA, Seattle	1,253,017	907,205	38.12
135	First Interstate Bank of Wasgington NA, Seattle	695,905	597,821	16.41
174	Puget Sound National Bank, Tacoma	512,637	400,071	28.14
	WISCONSIN			
117	M&I Marshall and Ilsley Bank, Milwaukee	799,947	746,864	7.11
123	First Wisconsin National Bank, Milwaukee	770,720	766,612	0.54
134	Bank One Milwaukee NA	699,997	509,689	37.34
170	First Bank NA, Milwaukee	549,345	488,256	12.51

Summary Statistics for Top 300 Banks in Business Loans

Largest Business Loan Gains

Dollar amounts in millions

		Loans 12/31/89	Loans 12/31/88	Incr. (%)	Loan Rank
1	Cole Taylor Bank, Chicago	276	75	267.17	262
2	Citibank (Delaware), New Castle	301	105	187.28	252
3	Morgan Bank (Delaware), Wilmington	2,251	856	162.98	48
4	First City, Texas-Dallas	780	341	128.79	119
5	Bank of New York	16,245	7,709	110.72	5
6	Boatmen's National Bank, St. Louis	1,404	731	92.03	73
7	Fleet Bank, Nashua, N.H.	382	207	84.87	209
8	Midlantic National Bank, Newark, N.J.	3,269	1,838	77.87	24
9	First Peoples Bank of N.J., Haddon Township	250	154	61.75	279
10	Republic National Bank, New York	2,399	1,520	57.82	45
11	NCNB Texas National Bank, Dallas	6,835	4,413	54.88	15
12	Chemical Bank New Jersey NA, Morristown	719	473	52.14	132
13	United Jersey Bank/South NA, Cherry Hill, N.J.	221	146	51.69	299
14	First Valley Bank, Bethlehem, Pa.	303	202	50.53	251
15	Atlantic Bank of New York	245	167	46.74	285
16	United Penn Bank, Wilkes-Barre, Pa.	234	160	46.03	291
17	Imperial Bank, Los Angeles	556	384	45.04	166
18	IBJ Schroder Bank & Trust Co., New York	1,043	723	44.29	96
19	Wilmington Trust Co., Del.	405	293	38.46	200
20	U.S. Bank of Washington NA, Seattle	1,253	907	38.12	86
21	Bank One Milwaukee NA	700	510	37.34	134
22	BayBank Boston NA	235	174	35.57	289
23	LTCB Trust Co., New York	560	416	34.58	164
24	Key Bank Maine, Augusta	353	263	33.95	219
25	Pacific Bank NA, San Francisco	256	193	32.46	275

Percentage gains are based on unrounded business loan figures.

Largest Business Loan Declines

Dollar amounts in millions

		Loans 12/31/89	Loans 12/31/88	Decr. (%)	Loan Rank
1	Citibank (Arizona), Phoenix	247	445	-44.55	282
2	Laredo National Bank, Tex.	224	361	-37.90	297
3	First National Bank, Toms River, N.J.	310	477	-34.93	246
4	First Interstate Bank of Arizona NA, Phoenix	988	1,476	-33.09	102
5	Rhode Island Hospital Trust Nat'l Bank, Providence,	567	783	-27.51	163
6	Manufacturers Hanover Bank, Wilmington, Del.	680	937	-27.45	140
7	NCNB National Bank of Florida NA, Tampa	1,184	1,616	-26.76	88
8	Bankers Trust Co., New York	8,494	10,954	-22.46	13
9	Shawmut Arlington Trust Co., Lawrence, Mass.	348	447	-22.29	223
10	Frost National Bank, San Antonio, Tex.	322	409	-21.26	238
11	First Eastern Bank NA, Wilkes-Barre, Pa.	424	537	-20.94	193
12	First Interstate Bank of Denver NA	307	387	-20.79	248
13	First Tennessee Bank NA, Memphis	803	1,007	-20.33	115
14	Sanwa Bank California, San Francisco	1,412	1,768	-20.18	72
15	Merrill/Norstar Bank, Bangor, Me.	278	346	-19.71	261
16	South Shore Bank, Quincy, Mass.	241	296	-18.64	287
17	Mitsui Manufacturers Bank, Los Angeles	582	713	-18.37	159
18	Connecticut Bank & Trust Co. NA, Hartford	1,979	2,421	-18.25	54
19	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	240	289	-16.90	288
20	Sovran Bank/Maryland, Bestheda	578	694	-16.67	161
21	Fidelity Bank NA, Philadelphia	2,547	3,046	-16.36	38
22	First Interstate Bank NA, Houston	1,301	1,546	-15.87	79
23	Bank of New Eng./Old Colony NA, Providence	246	291	-15.42	283
24	Third National Bank, Nashville, Tenn.	505	595	-15.03	177
25	Society Bank & Trust, Toledo, Ohio	1,017	1,187	-14.31	99

Percentage declines are based on unrounded business loan figures.

Highest % of Bad Business Loans

Dollar amounts in millions

		Business Loans 12/31/89	Bad Loans 12/31/89	Bad as a % of Total	Loan Rank
1	Bank One Texas NA, Dallas	2,215	611	27.61	50
2	Team Bank NA, Fort Worth, Tex.	855	155	18.11	106
3	Citibank (Arizona), Phoenix	247	36	14.41	282
4	Citytrust, Bridgeport, Conn.	827	92	11.18	110
5	First Interstate Bank of Arizona NA, Phoenix	988	87	8.80	102
6	Premier Bank NA, Baton Rouge, La.	644	50	7.78	145
7	Capital Bank, Miami	267	20	7.37	271
8	First Interstate Bank NA, Houston	1,301	94	7.25	79
9	Citibank NA, New York	33,347	2,318	6.95	1
10	Bankers Trust Co., New York	8,494	569	6.70	13
11	Mitsui Manufacturers Bank, Los Angeles	582	38	6.60	159
12	Canadian Imperial Bank of Commerce (New York)	332	21	6.45	231
13	Bank of California NA, San Francisco	1,950	122	6.25	56
14	European American Bank, New York	1,314	82	6.23	78
15	Chemical Bank, New York	11,952	739	6.18	6
16	Boatmen's First National Bank, Kansas City, Mo.	336	20	6.08	228
17	Chase Manhattan Bank NA, New York	21,072	1,232	5.85	3
18	Connecticut Bank & Trust Co. NA, Hartford	1,979	115	5.81	54
19	Morgan Guaranty Trust Co., New York	10,052	584	5.81	11
20	Bank of America NT&SA, San Francisco	22,205	1,236	5.57	2
21	Marine Midland Bank NA, Buffalo, N.Y.	5,242	291	5.56	17
22	Trust Company of New Jersey, Jersey City	420	22	5.35	196
23	Bank of the West, San Francisco	428	23	5.30	191
24	United Bank of Denver NA, Denver	341	18	5.24	226
25	Bank of Boston Connecticut, Waterbury	623	32	5.11	151

Bad loans: noncurrent and nonacrrual business loans as a percentage of total business loans.

Lowest % of Bad Business Loans

Dollar amounts in millions

		Business Loans 12/31/89	Bad Loans 12/31/89	Bad as a % of Total	Loan Rank
1	Fuji Bank and Trust Co., New York	1,293	0	0.00	80
2	Daiwa Bank Trust Co., New York	613	0	0.00	152
3	LTCB Trust Co., New York	560	0	0.00	164
4	Bank of New York (Delaware), Wilmington	301	0	0.00	253
5	Industrial Bank of Japan Trust Co., New York	2,119	1.137	0.05	52
6	First Security Bank of Idaho NA, Boise	335	0. 182	0.05	230
7	Commonwealth National Bank, Harrisburg, Pa.	233	0.206	0.09	293
8	BayBank Norfolk County Trust Co., Dedham, Mass.	270	0.280	0.10	268
9	Union Bank and Trust Co. NA, Grand Rapids, Mich.	429	0.560	0.13	190
10	South Shore Bank, Quincy, Mass.	241	0.327	0.14	287
11	National Bank of Commerce, Memphis, Tenn.	234	0.399	0.17	290
12	Fifth Third Bank, Cincinnati	1,047	2.031	0.19	95
13	Prudential Bank & Trust Co., Atlanta	385	0.750	0.19	205
14	First National Bank of Commerce, New Orleans	363	0.745	0.21	213
15	Barnett Bank of Jacksonville NA, Fla.	229	0.529	0.23	295
16	Wachovia B&TC NA, Winston-Salem, N.C.	3,045	7.179	0.24	29
17	Riggs National Bank, Washington, D.C.	816	1.945	0.24	112
18	First American Bank of Maryland, Silver Spring	394	1.043	0.26	203
19	Chicago-Tokyo Bank	328	0.874	0.27	233
20	Peoples Bank & Trust Co., Rocky Mount, N.C.	298	0.824	0.28	254
21	NCNB Texas National Bank, Dallas	6,835	19.811	0.29	15
22	Hamilton Bank, Lancaster, Pa.	415	1.243	0.30	197
23	Bank of Hawaii, Honolulu	1,471	4.421	0.30	70
24	State Street Bank and Trust Co., Boston	998	3.364	0.34	101
25	Pacific Bank NA, San Francisco	256	0.879	0.34	275

Bad loans: noncurrent and nonacrrual business loans as a percentage of total business loans.

U.S. Commercial Bank Loans to Business

Yearend 1984 to Yearend 1989 ($ Billion)

	1989	1988	1987	1986	1985	1984
Top 10 Banks	$165.5 + 6.4%	$155.5 - 7.6%	$168.2 - 9.4%	$185.6 - 5.9%	$197.3 - 3.8%	$205.2
Top 100 Banks	$389.4 + 4.6%	$372.4 + 1.1%	$368.4 - 2.6%	$378.3 + 2.7%	$368.3 + 0.2%	$367.4
Top 300 Banks	$482.9 + 4.1%	$463.7 + 2.4%	$452.8 - 2.0%	$462.2 + 4.0%	$444.4 + 3.1%	$430.9
All domestic banks	$618.7 + 3.1%	0600.3 + 1.9%	$589.3 - 1.9%	$600.9 + 4.0%	$577.7 + 2.2%	$565.2 + 7.7%
Fgn. banks' branches & agencies	$138.2 +10.7%	$124.8 +14.9%	$108.6 +20.2%	$90.3 23.7%	$73.0 13.2%	$64.5 ....
Total for banks, branches, agencies	$756.9 + 4.4%	$725.1 + 3.9%	$697.9 + 6.2%	$691.2 + 1.0%	$650.7 + 3.3%	$629.7 ....

Data Sources: Data for the top 300 banks were compiled by **American Banker** using **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex. The aggregate data for all domestic banks (federally insured commercial banks) are from the **Federal Deposit Insurance Corp.,** Washington, D.C. And the aggregate data for the U.S. branches and agencies of foreign banks were extracted by **American Banker** from the *Bulletin* published monthly by the **Federal Reserve Board**.

Commercial Bank Lending By Type of Loan

By type of loan: Yearend 1984 to Yearend 1989 ($ Billion)

	1989	1988	1987	1986	1985	1984
Total Consumer Loans[1]	$751.5	$679.6	$614.3	$558.2	$507.3	$448.4
% of total	36.5%	35.2%	33.6%	31.8%	31.1%	29.7%
Business loans[2]	$618.7	$600.3	$589.3	$600.9	$577.7	$565.2
% of total	30.1%	31.1%	32.2%	34.2%	35.4%	37.5%
Domestic commercial real estate[3]	371.3	335.7	305.1	262.8	215.1	183.0
% of total	18.0%	17.4%	16.7%	15.0%	13.2%	12.1%
All other loans[4]	316.1	316.7	320.4	334.8	330.7	311.7
% of total	15.4%	16.3%	17.5%	19.0%	20.3%	20.7%
Total loans[5]	$2,057.6	$1,932.3	$1,829.1	$1,756.7	$1,630.8	$1,508.3

Data Source: Data are from the federal regulatory report of condition for all federally insured, domestically chartered U.S. commnercial banks as reported by the **Federal Deposit Insurance Corp.,** Washington, D.C. **(1)**— Includes 1-4 family residental first and second mortgages, home equity loans, credit card loans, and all other loans to the individuals (such as instalment loans and student loans). **(2)**— Commercial and industrial loans booked by domestic and foreign offices. **(3)**— Includes the following loans booked by the domestic offices of banks: (1) construction & land development loans; (2) multifamily residental mortgages; and (3) nonfarm, nonresidential loans. **(4)**— Derived by subtracting from total loans consumer loans, business loans, and domestic commercial real estate loans. **(5)**— total loans and lease financing receivables net of unearned income but including the allowance for loan and lease losses and the allocated transfer risk reserve.

Realty Loans Grew Twice as Fast as Business Loans in 1989

Continued from *page* **1**

also comes at a time when commercial real estate loans are growing rapidly. Last year, realty loans grew by 10.6%, much faster than the 4.4% growth of commercial and industrial loans.

The percentage of total loans devoted to real estate has increased steadily over the past five years, from 12.1% in 1984 to 18% at the end of last year, according to the survey.

Real estate recessions that rolled through the Southwest and New England have spurred crackdowns by worried regulators.

Recent Downgrading

Rating agencies are also sensitive to potential real estate problems. San Francisco-based Wells Fargo was downgraded just last week by Moody's Investors Service because of concern over an exposure to real estate problems.

In fact, eight of the top 10 have been downgraded in recent months, at least in part because of concern over real estate exposure.

The only banks in the top 10 that have not been downgraded by Moody's are BankAmerica's fifth-ranked Bank of America unit, San Francisco, which Moody's upgraded on the basis of its modest exposure to new real estate loans and ninth ranked NCNB National Bank of North Carolina, whose rating was unchanged.

This year's ranking shows Citibank well ahead of its closest competitor, with $16.3 billion of real estate loans, following by Wells Fargo's $9 billion. The ranking indicates Citibank was among the fastest-growing real estate lenders, with 30% growth, although the bank disputes that figure.

Officials of Citicorp, reiterated the banking giant's commitment to commercial real estate lending. But they complained that list exaggerated the growth of its real estate operation in 1989.

Ferguson & Co., Irvine, Texas, using banks' reports to the regulators, said Citibank's portfolio of commercial loans grew by about 30%. Citibank officials acknowledged that that level would be cause for concern.

But executive vice president Thomas E. Jones contended the 30% figure was "a figment of an imprecise measurement system." He argued that reports to the Securities and Exchange Commission provided a truer measure than the report to banking regulators used by Ferguson.

"The 1988 to 1989 year-to-year growth of this business was 12.7%, reflecting normal growth for the period," Mr. Jones said in a letter to the *American Banker*.

He contended the statistics unfairly represented Citibank's activity in that they "represent Citibank only, and not the corporation as a whole, include individual (noncommercial) loans . . . include lending activity from overseas branches and do not include adjustments (for example, changes in classifications)."

Estimate Given

Mr. Jones, citing the SEC report, estimated commercial real estate loans at $12.5 billion.

But the *American Banker* and Ferguson stand behind the higher numbers.

The downgrade of Wells by Moody's came despite the fact that the bank survived a targeted real estate exam by regulators in the fourth quarter with no significant writeoffs.

A spokeswoman dismissed the rating action by saying that average chargeoffs for Wells Fargo real estate losses have averaged only 13 basis points from 1975 through 1989. That performance was better than the 55 basis point level of chargeoffs for the bank's total lending operation.

Problems Not Foreseen

"The rating agencies did not forsee what happened in Texas, New England, and Arizona, and they're trying to be more proactive," said Leslie Altick, chief spokeswoman.

She said Moody's prefaced the downgrade announcement by noting the diversity of Wells' portfolio and its conservative

See **CITIBANK** *page* **23**

Real Estate Lending by Commercial Banks

Yearend 1984 to Yearend 1989 ($ Billion)

	1984	1985	1986	1987	1988	Annual 1989
Domestic commercial real estate[1]	**183.0** +21.0%	**215.1** +17.5%	**262.8** 22.2%	**305.1** 16.1%	**335.7** 10.0%	**371.3** 10.6%
Construction & land development	$76.1 25.6%	$89.2 +17.2%	$106.7 19.6%	$119.9 12.3%	$128.3 7.0%	136.0 6.0%
Multifamily residental mortgages	10.8 +16.3%	12.6 +16.7%	15.9 26.2%	17.9 12.6%	18.3 2.2%	19.9 8.7%
Nonfarm, nonresidential loans	96.1 +18.1%	113.3 +17.9%	140.2 23.7%	167.3 19.3%	189.1 13.0%	215.4 13.9%
All other real estate loans	**$202.6** + 9.3%	**$223.4** +10.3%	**$252.6** 13.1%	**$294.8** 16.7%	**339.3** 15.1%	**390.3** 15.0%
Residential Mortgage loans[2]	$181.6	$198.7	$222.6	$262.9	301.7	350.9
Loans Secured by Farmland	$10.2	$11.4	$12.7	$14.5	15.5	16.7
Foreign Real Estate Loans[3]	$10.8	$13.3	$17.3	$17.4	22.1	22.7
Total Real Estate Loans	**$385.6** +14.5%	**$438.5** +13.7%	**$515.4** 17.5%	**$599.9** 16.4%	**675.0** 12.5%	**761.7** 12.8%

Data source: Data are from the **Federal Deposit Insurance Corp.**, Washington, D.C., and are for all FDIC-insured banks. (¹)— The sum of construction and land development loans, multifamily residental mortgage loans, and nonfarm, nonresidential loans booked by a bank's domestic offices. (²)— Includes first and second mortgages secured by 1-4 family residential properties and home equity loans. (³)— Real estate loans of all types that are booked in a bank's foreign offices.

Compiled by American Banker.

DEALMAKERS

Trend-Spotter Looks to London for Deals

By STEPHEN KLEEGE

In the midst of a chorus of warnings about collapsing real estate markets, there are still a few voices that take the contrarian view.

One such voice belongs to Stephen F. Anfang, founder of Anfang Resources, New York, who boasts of past successes investing early in undervalued property in "transitional" neighborhoods of New York such as Soho and the East Village.

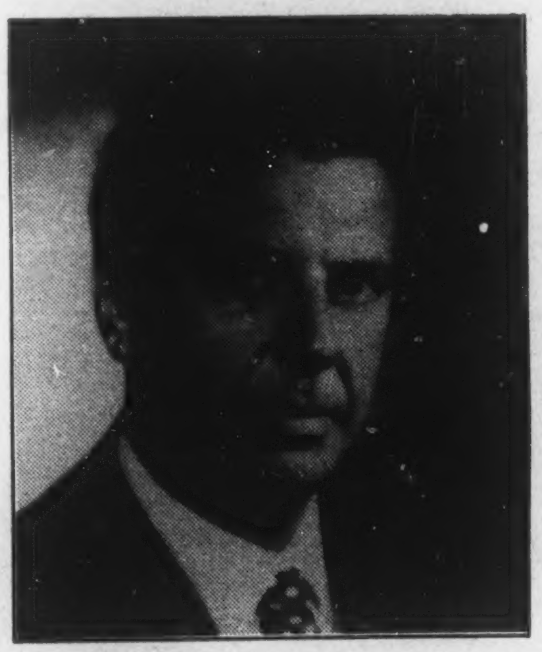
Because their regulators are breathing down their necks, Mr. Anfang says banks are pulling back at exactly the time they should be investing in some markets.

"Everybody wants to play it safe, and because they play it safe, they get into trouble," Mr. Anfang asserted.

Waiting Too Long

Banks tend to wait to invest until the national news media identify a market as strong, but by then it's too late, he said. "The smart play is two years before *The New York Times* publishes an article."

Mr. Anfang is now focusing overseas for the first time, specifically on London, where an oversupply of commercial real estate in London has spooked many investors.



Stephen F. Anfang
Anfang Resources

But Mr. Anfang likes to quote Baron Rothschild's advice to "buy when there is blood in the streets." He is convinced that London's cyclical rebound will be all the more pronounced because of the city's position as European banking capital when financial barriers are lowered in two years.

High Expectations

He believes he can finance his acquisitions at 15% and still earn a profit for his wealthy investors, based on expectation of improved profits due to improvements to the property and a stronger market.

"I'll take a bigger risk but I'll take a bigger reward," he said.

The acceptance of English as the international language and the city's sophistication give London the edge over other European cities that may vie for the title of banking capital come 1992, Mr. Anfang said. He added that the tunnel being built under the English Channel will help, too.

He has his eyes on one deal for four small commercial buildings with retail space on the ground floor.

"I'll always stick to my niche in the market," said Mr. Anfang, who intends to concentrate on such properties, which he believes will become desirable as headquarters for small and mid-size corporations in the coming years.

"Retail property in a city is an irreplaceable asset, because in cities there are usually limitations on land mass," he said. Cities bordered by water or other natural boundaries tend to grow taller, "but there's still limited ground level space," for retail. □

PARTICIPATING DESIGNATED MEMBERS AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS

This advertisement is published as a service to bankers and regulators as a handy reference guide to locate participating designated members of the American Institutue of Real Estate Appraisers.

FLORIDA
SEMINOLE (813)
Wayne Fields & Associates, Inc.
Fields, Wayne, RM
393-3734 - fax 393-3817
TAMPA (813)
Pierson/Dohring Appraisals, Inc.
Pierson, Linda M., MAI
Dohring, Brenda J., MAI
968-9677 - fax 264-0511
GEORGIA
ATLANTA (404)
Southeastern Consulting Group
Cantrell, William F., MAI
392-9031
ILLINOIS
CHICAGO (312)
Midwest Property Analysis
Mechanic, Roberta H., MAI
346-7020 - fax 236-6269
Pannell Kerr Forster
Ashenden, Robert A., MAI
715-1788 - fax 715-1866
PARK RIDGE (708)
Appraisal Systems
Uzemack, Anthony J., MAI
825-3142 - fax 825-3147
MARYLAND
CATONSVILLE (301)
A.I.B. Appraisal Incorporated
Cole, Samuel, MAI Candidate
747-8802 - fax 788-9071
MICHIGAN
BIRMINGHAM (313)
Byron W. Trerice Co.
Mawson, James E., MAI
540-1000 - fax 540-1038
DETROIT (313)
BDO Seidman
Allen, Larry G., MAI
965-3660 - fax 965-0929
GRAND RAPIDS (616)
BDO Seidman
McKnight, Larry T., MAI
774-7000 - fax 776-3680
NEW JERSEY
CLARK (201)
ARD Appraisal Company
Ard, William T., MAI
396-1965 - fax 396-1987
NEW YORK
NEW YORK (212)
Korpacz & Associates, Inc.
Korpacz, Peter F., MAI
370-4750 - fax (516) 979-9333
SYRACUSE (315)
Pomeroy Appraisal Associates, Inc.
Kelley, G. Richard, MAI
800-242-7106 - fax 476-1011
NORTH CAROLINA
FAYETTEVILLE (919)
Tom Keith & Associates
Keith, Tom, MAI
323-3222 - fax 323-1180
OREGON
PORTLAND (503)
GS 2 & Associates, Inc.
R.E. & Machinery
Gill, Robert R., MAI
295-2022 - fax 295-2807
TENNESSEE
KNOXVILLE (615)
Broome, Lothrop & Associates, Inc.
Smith, Charles M., MAI
637-4011 - fax 546-7945
TEXAS
SAN ANTONIO (512)
The Glen Company
Glen, Martyn C.
225-7700 - fax 225-6800

Top 100 Banks in Commercial Real Estate Loans

Based on Federal Regulatory Report of Condition data for Dec. 31, 1989, compared with Dec. 31, 1988 (dollar amounts in millions)

Rank 12/89	Name of Bank, City, State	Commercial Real Estate Loans		Percent Change	Total Assets 12/31/89	CR as a % of Assets 12/31/89	Total Noncurrent Real Estate Loans		Noncurrent as a % to Real Estate Loans		Real Estate Loan Net Charge-offs		Noncurrent as a % of Equity Capital	
		12/31/89	12/31/88				12/31/89	12/31/88	12/31/89	12/31/88	1989	1988	12/31/89	12/31/88
1	Citibank NA, New York	16,270	12,497	30.19	161,988	10.04	1,566	638	9.63	5.11	41.000	16.000	20.53	7.81
2	Wells Fargo Bank NA, San Francisco	9,064	9,072	-0.09	45,556	19.90	354	271	3.90	2.98	9.606	23.690	12.01	10.51
3	Chase Manhattan Bank NA, New York	7,576	5,548	36.56	83,808	9.04	712	386	9.39	6.95	21.219	17.286	18.87	8.82
4	Security Pacific National Bank, Los Angeles	6,611	5,239	26.17	54,314	12.17	395	288	5.97	5.50	15.186	0.835	14.87	12.99
5	Bank of America NT&SA, San Francisco	5,401	4,785	12.87	86,712	6.23	201	375	3.72	7.84	-10.000	38.000	4.55	10.38
6	Chemical Bank, New York	3,468	3,640	-4.73	45,469	7.63	158	155	4.56	4.26	19.000	56.000	7.43	6.23
7	First National Bank, Boston	3,231	3,984	-18.92	30,000	10.77	277	220	8.57	5.52	165.098	51.109	22.21	16.91
8	Bank of New England NA, Boston	3,194	3,583	-10.86	14,293	22.34	971	121	30.40	3.37	96.506	0.252	458.34	16.68
9	NCNB National Bank of N.C., Charlotte	2,991	2,734	9.41	20,443	14.63	66	50	2.21	1.83	9.541	6.545	6.68	5.48
10	First National Bank, Chicago	2,923	2,760	5.90	36,410	8.03	156	99	5.32	3.60	15.066	8.549	10.50	7.62
11	Michigan National Bank, Farmington Hills	2,798	2,285	22.47	9,853	28.39	35	25	1.26	1.08	14.952	2.264	5.36	4.42
12	First Interstate Bank of Calif., Los Angeles	2,749	1,955	40.59	21,229	12.95	95	116	3.45	5.95	15.525	9.868	9.14	13.45
13	Union Bank, San Francisco	2,710	2,401	12.85	15,376	17.63	116	153	4.28	6.39	9.810	5.338	12.47	18.70
14	Southeast Bank NA, Miami	2,686	2,209	21.58	15,966	16.82	192	52	7.14	2.37	17.836	0.815	24.52	8.92
15	Seattle-First National Bank	2,595	2,242	15.72	12,333	21.04	164	141	6.31	6.28	29.131	32.042	19.52	22.23
16	Manufacturers Hanover Trust Co., New York	2,462	2,790	-11.76	54,740	4.50	109	129	4.43	4.62	38.000	122.000	4.32	5.07
17	Midlantic National Bank, Newark, N.J.	2,322	1,290	79.96	9,818	23.65	210	65	9.04	5.03	9.728	0.240	31.16	17.71
18	NCNB National Bank of Florida, Tampa	2,295	1,549	48.18	11,877	19.32	111	35	4.84	2.28	12.229	0.094	16.87	5.98
19	First Union National Bank, Charlotte, N.C.	2,290	1,743	31.32	16,767	13.65	46	23	2.00	1.31	1.739	4.806	4.77	2.78
20	Marine Midland Bank NA, Buffalo, N.Y.	2,274	2,184	4.12	21,547	10.56	258	87	11.35	3.97	42.882	6.203	31.71	10.09
21	Maryland National Bank, Baltimore	2,271	2,053	10.61	9,488	23.93	40	6	1.76	0.29	10.463	0.175	7.44	1.22
22	Bank of California NA, San Francisco	2,173	1,763	23.22	7,898	27.51	108	52	4.96	2.95	0.611	2.205	25.75	15.69
23	Sumitomo Bank of California, San Francisco	2,098	1,606	30.65	4,401	47.67	35	40	1.67	2.47	0.133	2.058	15.09	21.50
24	Bank of New York	2,022	1,578	28.14	46,362	4.36	348	203	17.23	12.86	30.173	42.568	16.52	16.84
25	Connecticut National Bank, Hartford	1,982	1,570	26.22	12,471	15.89	158	64	7.99	4.07	9.160	2.093	22.59	9.50
26	Sovran Bank NA, Richmond	1,952	1,519	28.55	13,816	14.13	17	21	0.89	1.38	0.435	0.009	2.04	2.78
27	Bank One Texas NA, Dallas	1,924	....	....	12,272	15.68	866	....	44.99	....	225.966	....	....	....
28	Continental Bank NA, Chicago	1,920	1,509	27.24	29,358	6.54	77	27	4.02	1.76	2.863	-2.696	4.34	1.54
29	Connecticut Bank & Trust Co. NA, Hartford	1,866	1,941	-3.84	9,735	19.17	381	26	20.39	1.32	59.043	0.000	201.40	4.37
30	United States National Bank, Portland, Ore.	1,783	1,533	16.31	10,263	17.37	49	48	2.72	3.10	3.408	4.458	6.79	7.68
31	Bankers Trust Co. New York	1,707	1,894	-9.89	51,113	3.34	90	94	5.26	4.96	5.487	0.000	5.97	3.25
32	Security Pacific Bank Washington NA, Seattle	1,658	1,281	29.44	8,074	20.54	34	40	2.06	3.15	5.730	1.206	7.29	8.80
33	Citizens & Southern National Bank, Atlanta	1,646	1,536	7.19	12,442	13.23	28	51	1.71	3.29	4.974	2.860	3.46	6.86
34	Barnett Bank of South Florida NA, Miami	1,554	1,490	4.28	6,103	25.46	41	33	2.65	2.19	9.971	2.002	13.10	10.75
35	Wachovia B&T Co. NA, Winston-Salem, N.C.	1,522	1,372	10.99	15,144	10.05	9	5	0.56	0.33	0.135	-0.053	0.82	0.50
36	First Fidelity Bank NA, Newark, N.J.	1,476	1,273	15.92	12,343	11.95	109	54	7.41	4.25	10.795	3.335	18.33	8.74
37	American Security Bank NA, Washington, D.C.	1,468	1,244	18.04	5,915	24.82	25	7	1.72	0.54	6.320	4.199	7.49	2.14
38	Crestar Bank, Richmond	1,465	1,274	15.00	10,190	14.38	26	13	1.78	1.03	5.625	2.419	4.41	2.64
39	Mellon Bank NA, Pittsburgh	1,463	1,559	-6.17	22,697	6.44	77	86	5.28	5.49	31.420	53.823	8.20	14.03
40	First Union National Bank, Jacksonville, Fla.	1,433	1,280	11.98	9,181	15.61	45	37	3.13	2.89	6.499	7.183	7.32	5.62
41	Valley National Bank, Phoenix, Ariz.	1,416	1,653	-14.30	9,392	15.08	376	332	26.54	20.11	129.491	20.052	86.01	61.29
42	First Interstate Bank of Texas NA, Houston	1,367	1,672	-18.27	6,345	21.54	231	190	16.93	11.35	70.173	77.588	900.04	99.45
43	Florida National Bank, Jacksonville	1,326	1,562	-15.10	7,815	16.97	134	73	10.14	4.69	16.746	10.765	39.12	15.29
44	Provident National Bank, Philadelphia	1,308	1,020	28.16	8,322	15.71	25	13	1.94	1.30	1.376	0.265	4.96	2.95
45	Sanwa Bank California, San Francisco	1,291	1,028	25.53	6,918	18.66	22	32	1.71	3.14	0.937	2.307	4.28	8.52
46	NCNB Texas National Bank, Dallas	1,281	3,574	-64.16	33,748	3.80	63	85	4.92	2.38	17.749	26.982	4.18	7.96
47	Fleet National Bank, Providence, R.I.	1,267	1,302	-2.73	9,701	13.06	34	26	2.68	1.98	22.363	4.735	5.74	5.27
48	Fidelity Bank NA, Philadelphia	1,255	1,117	12.33	9,475	13.24	65	146	5.19	13.07	51.440	6.754	16.77	50.38
49	First Florida Bank NA, Tampa	1,248	1,106	12.80	5,571	22.40	30	10	2.41	0.87	0.863	0.245	7.60	2.57
50	National Westminster Bank USA, New York	1,238	885	39.93	14,531	8.52	58	11	4.69	1.19	3.226	0.000	11.69	1.99
51	Citizens & Southern National Bank, Fort Lauderdale, Fla.	1,235	1,157	6.73	6,209	19.89	64	20	5.22	1.69	1.818	4.935	17.15	5.35
52	Ameritrust Co. NA, Cleveland	1,223	1,010	21.07	8,923	13.70	36	12	2.92	1.15	2.173	0.465	6.00	2.19
53	Huntington National Bank, Columbus, Ohio	1,175	997	17.84	8,900	13.20	31	48	2.60	4.86	4.632	0.369	5.70	10.38
54	Hibernia National Bank, New Orleans, La.	1,151	873	31.87	6,526	17.63	48	28	4.19	3.25	11.291	9.532	13.62	9.01
55	Chase Lincoln First Bank NA, Rochester, N.Y.	1,130	1,005	12.35	6,445	17.53	32	23	2.87	2.32	0.892	0.687	8.09	5.93
56	Security Pacific Bank Arizona, Phoenix	1,104	1,442	-23.41	4,229	26.12	36	228	3.22	15.83	67.788	17.358	13.21	85.57
57	National Community Bank, Rutherford, N.J.	1,102	1,038	6.16	4,023	27.40	64	26	5.82	2.48	0.204	0.000	28.48	13.27
58	Central Fidelity Bank, Richmond	1,100	935	17.58	5,433	20.24	3	12	0.27	1.25	-0.031	-0.063	1.00	4.29
59	European American Bank, New York	1,100	1,124	-2.21	5,293	20.77	98	41	8.90	3.60	6.976	-0.018	21.73	10.41
60	NCNB National Bank of South Carolina, Columbia	1,085	884	22.74	5,026	21.58	12	5	1.13	0.56	1.487	0.176	4.19	2.04
61	Boatmen's National Bank, St. Louis, Mo.	1,081	625	72.88	7,808	13.85	69	21	6.41	3.40	2.787	1.674	12.64	7.26
62	South Carolina National Bank, Columbia, S.C.	1,051	878	19.69	6,074	17.29	53	22	5.07	2.47	3.026	3.307	13.59	6.72
63	UJB/Hackensack, N.J.	1,049	814	28.81	5,278	19.87	52	5	4.93	0.67	4.437	-1.037	16.59	2.15
64	Shawmut Bank NA, Boston	1,020	874	16.62	9,271	11.00	74	31	7.25	3.55	8.482	1.026	11.50	5.81
65	Branch Banking and Trust Co., Wilson, N.C.	985	921	6.98	4,457	22.10	12	9	1.17	0.94	2.764	2.996	4.17	3.45
66	Meridian Bank, Reading, Pa.	981	635	54.51	10,085	9.73	43	9	4.39	1.49	0.102	-0.469	8.03	1.85
67	Barclays Bank of New York NA	970	864	12.29	3,340	29.05	67	36	6.94	4.16	0.629	0.000	33.17	19.56
68	Chemical Bank New Jersey NA, Morristown	953	314	203.80	4,705	20.25	62	13	6.56	4.09	17.702	-0.009	21.47	10.68
69	Signet Bank/Virginia, Richmond	946	884	7.06	8,934	10.59	19	18	2.00	2.03	-0.027	0.488	4.16	4.85
70	Citizens First National Bank, Ridgewood, N.J.	932	777	19.95	3,061	30.44	60	23	6.46	2.95	0.041	0.000	33.18	14.70
71	Continental Bank, Norristown, Pa.	927	738	25.62	4,373	21.20	21	25	2.32	3.35	2.389	0.058	7.80	10.37
72	Bank of Hawaii, Honolulu	927	810	14.50	8,016	11.56	11	10	1.18	1.27	1.307	0.387	2.46	2.75
73	Texas Commerce Bank NA, Houston	924	1,105	-16.40	11,626	7.95	246	334	26.64	30.25	40.753	32.307	39.81	52.97
74	Midlantic National Bank/North, West Paterson, N.J.	916	800	14.45	3,757	24.37	56	22	6.09	2.74	2.360	0.105	22.06	9.69
75	City National Bank, Beverly Hills	909	740	22.88	4,697	19.36	18	9	1.96	1.27	0.000	1.300	6.59	4.14
76	Equitable Bank NA, Baltimore	899	703	27.81	4,825	18.63	19	8	2.10	1.20	-0.246	1.511	6.89	3.13
77	First National Bank of Maryland, Baltimore	884	702	25.85	6,367	13.88	2	1	0.21	0.11	0.552	-0.128	0.50	0.25
78	First National Bank, Atlanta	881	837	5.27	8,494	10.38	34	30	3.86	3.62	3.514	4.351	6.01	5.92
79	Philadelphia National Bank	864	836	3.37	10,039	8.60	5	5	0.60	0.57	0.867	-0.003	0.79	0.82
80	Bank of Boston Connecticut, Waterbury	832	920	-9.54	2,662	31.27	155	10	18.60	1.09	28.353	0.064	120.79	6.17
81	Comerica Bank-Detroit	831	692	20.03	10,098	8.23	75	48	8.97	6.97	6.437	7.008	15.75	10.76
82	First Interstate Bank of Arizona NA, Phoenix	822	815	0.94	6,754	12.17	230	80	28.00	9.80	152.686	20.140	86.13	19.19
83	AmSouth Bank NA, Birmingham, Ala.	819	696	17.72	7,558	10.84	29	26	3.60	3.74	0.415	0.433	5.25	4.91
84	First American Bank of Virginia, McLean	813	689	18.08	3,862	21.06	17	10	2.14	1.47	0.024	-0.002	7.14	4.65
85	U.S. Bank of Washington NA, Seattle	799	670	19.32	5,091	15.69	44	47	5.45	6.96	8.366	4.488	14.55	18.36
86	Sovran Bank/Maryland, Bethesda	791	743	6.39	4,172	18.95	12	16	1.52	2.20	0.147	0.038	4.88	7.33
87	Norwest Bank Minnesota NA, Minneapolis	746	707	5.54	8,513	8.76	14	10	1.81	1.47	12.101	3.422	3.18	2.55
88	Central Bank of the South, Birmingham, Ala.	740	740	-0.02	4,238	17.45	21	3	2.88	0.45	2.449	0.333	7.77	1.32
89	National Bank of Detroit	725	536	35.30	17,015	4.26	17	8	2.36	1.57	4.275	0.404	1.87	0.99
90	Sun Bank NA, Orlando, Fla.	724	607	19.33	4,326	16.75	16	9	2.25	1.56	2.112	1.327	5.96	3.81
91	First Tennessee Bank NA, Memphis	719	534	34.62	6,143	11.71	28	21	3.91	3.86	9.134	4.182	8.03	5.94
92	First Union National Bank, Atlanta	719	711	1.09	4,509	15.94	32	31	4.49	4.29	8.317	5.435	13.68	13.32
93	Riggs National Bank, Washington, D.C.	712	789	-9.74	6,692	10.64	9	20	1.33	2.53	4.197	0.002	3.39	7.48
94	INB National Bank, Indianapolis	697	624	11.54	4,961	14.04	13	8	1.87	1.24	0.651	0.144	4.06	2.75
95	BancOhio National Bank, Columbus	695	535	29.74	5,911	11.75	51	32	7.30	6.06	6.195	0.297	14.95	10.16
96	BayBank Middlesex, Burlington, Mass.	693	661	4.93	3,972	17.46	60	14	8.68	2.14	1.905	0.053	27.57	6.86
97	Imperial Bank, Los Angeles	692	527	31.34	2,914	23.74	4	7	0.54	1.33	0.914	0.694	2.31	4.86
98	First Bank NA, Minneapolis	690	668	3.30	12,703	5.43	34	79	4.90	11.88	9.196	41.519	6.55	11.49
99	SouthTrust Bank of Alabama NA, Birmingham, Ala.	683	545	25.46	3,473	19.67	8	4	1.16	0.75	0.519	1.022	3.61	1.98
100	Dominion Bank NA, Roanoke, Va.	680	563	20.97	4,764	14.28	10	9	1.46	1.56	1.319	1.195	3.74	3.79
	Totals for the Top 100[1]	**179,411**	**160,704**	**11.64**	**1,506,124**	**11.91**	**12,020**	**7,768**	**6.00**	**4.83**	**1,766**	**1,001**	**29.26[2]**	**10.77[2]**

Data Sources: Data are from the federal regulatory "Reports of Condition and Income" filed by all federally-insured commercial banks. Most of the data are from **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex. Ferguson does not adjust its data base for mergers. Thus, some of the large percentage gains may be attributable to merger. Data on noncurrent real estate loans and net charge-offs were taken from **Lotus One Source**, a data base supplied by **Sheshunoff Information Services Inc.,** Austin, Tex. **Commercial real estate loans** are domestically booked construction and land development loans, loans secured by multifamily (5 or more) residential properties, and loans secured by nonfarm nonresidential properties. **CR as a % of Assets:** is commercial real estate loans outstanding on 12/31/89 divided by total assets on 12/31/89, expressed as a percentage. **Total Noncurrent Real Estate Loans:** include all real estate loans— commercial plus residential— that are 90 days or more past due and all nonaccrual real estate loans to U.S. addressees. **Noncurrent as a % of Real Estate Loans:** is all noncurrent real estate loans divided by all real estate loans outstanding, expressed as a percentage. **Real Estate Net Charge-offs:** include all charge-offs on real estate loans held by U.S. addressees less corresponding recoveries. **Noncurrent as a % of Real Estate Loans:** is all noncurrent real estate loans divided by equity capital, expressed as a percentage. **(¹)**— Unless indicated otherwise, the 1988 totals were for the top 100 banks that year. **(²)**— An unweighted average, and 1988 average was for the top 100 banks in 1989.

Compiled by American Banker, Copyright 1990.

Top 100 Banks in Commercial Real Estate Loans

Listed georgraphically in order of commercial real estate loans within states ($ amounts in thousands)

CREAL Rank 12/89		C.R. Loans 12/31/89	% change Noncurrent R.E. Loans	% change R.E. Loan Chg.Offs
	ALABAMA			
83	**AmSouth Bank NA, Birmingham**	$819,253	13.17%	-4.16%
88	**Central Bank of the South, Birmingham**	739,674	533.15	635.44
99	**SouthTrust Bank of Alabama NA, Birmingham**	683,162	94.97	-49.22
	ARIZONA			
41	**Valley National Bank, Phoenix**	1,416,205	13.09	545.78
56	**Security Pacific Bank Arizona, Phoenix**	1,104,350	-84.40	290.53
82	**First Interstate Bank of Arizona NA, Phoenix**	822,144	188.41	658.12
	CALIFORNIA			
2	**Wells Fargo Bank NA, San Francisco**	9,064,189	30.75	-59.45
4	**Security Pacific National Bank, Los Angeles**	6,610,593	37.04	1718.68
5	**Bank of America NT&SA, San Francisco**	5,401,000	-46.40	-126.32
12	**First Interstate Bank of California, Los Angeles**	2,749,092	-18.47	57.33
13	**Union Bank, San Francisco**	2,709,970	-24.48	83.78
22	**Bank of California NA, San Francisco**	2,172,953	106.90	-72.29
23	**Sumitomo Bank of California, San Francisco**	2,097,989	-11.40	-93.54
45	**Sanwa Bank California, San Francisco**	1,290,706	-31.63	-59.38
75	**City National Bank, Beverly Hills**	909,075	89.02	-100.00
97	**Imperial Bank, Los Angeles**	691,683	-46.24	31.70
	CONNECTICUT			
25	**Connecticut National Bank, Hartford**	1,981,627	147.63	337.65
29	**Connecticut Bank & Trust Co. NA, Hartford**	1,866,117	1390.59	...
80	**Bank of Boston Connecticut, Waterbury**	832,288	1444.77	44,202
	DISTRICT OF COLUMBIA			
37	**American Security Bank NA**	1,468,316	278.34	50.51
93	**Riggs National Bank**	711,760	-52.61	209,750
	FLORIDA			
14	**Southeast Bank NA, Miami**	2,686,151	265.99	2088.47
18	**NCNB National Bank of Florida, Tampa**	2,294,738	214.40	12,910
34	**Barnett Bank of South Florida NA, Miami**	1,553,773	26.31	398.05
40	**First Union National Bank of Florida, Jacksonville**	1,433,201	21.25	-9.52
43	**Florida National Bank, Jacksonville**	1,326,236	83.40	55.56
49	**First Florida Bank NA, Tampa**	1,247,746	212.44	252.24
51	**Citizens & Southern National Bank, Fort Lauderdale**	1,234,844	229.06	-63.16
90	**Sun Bank NA, Orlando**	724,477	71.52	59.16
	GEORGIA			
33	**Citizens & Southern National Bank, Atlanta**	1,646,282	-44.27	73.92
78	**First National Bank, Atlanta**	881,329	12.48	-19.24
92	**First Union National Bank, Atlanta**	718,709	5.65	53.03
	HAWAII			
72	**Bank of Hawaii, Honolulu**	926,851	6.98	237.73
	ILLINOIS			
10	**First National Bank, Chicago**	2,923,082	56.74	76.23
28	**Continental Bank NA, Chicago**	1,920,426	190.98	206.19
	INDIANA			
94	**INB National Bank, Indianapolis**	696,550	68.23	352.08
	LOUISIANA			
54	**Hibernia National Bank, New Orleans**	1,150,556	69.87	18.45
	MARYLAND			
21	**Maryland National Bank, Baltimore**	2,270,670	569.87	5878.86
76	**Equitable Bank NA, Baltimore**	898,977	123.45	-115.27
77	**First National Bank of Maryland, Baltimore**	884,005	139.74	531.25
86	**Sovran Bank/Maryland, Bethesda**	790,521	-26.69	286.84
	MASSACHUSSETTS			
7	**First National Bank, Boston**	3,230,527	25.93	223.03
8	**Bank of New England NA, Boston**	3,193,682	703.66	38,196
64	**Shawmut Bank NA, Boston**	1,019,617	138.25	726.71
96	**BayBank Middlesex, Burlington**	693,453	324.77	3494.34
	MICHIGAN			
11	**Michigan National Bank, Farmington Hills**	2,797,827	43.09	560.42
81	**Comerica Bank-Detroit**	830,657	54.64	-8.15
89	**National Bank of Detroit**	725,264	103.46	958.17
	MINNESOTA			
87	**Norwest Bank Minnesota NA, Minneapolis**	745,760	30.50	253.62
98	**First Bank NA, Minneapolis**	690,218	-57.35	-77.85

Rank 1989		C.R. Loans 12/31/89	% change Noncurrent R.E. Loans	% change R.E. Loan Chg. Offs
	MISSOURI			
61	**Boatmen's National Bank, St. Louis**	$1,081,259	225.67%	66.49%
	NEW JERSEY			
17	**Midlantic National Bank, Newark**	2,321,901	223.43	3953.33
36	**First Fidelity Bank NA, Newark**	1,475,540	102.16	223.69
57	**National Community Bank, Rutherford**	1,102,182	149.68	...
63	**UJB/Hackensack**	1,048,936	847.98	527.87
68	**Chemical Bank New Jersey NA, Morristown**	952,914	387.39	196,789
70	**Citizens First National Bank, Ridgewood**	931,543	162.67	...
74	**Midlantic National Bank/North, West Paterson**	915,595	153.98	2147.62
	NEW YORK			
1	**Citibank NA, New York**	16,270,000	145.45	156.25
3	**Chase Manhattan Bank NA, New York**	7,576,092	84.47	22.75
6	**Chemical Bank, New York**	3,468,000	1.94	-66.07
16	**Manufacturers Hanover Trust Co., New York**	2,462,000	-15.50	-68.85
20	**Marine Midland Bank NA, Buffalo**	2,274,424	197.38	591.31
24	**Bank of New York**	2,022,498	71.66	-29.12
31	**Bankers Trust Co. New York**	1,706,568	-4.44	...
50	**National Westminster Bank USA, New York**	1,238,003	450.20	...
55	**Chase Lincoln First Bank NA, Rochester**	1,129,589	39.15	29.84
59	**European American Bank, New York**	1,099,563	141.52	38,856
67	**Barclays Bank of New York NA**	970,097	87.32	...
	NORTH CAROLINA			
9	**NCNB National Bank of North Carolina, Charlotte**	2,991,054	32.08	45.78
19	**First Union National Bank, Charlotte**	2,289,531	100.87	-63.82
35	**Wachovia Bank and Trust Co. NA, Winston-Salem**	1,522,216	86.35	354.72
65	**Branch Banking and Trust Co., Wilson**	984,807	33.36	-7.74
	OHIO			
52	**Ameritrust Co. NA, Cleveland**	1,222,906	207.22	367.31
53	**Huntington National Bank, Columbus**	1,174,802	-36.89	1155.28
95	**BancOhio National Bank, Columbus**	694,716	56.14	1985.86
	OREGON			
30	**United States National Bank, Portland**	1,782,706	2.17	-23.55
	PENNSYLVANIA			
39	**Mellon Bank NA, Pittsburgh**	1,462,626	-9.66	-41.62
44	**Provident National Bank, Philadelphia**	1,307,746	90.29	419.25
48	**Fidelity Bank NA, Philadelphia**	1,254,726	-55.39	661.62
66	**Meridian Bank, Reading**	981,167	356.48	121.75
71	**Continental Bank, Norristown**	927,176	-13.02	4018.97
79	**Philadelphia National Bank**	863,714	8.95	29,000
	RHODE ISLAND			
47	**Fleet National Bank, Providence**	1,266,651	31.64	372.29
	SOUTH CAROLINA			
60	**NCNB National Bank of South Carolina, Columbia**	1,084,712	148.28	744.89
62	**South Carolina National Bank, Columbia**	1,050,545	145.83	-8.50
	TENNESSEE			
91	**First Tennessee Bank NA, Memphis**	719,315	36.32	118.41
	TEXAS			
27	**Bank One Texas NA, Dallas**	1,924,303	....	...
42	**First Interstate Bank of Texas NA, Houston**	1,366,921	21.93	-9.56
46	**NCNB Texas National Bank, Dallas**	1,281,110	-26.06	-34.22
73	**Texas Commerce Bank NA, Houston**	923,940	-26.40	26.14
	VIRGINIA			
26	**Sovran Bank NA, Richmond**	1,952,378	-17.05	4733.33
38	**Crestar Bank, Richmond**	1,465,086	98.70	132.53
58	**Central Fidelity Bank, Richmond**	1,099,955	-74.25	50.79
69	**Signet Bank/Virginia, Richmond**	945,856	5.80	-105.53
84	**First American Bank of Virginia, McLean**	813,249	72.79	1300.00
100	**Dominion Bank NA, Roanoke**	680,484	12.93	10.38
	WASHINGTON			
15	**Seattle-First National Bank**	2,594,765	16.19	-9.08
32	**Security Pacific Bank Washington NA, Seattle**	1,658,057	-15.31	375.12
85	**U.S. Bank of Washington NA, Seattle**	798,836	-6.63	86.41

CREAL Rank 12/89: National ranking based on commercial real estate loans outstanding on Dec. 31, 1989. **C.R. Loans:** commercial real estate loans outstanding. **% Change Noncurrent R.E. Loans:** total noncurrent domestic (to U.S. addressees) real estate loans in 1989 divided by total noncurrent domestic real estate loans in 1988, expressed as a percentage. **% Change R.E. Chg.Offs:** net charge-offs on total domestic real estate loans in 1989 divided by net charge-offs on total domestic real estate loans in 1988, expressed as a percentage.

Compiled by American Banker, Copyright 1990.

Largest Growth in Noncurrent Loans

Dollar amounts in millions

		Noncurrent R.E. Loans 1989	Noncurrent R.E. Loans 1988	Percent Increase	C.R. Loan Rank
1	**Bank of Boston Connecticut, Waterbury**	$155	$10	1444.79	80
2	**Connecticut B&T Co. NA, Hartford**	381	26	1390.59	29
3	**UJB/Hackensack, N.J.**	52	5	847.98	63
4	**Bank of New England NA, Boston**	971	121	703.66	8
5	**Maryland National Bank, Baltimore**	40	6	569.87	21
6	**Central Bank of the South, Birmingham, Ala.**	21	3	533.15	88
7	**National Westminster Bank USA, New York**	58	11	450.20	50
8	**Chemical Bank NJ NA, Morristown★**	62	13	387.39	68
9	**Meridian Bank, Reading, Pa.★**	43	9	356.48	66
10	**BayBank Middlesex, Burlington, Mass.**	60	14	324.77	96

(★)— Merger(s) in 1989 may account for most of the gain.

Largest Growth in Net Charge-Offs

Dollar amounts in thousands

		Net charge-offs on real estate loans 1989	Net charge-offs on real estate loans 1988	Percent Increase	Comm'l. R.E. Rank
1	**Chemical Bank NJ NA, Morristown★**	$17,702	($9)	196,789	68
2	**Bank of Boston Connecticut, Waterbury**	28,353	64	44,202	80
3	**European American Bank, New York**	6,976	(18)	38,856	59
4	**Bank of New England NA, Boston**	96,506	252	38,196	8
5	**Philadelphia National Bank**	867	(3)	29,000	79
6	**Maryland National Bank, Baltimore**	10,463	175	5,978.86	21
7	**Sovran Bank NA, Richmond**	435	9	4,733.33	26
8	**Continental Bank, Norristown, Pa.**	2,389	58	4,018.97	71
9	**Midlantic National Bank, Newark, N.J.★**	9,728	240	3,953.33	17
10	**BayBank Middlesex, Burlington, Mass.**	1,905	53	3,494.34	96

(★)— Merger(s) in 1989 may account for most of the gain. ( )— A net recovery.

Top 200 Banks in Construction and Land Development Loans

Based on federal regulatory report of condition data for Dec. 31, 1989 (dollar amounts in thousands)

Rank 12/89		C&L Develop. Loans 12/31/89	C&L Develop. Loans 12/31/88	Percent Change
1	**Citibank NA, New York**	7,008,000	7,003,000	0.07
2	**Chase Manhattan Bank NA, New York**	4,970,847	3,706,854	34.10
3	**Wells Fargo Bank NA, San Francisco**	3,817,363	4,271,331	-10.63
4	**Security Pacific National Bank, Los Angeles**	3,313,436	2,376,961	39.40
5	**Bank of America NT&SA, San Francisco**	2,191,000	1,217,000	80.03
6	**Manufacturers Hanover Trust Co., New York**	2,079,000	2,562,000	-18.85
7	**First Interstate Bank of California, Los Angeles**	2,008,748	1,441,481	39.35
8	**Union Bank, San Francisco**	1,904,443	1,628,151	16.97
9	**Bank of New England NA, Boston**	1,804,207	1,546,508	16.66
10	**Maryland National Bank, Baltimore**	1,786,226	1,664,721	7.30
11	**Midlantic National Bank, Newark, N.J.**	1,688,380	1,175,264	43.66
12	**First National Bank, Boston**	1,599,857	2,196,365	-27.16
13	**Marine Midland Bank NA, Buffalo, N.Y.**	1,540,340	1,487,708	3.54
14	**Continental Bank NA, Chicago**	1,531,508	1,202,196	27.39
15	**Sovran Bank NA, Richmond**	1,395,246	978,195	42.63
16	**Chemical Bank, New York**	1,233,000	1,424,000	-13.41
17	**First Union National Bank, Charlotte, N.C.**	1,156,087	848,577	36.24
18	**NCNB National Bank of North Carolina, Charlotte**	1,051,775	1,008,099	4.33
19	**Bank of California NA, San Francisco**	1,018,726	692,342	47.14
20	**Bank of New York**	1,012,524	814,261	24.35
21	**Mellon Bank NA, Pittsburgh**	1,003,707	959,133	4.65
22	**NCNB National Bank of Florida NA, Tampa**	962,834	731,512	31.62
23	**Seattle-First National Bank**	943,145	852,968	10.57
24	**American Security Bank NA, Washington, D.C.**	885,287	711,389	24.44
25	**Southeast Bank NA, Miami**	859,899	790,812	8.74
26	**Fleet National Bank, Providence, R.I.**	790,409	778,959	1.47
27	**Crestar Bank, Richmond**	749,835	744,015	0.78
28	**Valley National Bank, Phoenix, Ariz.**	743,294	988,371	-24.80
29	**Connecticut National Bank, Hartford**	734,453	622,882	17.91
30	**Security Pacific Bank Washington NA, Seattle**	727,915	489,975	48.56
31	**United Jersey Bank, Hackensack, N.J.**	724,391	550,280	31.64
32	**Signet Bank/Virginia, Richmond**	708,803	609,615	16.27
33	**Security Pacific Bank Arizona, Phoenix**	701,233	1,029,950	-31.92
34	**Barnett Bank of South Florida NA, Miami**	698,667	593,073	17.80
35	**Riggs National Bank of Washington, D.C.**	692,563	782,023	-11.44
36	**First National Bank, Chicago**	688,427	952,308	-27.71
37	**Provident National Bank, Philadelphia**	680,402	602,996	12.84
38	**European American Bank, New York**	671,723	714,632	-6.00
39	**First American Bank of Virginia, McLean**	660,991	548,630	20.48
40	**Connecticut Bank & Trust Co. NA, Hartford**	658,996	924,381	-28.71
41	**Ameritrust Co. NA, Cleveland**	630,660	445,922	41.43
42	**Sanwa Bank California, San Francisco**	630,627	607,654	3.78
43	**Continental Bank, Norristown, Pa.**	593,350	427,061	38.94
44	**Pittsburgh National Bank**	588,234	547,387	7.46
45	**Michigan National Bank, Farmington Hills**	552,466	417,292	32.39
46	**Boatmen's National Bank, St. Louis**	549,439	332,031	65.48
47	**National Bank of Detroit**	531,540	392,067	35.57
48	**Texas Commerce Bank NA, Houston**	528,224	671,359	-21.32
49	**Fidelity Bank NA, Philadelphia**	528,179	560,106	-5.70
50	**Central Fidelity Bank, Richmond**	520,368	422,919	23.04
51	**Bankers Trust Co., New York**	519,562	724,510	-28.29
52	**Signet Bank/Maryland, Baltimore**	512,156	535,722	-4.40
53	**First Fidelity Bank NA, Newark, N.J.**	510,996	581,390	-12.11
54	**First Union National Bank of Georgia, Atlanta**	495,850	382,968	29.48
55	**United States National Bank, Portland, Ore.**	480,580	430,324	11.68
56	**Huntington National Bank, Columbus, Ohio**	475,976	506,171	-5.97
57	**Shawmut Bank NA, Boston**	471,451	423,752	11.26
58	**Equitable Bank NA, Baltimore**	464,938	321,295	44.71
59	**First Florida Bank NA, Tampa**	464,797	398,081	16.76
60	**Citizens & Southern National Bank, Atlanta**	456,548	491,244	-7.06
61	**First Union National Bank of Florida, Jacksonville**	443,596	346,738	27.93
62	**Sovran Bank/Maryland, Bethesda**	441,138	400,462	10.16
63	**NCNB National Bank of South Carolina, Columbia**	417,107	351,136	18.79
64	**Marine Midland (Delaware) NA, Wilmington**	416,205	382,493	8.81
65	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	411,289	364,275	12.91
66	**First Interstate Bank of Arizona NA, Phoenix**	409,592	610,223	-32.88
67	**City National Bank, Beverly Hills**	408,390	285,296	43.15
68	**Bank of Boston Connecticut, Waterbury**	406,795	497,254	-18.19
69	**Wachovia Bank & Trust Co.NA, Winston-Salem, N.C.**	406,326	374,479	8.50
70	**BancOhio National Bank, Columbus**	397,028	385,700	2.94
71	**Midlantic National Bank/North, West Paterson, N.J.**	381,286	314,808	21.12
72	**Philadelphia National Bank**	376,454	409,609	-8.09
73	**Central Bank of the South, Birmingham, Ala.**	368,964	320,078	15.27
74	**Bank One Texas NA, Dallas**	366,106	....	...
75	**Branch Banking & Trust Co., Wilson, N.C.**	366,052	334,482	9.44
76	**SouthTrust Bank of Alabama NA, Birmingham**	359,445	271,184	32.55
77	**Bank One NA, Indianapolis**	354,546	296,253	19.68
78	**South Carolina National Bank, Columbia**	337,389	347,064	-2.79
79	**Meridian Bank, Reading, Pa.**	334,805	217,593	53.87
80	**Chemical Bank New Jersey NA, Morristown**	334,447	212,955	57.05
81	**First National Bank of Maryland, Baltimore**	331,512	240,112	38.07
82	**National Westminster Bank USA, New York**	329,379	304,482	8.18
83	**Dominion Bank NA, Roanoke, Va.**	325,910	260,818	24.96
84	**Florida National Bank, Jacksonville**	323,754	437,877	-26.06
85	**Bank South NA, Atlanta**	320,569	314,570	1.91
86	**First National Bank, Atlanta**	318,046	407,561	-21.96
87	**First Pennsylvania Bank NA, Philadelphia**	316,812	292,399	8.35
88	**INB National Bank, Indianapolis**	316,597	580,761	-45.49
89	**Merchants National Bank & Trust Co., Indianapolis**	313,266	308,236	1.63
90	**Mellon Bank (East) NA, Philadelphia**	311,273	345,394	-9.88
91	**Citizens First National Bank, Ridgewood, N.J.**	303,522	281,537	7.81
92	**NCNB Texas National Bank, Dallas**	302,242	1,585,596	-80.94
93	**Team Bank NA, Fort Worth, Tex.**	301,845	....	...
94	**First Interstate Bank NA, Houston**	301,187	373,110	-19.28
95	**National Bank of Washington, Washington D.C.**	300,221	225,276	33.27
96	**Bank of Baltimore**	298,105	222,827	33.78
97	**First Tennessee Bank NA, Memphis**	297,540	290,910	2.28
98	**Barnett Bank of Central Florida NA, Orlando**	293,511	283,865	3.40
99	**National City Bank, Cleveland**	292,064	266,621	9.54
100	**Imperial Bank, Inglewood, Calif.**	288,245	232,114	24.18
	Totals for the Top 100 Banks ($ million)	**83,826**	**77,818**	**7.72**
101	**National Community Bank, Rutherford, N.J.**	285,755	273,529	4.47
102	**Valley Bank of Nevada, Las Vegas**	285,643	207,440	37.70
103	**First Jersey National Bank, Jersey City, N.J.**	285,510	427,987	-33.29
104	**First Bank NA, Minneapolis**	279,728	315,822	-11.43
105	**Valley View State Bank, Overland Park Kan.**	279,196	282,195	-1.06
106	**Norwest Bank Minnesota NA, Minneapolis**	272,927	207,994	31.22
107	**Union Trust Co., Stamford, Conn.**	262,692	478,478	-45.10
108	**Norstar Bank NA, Buffalo, N.Y.**	243,741	205,190	18.79
109	**Trust Company Bank, Atlanta**	240,660	210,415	14.37
110	**AmSouth Bank NA, Birmingham, Ala.**	237,055	272,318	-12.95
111	**Citizens & Southern Nat'l Bank, Fort Lauderdale, Fla.**	235,917	214,693	9.89
112	**Bankers Trust (Delaware), Wilmington**	228,022	17,324	1216.22
113	**Chase Lincoln First Bank NA, Rochester, N.Y.**	226,460	161,243	40.45
114	**Fifth Third Bank, Cincinnati**	219,661	238,521	-7.91
115	**Citytrust, Bridgeport, Conn.**	213,689	241,822	-11.63
116	**Southern National Bank, Lumberton, N.C.**	212,958	201,143	5.87
117	**Norstar Bank, HEMPSTEAD, N.Y.**	212,662	171,516	23.99
118	**Mercantile-Safe Deposit & Trust Co., Baltimore**	212,453	190,438	11.56
119	**U.S. Bank of Washington NA, Seattle**	210,282	197,994	6.21
120	**Society National Bank, Cleveland**	209,764	164,315	27.66
121	**First Hawaiian Bank, Honolulu**	208,014	193,113	7.72
122	**First American Bank NA, Washington, D.C.**	205,637	236,582	-13.08
123	**Sun Bank NA, Orlando, Fla.**	204,804	144,755	41.48
124	**Citizens & Southern National Bank, Columbia, S.C.**	204,436	163,907	24.73
125	**Bank of Hawaii, Honolulu**	204,196	279,559	-26.96
126	**American National Bank & Trust Co., Chicago**	201,059	279,632	-28.10
127	**United Bank & Trust Co., Hartford, Conn.**	199,594	63,622	213.72
128	**First National Bank, Cincinnati**	199,109	180,809	10.12
129	**Sumitomo Bank of California, San Francisco**	198,949	198,770	0.09
130	**First American Bank of Maryland, Silver Spring**	195,679	168,291	16.27
131	**Central Trust Co. NA, Cincinnati**	192,808	178,930	7.76
132	**Barclays Bank of New York NA**	192,481	182,943	5.21
133	**Northern Trust Co., Chicago**	191,160	134,596	42.03
134	**Tokai Bank of California, Los Angeles**	190,646	138,458	37.69
135	**Sovran Bank/DC National, Washington, D.C.**	188,256	127,049	48.18
136	**Manufacturers National Bank, Detroit**	187,394	213,622	-12.28
137	**First American National Bank, Nashville, Tenn.**	183,150	183,148	0.00
138	**Mark Twain Bank NA, Ladue, Mo.**	178,964	177,585	0.78
139	**American National Bank, Bakersfield, Calif.**	178,114	139,997	27.23
140	**Barnett Bank of Jacksonville NA, Fla.**	177,041	134,249	31.88
141	**Bank Leumi Trust Co., New York**	176,827	122,979	43.79
142	**First American Bank of Georgia NA, Atlanta**	175,086	204,542	-14.40
143	**Pacific Western Bank, San Jose, Calif.**	173,392	99,904	73.56
144	**First Wisconsin National Bank, Milwaukee**	169,864	195,232	-12.99
145	**Citibank (Arizona), Phoenix**	167,271	217,132	-22.96
146	**First Interstate Bank of Nevada NA, Reno**	165,475	175,503	-5.71
147	**United Bank of Denver NA**	163,387	205,386	-20.45
148	**Hibernia National Bank, New Orleans, La.**	160,698	139,456	15.23
149	**First Alabama Bank, Montgomery**	159,514	181,349	-12.04
150	**BayBank Middlesex, Burlington, Mass.**	159,437	311,809	-48.87
151	**Dominion Bank of Greater Hampton Roads, Norfolk, Va.**	156,051	156,700	-0.41
152	**Barnett Bank of Pinellas County, St. Petersburg, Fla.**	155,784	130,694	19.20
153	**First National Bank, Louisville, Ky.**	154,766	185,317	-16.49
154	**Central Carolina Bank & Trust Co., Durham, N.C.**	154,148	158,019	-2.45
155	**Third National Bank, Nashville, Tenn.**	152,230	117,133	29.96
156	**LTCB Trust Co., New York**	150,722	42,500	254.64
157	**United Carolina Bank, Whiteville, N.C.**	150,485	172,112	-12.57
158	**Provident Bank, Cincinnati**	150,397	119,769	25.57
159	**Bank One Milwaukee NA, Wis.**	149,893	97,997	52.96
160	**Fleet Bank, Nashua, N.H.**	149,326	86,747	72.14
161	**Deposit Guaranty National Bank, Jackson, Miss.**	146,463	119,592	22.47
162	**Mitsui Manufacturers Bank, Los Angeles**	145,829	188,123	-22.48
163	**First Interstate Bank of Oregon NA, Portland**	145,827	105,980	37.60
164	**Bank of Tokyo Trust Co., New York**	145,748	201,190	-27.56
165	**National State Bank, Elizabeth, N.J.**	143,969	158,819	-9.35
166	**Merchants Bank, Kansas City, Mo.**	143,804	154,581	-6.97
167	**Bank of Oklahoma NA, Tulsa**	142,278	150,539	-5.49
168	**Barnett Bank of Tampa NA, Fla.**	141,656	129,742	9.18
169	**Comerica Bank-Detroit**	140,220	98,096	42.94
170	**State Street Bank& Trust Co., Boston**	139,477	130,432	6.93
171	**Bank of New England-North NA, Lowell, Mass.**	138,285	91,698	50.80
172	**First Eastern Bank NA, Wilkes-Barre, Pa.**	136,970	191,713	-28.55
173	**Capital Bank, Miami**	133,187	120,022	10.97
174	**Bank of New England-South NA, Brockton, Mass.**	131,925	34,412	283.37
175	**Trustcorp Bank Ohio, Toledo**	131,282	167,092	-21.43
176	**Bank of Delaware, Wilmington**	130,185	94,128	38.31
177	**Mid-State Bank, Arroyo Grande, Calif.**	130,056	72,282	79.93
178	**Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.**	128,239	98,883	29.69
179	**First Security Bank of Utah NA, Salt Lake City**	128,028	126,361	1.32
180	**Santa Monica Bank, Calif.**	125,645	68,079	84.56
181	**First Interstate Bank of Denver NA**	125,573	121,549	3.31
182	**Premier Bank NA, Baton Rouge, La.**	123,275	176,554	-30.18
183	**Citizens Bank of Maryland, Riverdale**	121,965	95,815	27.29
184	**Mercantile Bank of St. Louis NA, Clayton, Mo.**	121,625	212,925	-42.88
185	**Peoples Bank & Trust Co., Rocky Mount, N.C.**	120,029	111,196	7.94
186	**Sovran Bank/Central South, Nashville, Tenn.**	119,054	116,137	2.51
187	**Trustmark National Bank, Jackson, Miss.**	118,299	116,770	1.31
188	**United Jersey Bank/Commercial Trust, Jersey City, N.J.**	118,291	129,974	-8.99
189	**First American National Bank, Knoxville, Tenn.**	117,546	69,102	70.11
190	**BayBank Harvard Trust Co., Cambridge, Mass.**	117,522	148,413	-20.81
191	**First American B&T NA, North Palm Beach, Fla.**	117,173	N.A.	...
192	**Mission Bank, Kan.**	117,005	110,705	5.69
193	**North Fork Bank & Trust Co., Mattituck, N.Y.**	116,784	87,601	33.31
194	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	116,726	0	...
195	**Banco de Santander-Puerto Rico, P.R.**	116,651	66,663	74.99
196	**Dominion Bank of Northern Virginia, Vienna**	116,031	88,988	30.39
197	**Equibank, Pittsburgh**	111,997	116,072	-3.51
198	**Barnett Bank of Atlanta**	111,935	107,261	4.36
199	**Torrey Pines Bank, Solana Beach, Calif.**	111,304	101,497	9.66
200	**Dominion Bank of Richmond NA**	108,132	116,686	-7.33
	Totals for the Top 200 Banks ($ million)	**100,853**	**93,558**	**7.80**
	Totals for All FDIC-Insured Banks ($ million)	**$135,971**	**$128,328**	**5.96**

Data Sources: Data for the top 200 banks are from the federal regulatory "Reports of Condition" filed by all federally-insured commercial banks. **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex., was used to generate the listing. Data for all federally insured banks provided by the **Federal Deposit Insurance Corp.,** Washington, D.C. **Construction and land development loans (C&L Develop. Loans)**— a component of commercial real estate loans— are loans secured by real estate with maturities of 60 months or less made to finance land development preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings. Construction loans include the construction of new structures, the additions and alterations to existing structures, and the demolition of existing structures to make way for new structures. (Schedule RC-C, Column B, item 1.a.)

Compiled by American Banker, Copyright 1990.

Fast Growing Banks with High Bad Real Estate Loan Ratios

For large banks with more than 200% growth in commercial real estate lending over the past four years, the 25 with the highest percentage of noncurrent real estate loans-to-total real estate loans on Dec. 31, 1989

Rank 12/89		BRL Ratio 12/31/89	BRL Ratio 12/31/85	Growth in CREAL Lending	CREAL Outstanding 12/31/89	CL/CREAL Ratio 12/31/89	CREAL/REAL Ratio 12/31/89	CREAL/Assets Ratio 12/31/89	CREAL/Equity Ratio 12/31/89	BRL/Equity Ratio 12/31/89
1	**Bank of New England NA, Boston**	27.22	0.98	210.12	3,193,682	56.49	89.52	22.34	1,507.63	458.34
2	**UBAF Arab American Bank, New York**	12.65	0.00	767.95	21,855	20.38	100.00	2.77	53.02	6.71
3	**Bank of Tokyo Trust Co., New York**	8.11	0.00	12,031.93	198,357	73.48	95.22	2.40	49.54	4.22
4	**Dai-Ichi Kangyo Bank of California, Los Angeles**	7.92	1.81	5,254.51	123,368	36.90	90.16	23.23	451.48	39.65
5	**BankEast, Manchester, N.H.**	7.21	1.46	323.07	251,419	34.39	48.41	24.07	474.12	70.60
6	**Bank of New England-West NA, Springfield, Mass.**	6.90	0.65	218.59	393,195	27.42	63.50	23.38	556.42	60.49
7	**Bank of New England-Worcester, Mass.**[1]	6.87	0.39	264.46	336,084	11.97	63.66	27.70	1,016.43	109.70
8	**South Shore Bank, Quincy, Mass.**	6.77	0.30	242.09	232,490	30.91	60.77	20.25	340.38	37.93
9	**Texas Commerce Bank - El Paso NA**	6.70	0.64	225.41	150,127	15.27	72.77	12.49	198.75	18.29
10	**Maine National Bank, Portland**	6.36	2.22	401.46	292,104	28.21	63.68	23.27	470.10	46.91
11	**AmSouth Bank Florida, Pensacola**	6.15	3.04	1,279.54	232,397	24.12	43.82	25.11	393.39	55.21
12	**Deposit Guranty Bank, Dallas**	6.10	0.49	275.05	69,816	30.86	49.53	10.38	153.14	18.86
13	**West One Bank Utah, Salt Lake City**	5.79	0.92	1,850.22	121,869	22.25	69.62	19.98	286.68	23.84
14	**Bank of New England-South NA, Brockton, Mass.**[1]	5.09	0.36	451.95	503,322	26.21	69.02	33.83	790.49	58.27
15	**Rapides Bank & Trust Co., Alexandria, La.**	5.07	1.09	1,441.74	39,931	29.15	54.33	7.90	115.39	10.76
16	**First American Bank, Memphis, Tenn.**	4.48	4.42	307.21	93,796	37.27	63.19	13.78	249.23	17.68
17	**Citizens First National Bank, Ridgewood, N.J.**	4.19	1.01	268.24	931,543	32.58	64.85	30.44	513.46	33.18
18	**Midlantic National Bank - North, West Paterson, N.J.**	4.06	0.82	295.26	915,595	41.64	66.66	24.37	362.40	22.06
19	**Bank of New England Old Colony NA, Providence, R.I.**	3.76	3.55	1,536.61	241,056	24.11	57.36	18.53	343.55	22.53
20	**Bank of California NA, San Francisco**	3.69	1.65	208.20	2,172,953	46.88	74.41	27.51	519.07	25.75
21	**National Westminster Bank USA, New York**	3.61	0.69	209.87	1,238,003	26.61	76.95	8.52	249.32	11.69
22	**Capital Bank, Miami**	3.56	6.17	203.67	226,518	58.80	92.57	23.32	336.25	12.95
23	**Amboy-Madison National Bank, Old Bridge Twp, N.J.**	3.22	0.63	328.99	116,991	36.29	23.31	16.53	301.77	41.63
24	**Banco Santander Puerto Rico, San Juan**	3.19	6.65	368.17	305,732	38.15	66.69	14.08	227.84	10.92
25	**National Community Bank, Rutherford, N.J.**	3.10	0.57	277.12	1,102,182	25.93	53.21	27.40	489.18	28.48

Data source: **ADP Data Services Division, New York,** from its data base of the federal regulatory report of condition. ADP adjusts its data base for mergers. **Description of the table:** for the 614 commercial banks in the U.S. with assets over $500 million on Dec. 31, 1989, American Banker identified the 145 banks whose commercial real estate lending grew 200% or more over the four year period ended Dec. 31, 1989. These 145 banks were arrayed in order of their ratio of bad real estate loans to total real estate loans on Dec. 31, 1989. The banks above are the 25 banks in the group of 145 with ratios greater than 3%. The 3% cutoff was chosen because the average ratio for banks in states where real estate loan problems have emerged is 3% or more. **Bad Real Estate Loan Ratio (BRL Ratio):** The ratio of total noncurrent real estate loans to total real estate loans. **Total Noncurrent Real Estate Loans:** include all real estate loans— commercial plus residential— that are 90 days or more past due and all nonaccrual real estate loans to U.S. addressees. **Growth in CREAL Lending**: is growth in commercial real estate lending over the four-year period 12/31/85 to 12/31/89. **CREAL Loans Outstanding:** are commercial real estate loans outstanding. These loans are the sum of domestically booked construction and land development loans, loans secured by multifamily residential properties, and loans secured by nonfarm nonresidential properties. **CL/CREAL Ratio:** is the ratio of construction and land development loans to commercial real estate loans. **CREAL/REAL Ratio:** is the ratio of commercial real estate loans to total real estate loans. **CREAL/Assets Ratio:** is the ratio of commercial real estate loans to total assets. **CREAL/Equity Ratio:** is the ratio of commercial real estate loans to total equity capital. **BRL/Equity Ratio:** is the ratio of total noncurrent real estate loans to equity capital. **(¹)**— Bank was acquired by Bank of New England NA, Boston on 2/9/90.

Copyright American Banker, 1990.

Fast Growing Banks with Low Bad Real Estate Loan Ratios

For large banks with more than 200% growth in commercial real estate lending over the past four years, the 50 with the lowest percentage of noncurrent real estate loans-to-total real estate loans on Dec. 31, 1989

BRL Rank 12/89		BRL Ratio 12/31/89	BRL Ratio 12/31/85	Growth in CREAL Lending	CREAL Loans Outstanding 12/31/89	CL/CREAL Ratio 12/31/89	CREAL/REAL Ratio 12/31/89	CREAL/Assets Ratio 12/31/89	CREAL/Equity Ratio 12/31/89	BRL/Equity Ratio 12/31/89
1	**Merchants Bank of New York**	0.00	0.00	1,406.07	10,166	0.00	82.95	1.52	15.87	0.00
2	**Israel Discount Bank of New York**	0.00	0.00	231.63	102,765	31.46	94.12	2.15	40.21	0.00
3	**Chinese American Bank, New York**	0.00	0.00	551.70	20,548	0.00	99.93	3.76	46.39	0.00
4	**Chicago-Tokyo Bank, Chicago**	0.00	0.68	2,580.36	35,488	97.50	51.06	6.10	99.88	0.00
5	**Prudential Bank & Trust Co., Atlanta**	0.00	0.00	339.33	14,410	1.11	16.62	1.14	18.46	0.00
6	**NCNB National Bank, Atlanta**	0.00	0.91	664.75	51,154	30.71	85.67	9.58	166.50	0.00
7	**Manufacturers Hanover Bank (Delaware), Wilmington**	0.00	0.00	324.44	81,883	100.00	100.00	4.27	33.55	0.00
8	**Greenwood Trust Co., Newcastle, Del.**	0.00	0.48	200.31	979	98.67	36.22	0.01	0.21	0.00
9	**Pacific Bank NA, San Francisco**	0.00	0.00	240.72	115,116	14.34	69.85	17.02	199.98	0.00
10	**Metrobank, Los Angeles**	0:00	4.11	296.38	101,593	63.26	85.39	11.31	191.03	0.00
11	**Cathay Bank, Los Angeles**	0.00	2.58	399.98	165,932	22.91	88.18	29.64	329.64	0.00
12	**First Business Bank, Los Angeles**	0.00	0.00	426.48	78,561	9.08	85.30	15.11	230.40	0.00
13	**United Jersey Bank Northwest, Dover, N.J.**	0.03	0.27	297.46	91,615	26.30	58.25	18.09	314.23	0.15
14	**Farmers Bank & Trust Co., Hanover, Pa.**	0.04	0.35	499.54	110,411	4.30	54.68	21.78	341.62	0.24
15	**Planters National B&T Co., Rocky Mount, N.C.**	0.07	0.53	308.70	232,406	31.59	62.33	19.86	299.65	0.32
16	**First Virginia Bank, Fairfax County**	0.07	0.26	538.71	117,107	47.16	18.90	5.45	76.68	0.29
17	**Dominion Bank of Shenandoah Valley NA, Harrisonburg, Va.**	0.07	1.05	533.90	145,689	27.73	44.24	20.89	350.73	0.58
18	**First National Bank of Maryland, Baltimore**	0.10	0.87	203.33	884,005	37.50	48.39	13.88	238.60	0.50
19	**Key Bank of Southeastern NY NA, Newburgh**	0.15	0.18	553.32	330,262	27.21	68.06	28.05	438.29	0.98
20	**Bank One Merrillville NA, Gary, Ind.**	0.16	2.73	212.67	63,515	21.40	59.32	12.19	146.71	0.38
21	**First Midwest Bank NA, Waukegan, Ill.**	0.16	1.43	591.24	87,221	41.57	52.74	15.37	246.96	0.75
22	**Sun Bank Treasure Coast NA, Vero Beach, Fla.**	0.17	0.57	324.80	109,306	23.52	39.52	19.71	301.72	1.31
23	**Mercantile Safe Deposit & Trust Co., Baltimore**	0.19	2.37	311.31	276,312	76.89	85.36	15.85	175.87	0.39
24	**Key Bank Central NY NA, Syracuse**	0.24	0.56	218.66	278,165	16.20	48.32	11.05	168.24	0.85
25	**Gary Wheaton Bank, Wheaton, Ill.**	0.26	2.31	382.39	99,044	41.33	50.31	12.13	207.82	1.08
26	**Sovran Bank/DC National, Washington, D.C.**	0.27	0.24	370.53	305,404	61.64	81.71	28.42	600.42	1.97
27	**Union National Bank & Trust Co., Souderton, Pa.**	0.27	6.36	443.34	174,560	33.76	84.09	31.28	411.15	1.34
28	**Daiwa Bank Trust Co., New York**	0.29	0.00	1,852.68	56,745	34.21	96.76	2.28	31.44	0.09
29	**Northern Trust Co., Chicago**	0.29	0.26	338.10	251,543	75.99	28.13	2.91	56.82	0.59
30	**M&I Marshall & Ilsley Bank, Milwaukee**	0.38	1.96	233.35	206,724	22.72	44.00	7.68	115.37	0.99
31	**J C Penney National Bank, Harrington, Del.**	0.42	0.80	442.12	2,510	72.75	7.92	0.43	7.38	0.39
32	**Commerce Bank NA, Evesham Twp., N.J.**	0.43	0.46	616.94	200,398	26.66	64.89	33.19	600.86	3.99
33	**Barnett Bank of Lee Cty. NA, Fort Myers, Fla.**	0.43	0.33	313.33	200,810	37.77	47.36	27.13	477.22	4.36
34	**United Jersey Bank Central NA, Princeton, N.J.**	0.44	0.47	225.76	245,836	26.78	43.03	12.12	207.35	2.13
35	**Security Bank & Trust Co., Southgate, Mich.**	0.47	0.13	578.06	127,788	30.14	45.58	9.03	138.23	1.43
36	**Pennsylvania National Bank Trust Co., Pottsville**	0.47	0.48	275.37	142,706	17.48	46.31	18.55	254.74	2.60
37	**Key Bank Idaho, Boise**	0.47	2.14	227.81	47,441	47.37	40.14	7.22	122.42	1.45
38	**Merchants Bank NA, Allentown, Pa.**	0.49	0.63	209.57	269,290	13.14	50.78	13.76	200.28	1.92
39	**Fort Wayne National Bank, Ind.**	0.51	0.31	299.44	129,416	25.77	49.04	11.13	157.83	1.65
40	**Park National Bank, Newark, Ohio**	0.52	0.94	245.89	55,650	35.45	37.49	9.30	119.66	1.66
41	**Society Bank NA, Dayton, Ohio**	0.53	1.85	552.13	228,148	27.35	41.79	11.56	203.74	2.58
42	**First National Bank, Gainesville, Ga.**	0.61	0.51	469.53	166,569	12.06	52.18	22.13	360.30	4.20
43	**National City Bank, Akron, Ohio**	0.61	0.09	238.32	108,071	21.20	39.24	10.29	169.61	2.65
44	**Farmers & Mechanics Bank, Frederick, Md.**	0.61	1.09	269.38	64,128	28.16	36.88	12.69	156.09	2.60
45	**First Interstate Bank Oklahoma NA, Oklahoma City**	0.62	3.12	233.59	47,463	15.18	71.64	4.27	47.92	0.41
46	**Bank of Canton of California, San Francisco**	0.64	0.00	371.27	30,614	4.25	29.40	3.89	52.77	1.15
47	**First Union National Bank, Greenville, S.C.**	0.64	0.70	287.39	250,120	22.84	58.62	17.07	322.89	3.54
48	**First National Bank of Mercer Cty., Greenville, Pa.**	0.68	3.45	219.91	83,179	10.82	55.50	16.24	270.52	3.29
49	**Dominion Bank of Northern Virginia NA, Vienna**	0.70	0.00	587.81	230,664	50.30	53.53	28.02	535.78	7.01
50	**Mellon Bank (Central) NA, State College, Pa.**	0.70	1.88	278.68	94,432	0.51	53.83	11.78	286.33	3.73

Data source: **ADP Data Services Division, New York,** from its data base of the federal regulatory report of condition. ADP adjusts its data base for mergers. **Description of the table:** for the 614 commercial banks in the U.S. with assets over $500 million on Dec. 31, 1989, American Banker identified the 145 banks whose commercial real estate lending grew 200% or more over the four year period ended Dec. 31, 1989. These 145 banks were arrayed in order of their ratio of bad real estate loans to total real estate loans on Dec. 31, 1989. The banks above are the 50 banks in the group of 145 with the **smallest** ratios. The banks are listed in ascending order. **Bad Real Estate Loan Ratio (BRL Ratio):** The ratio of total noncurrent real estate loans to total real estate loans. **Total Noncurrent Real Estate Loans:** include all real estate loans— commercial plus residential— that are 90 days or more past due and all nonaccrual real estate loans to U.S. addressees. **Growth in CREAL Lending**: is growth in commercial real estate lending over the four-year period 12/31/85 to 12/31/89. **CREAL Loans Outstanding:** are commercial real estate loans outstanding. These loans are the sum of domestically booked construction and land development loans, loans secured by multifamily residential properties, and loans secured by nonfarm nonresidential properties. **CL/CREAL Ratio:** is the ratio of construction and land development loans to commercial real estate loans. **CREAL/REAL Ratio:** is the ratio of commercial real estate loans to total real estate loans. **CREAL/Assets Ratio:** is the ratio of commercial real estate loans to total assets. **CREAL/Equity Ratio:** is the ratio of commercial real estate loans to total equity capital. **BRL/Equity Ratio:** is the ratio of total noncurrent real estate loans to equity capital.

Copyright American Banker, 1990.

W.Va. Sues Brokerage Over Pool's 1987 Losses

By GEOFFREY A. CAMPBELL
The Bond Buyer

WASHINGTON — West Virginia has sued Chase Securities Inc. for $13.75 million, alleging the company played a blameworthy role in $279 million of market losses the state's consolidated investment pool suffered in 1987.

The state filed its complaint in the West Virginia Circuit Court for Kanawha County, alleging that put options urged upon state officials by Chase were "inappropriate."

"State officials clearly were misled by Chase salespeople about the nature of the investments and the appropriateness of the investments," said Thomas J. Gillooly, a West Virginia assistant attorney general.

Chase Rejects Claim

Ken Mills, a spokesman for Chase, said the firm believes it acted properly in all dealings with the state and that "there is no basis in law or fact to support their claims." "While we regret their action," he added, "we fully expect to prevail at trial."

West Virginia is ensnarled in litigation with three Wall Street firms in connection with the 1987 losses; it is seeking a total of $145 million from the firms.

The brokers — Salomon Brothers Inc., Morgan Stanley & Co., and Goldman, Sachs & Co. — have countersued the state for more than $300 million, the amount they claim the state earned on trades.

West Virginia claims the firms enticed officials to violate state laws and investment guidelines by entering risky trades. The brokers countered that the state treasurer's office at the time was the state's sole money manager and that the pool accounts were nondiscretionary.

2d Case in U.S. Court

That dispute is before a U.S. District Court in West Virginia. The court must decide whether the case should be heard in federal or state court, a ruling that is expected within a few weeks.

The state has reached out-of-court settlements for just less than $5 million with Greenwich Capital Markets, County NatWest Inc., the banking subsidiary of Citicorp, Shearson Lehman Hutton Inc., and Merrill Lynch Pierce Fenner & Smith.

State officials for months had sought a settlement with Chase but by last month had grown frustrated at the slow pace of talks.

The state's suit against Chase focuses on two transactions. In one, Chase allegedly sold the state a put option that yielded a $6.9 million loss. In another put option transaction, the state claims a loss of $6.6 million.

Mr. Gillooly, the assistant attorney general, said tape recordings of the deals, which were transacted by phone, demonstrated clearly that the state treasury official who authorized the purchases was unsophisticated in financial affairs and relied heavily upon the advice of Chase sales representatives.

The West Virginia pool debacle led to the resignation of former Treasurer A. James Manchin, who left office a day before the state Senate was to begin an impeachment trial against him.

James B. Lees, a Charleston, W.Va., lawyer hired by the state House of Delegates to prosecute the impeachment case against Mr. Manchin, concluded in a special report that West Virginia would be ill-advised to sue brokers over the pool losses.

However, state officials played down Mr. Lees' recommendation, noting that he was hired for impeachment proceedings, not to determine whether the state should sue brokers.

***The Bond Buyer* is a sister publication of the *American Banker*.**

Citibank Tops Real Estate Loan Ranking

Continued from *page* **18**

underwriting. Ms. Altick said the company was downgraded on the mere possibility that its large Calfornia exposure may necessitate writedowns if the state economy goes into a recession – something she termed unlikely.

About 70% of Wells' portfolio is in California.

Ms. Altick noted Wells' portfolio actually shrank slightly in 1989, and would have shrunk by about an additional $300 million, had the ranking excluded real estate loans the bank took on when liquidating a subsidiary.

The decline, she said, reflects market conditions. Wells' policy, she said, is to base lending on the worthiness of projects rather than production goals.

Wells lends to all major property types, although its exposure to condominiums, mobile home parks, and strip shopping centers is minimal, she said.

No Comment from Chase

Ken Mills, a spokesman for third-ranked Chase, declined to comment on the survey.

Chase made a $225 million provision for credit losses in the first quarter of this year, attributing the $75 million increase over the provision in the first quarter of 1989 primarily to the potential impact of deterioration in domestic real estate markets. Whereas the 1989 provision included $50 million for refinancing countries, neither the fourth-quarter provision nor the provision in the first quarter of this year by Chase included any such element.

In a statement at a recent shareholders meeting, chairman Willard C. Butcher said Chase began to limit growth and tighten underwriting two years ago.

Mr. Mills explained a 36% increase in the firm's real estate loans by pointing out that $1.7 billion of loans that had been booked in overseas locations were transferred to domestic offices in 1989.

The biggest chargeoff for real estate loans was the $226 million taken by BancOne Texas, Dallas, a unit that was acquired by Banc One Corp., Columbus, Ohio. □

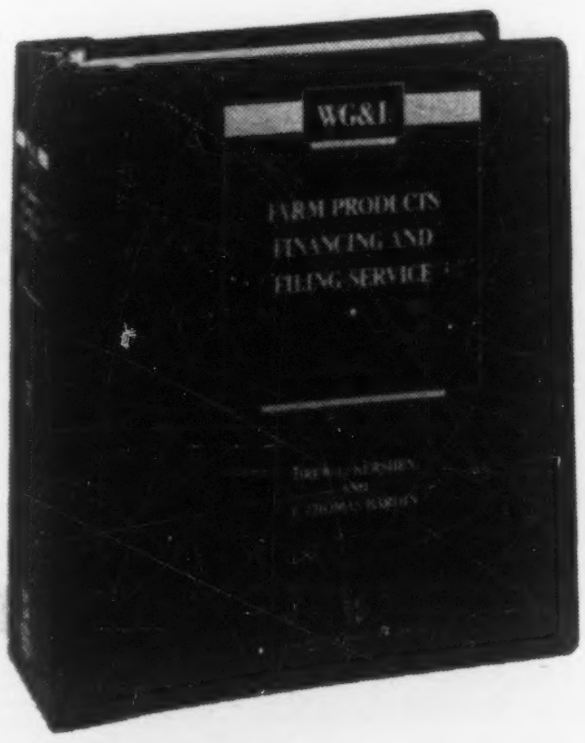
If you have a secured interest in

this...

this...

or even this...

here's how to protect it.



It used to be that when you made a secured loan to a producer of farm products, your interest was automatically protected by the farm products exception of the UCC.

Then came Section 1631.

Now you have to give *actual notice* that a farm product is serving as collateral against a loan. And because each state has its own notification system, there are literally *fifty* sets of rules and regulations that you must comply with. Or you risk losing your protection.

Cause for concern, but not for alarm.

Because now, **Farm Products Financing and Filing Service** gives you all the information you need to ensure that your secured interests in farm products are protected under Section 1631.

This is the only in-depth examination of Section 1631 available. It analyzes all the legal issues surrounding the allocation of risks among lenders, buyers, selling agents and commission merchants. Examines the two notification systems Section 1631 creates–PNS and CNS. And offers practical guidance on how to file valid PNS and CNS notices–including sample forms and schedules for state CNSs.

And since Section 1631 is in its infancy, and litigation and changes to its requirements will no doubt occur, **Farm Products Financing and Filing Service** is updated three times a year with special supplements that keep you apprised of *any* new developments and changes.

Call now for more information. Or to receive a copy to examine for 30 days without obligation.

Call 1-800-950-1210 now.

WG&L **Warren, Gorham & Lamont**
The Professional's Publisher®

Top Tier of Business Lenders Reshuffled

Continued from page 9

ers – the larger and higher quality companies in general – to limit the use of the bank market and access the public markets when there is an advantage to doing so," said Peter Smith, chairman of Morgan's credit policy committee.

But Mr. Bove, the Dean Witter analyst, explained the decline another way, saying that Morgan recognized it "can't get an adequate return by providing money to that market and has pulled back."

Morgan's outstanding commercial and industrial loans fell 9.45%, to $10.05 billion, last year. As a result, it fell from sixth place in 1988 to 11th place in 1989.

In Texas, meanwhile, an "aggressive marketing plan" accounted for a 55% rise in outstanding C&I loans last year at NCNB Texas National Bank of Dallas, according to Kenneth Lewis, president of the NCNB Corp. banking unit.

"We think we were substantially beating our competition" in gaining new business, Mr. Lewis said, and "that continues to be the case this year."

The 55% increase in outstanding business loans represented "new incremental business earned the hard way," he added. "It had virtually nothing to do with acquisitions."

NCNB Expects Growth

To be sure, Mr. Lewis said, he doesn't expect to repeat last year's huge jump in business, though he projects robust growth in commercial and industrial loans of 12% to 15% annually for the next three to five years.

"We see the Southwest – particularly Texas – beginning to rebound," the NCNB official said. Production loans made the bank's energy group the fastest-growing sector, Mr. Lewis said.

"These are not Fortune 500 companies," he said of the bank's business customers, but rather middle-market companies that don't have access to the commercial paper market.

In Newark, N.J., a whopping 78% increase in outstanding C&I loans at Midlantic National Bank reflected the consolidation of the Midlantic Corp. unit with two other Midlantic affiliates in New Jersey, a Midlantic spokesman said.

Midlantic's outstanding C&I loans rose to $3.3 billion at year-end 1989, from $1.8 billion a year earlier. □

Mitsui Trust Acquires Futures, Options Unit

NEW YORK — Mitsui Trust Bank (U.S.A.) said it had acquired the foreign currency options and futures trading operations of Cooper Neff & Associates, Philadelphia.

The bank, a subsidiary of Japan-based Mitsui Trust and Banking Co., said the operations will become a new subsidiary, Mitsui T and B Options Inc. Thirty traders from Cooper Neff will join it.

In addition, 10 Cooper Neff traders will join Meredith Overbrook Partners, a new firm that will provide trading software for Mistui. — **Reuters**

Toll Free 800-221-1910 CLASSIFIED AND LEGAL ADVERTISING Toll Free 800-221-1910

Business Opportunities

Leave the fuss... to us

OLD STONE
MORTGAGE
CORPORATION

Reduce Your Servicing Costs !
Increase Profits !
Improve Operating Efficiencies !

By allowing us to SUBSERVICE your mortgage loan portfolio, you can reduce the size of your servicing staff, retain a higher percentage of your servicing revenue, and take advantage of more effective economies of scale. If you are interested in having a knowledgeable mortgage banking firm assist in servicing your portfolio please write or call:

Bruce E. Beverly-Vice President
Koll Center Bellevue, 500 108th N.E.
Bellevue, Washington 98004
1-800-572-9764 (In Washington)
1-800-572-3405 (Out of State)
Fax (509) 529-0360

Services

MR. BANKER

If you think you have an Auto Dealer in financial trouble, DON'T WAIT. We can help you analyze the scope of the problem. Our management team will not only operate the dealership for you and turn it into a profitmaking business, but we also list and sell it in one package. A closed dealership is worth nothing. We have saved Financial Institutions millions. 30 years experience. References on request. CALL TODAY - CUT YOUR LOSSES

MID—AMERICA AUTO CONSULTANTS
Ask for Mr. Rew
1-800-288-6735

Job Bank — Situations Wanted

AMERICAN BANKER's JOB BANK provides ***FREE ADVERTISING SPACE*** for individuals seeking a new position. For further information contact Gail Edwards or Penny Papakostas at 1-800-221-1910 or in New York at (212) 943-5729.

ATTORNEY

Corporate General Counsel, M.I.T. and Harvard Law School, former Fortune 500 General Counsel, law firm experience representing banks and corporations, background in finance, securities, food, construction, real estate, government contracts, intn'l transactions, high tech, environmental, bkruptcy, turn-arounds, seeks senior level posiition, preferably in New York metro area. Excellent legal, business, communication, and interpersonal skills.

Phone (609) 429-5588.

CORPORATE TREASURY MANAGER

Certified Cash Manager with MBA and 13 years of supervisory experience in treasury systems mergers, bank relations, investment and debt management, international finance and procedure writing. Seeking challenging corporate treasury opportunity or consulting projects. Located in the greater Cleveland area but willing to travel/relocate. Resume on request. Please reply to: Bruce Sautter; 31924 N. Roundhead Dr.; Solon, OH 44139.

SPECIALIZED FINANCE

Successful Commercial Banker with 20 years experience seeks Manager/Lending position with New York/Connecticut Bank. Extensive experience in Project Finance, Energy, Mining, Workout, Intn'l Trade with Managerial background. BOX #J53, c/o American Banker, 1 State Street Plaza, New York, New York 10004.

SEEKING POSITION

Twenty Years Experience In Money Transfers, Investigations, Collections, Customer Service. Worked 10 Years With A Foreign Bank, Handling All Domestic And Foreign Collections. Please Call:

718-996-1447

Job Bank — Situations Wanted

Senior Management Executive For Banking or Financial Institution

Senior management team player with excellent record of volume and profit contributions in every position held from beginning of career. Able Administrator who can project ahead and execute. Extensive experience in successful development of newly formed subsidiaries that exceeded all goals. Excellent capabilities to hire, train, motivate staff to take pride in work assignments and achieve established goals. Accomplishments: As department manager, the development consumer lending division, title company and, as president, a mortgage company. Box #J54, c/o American Banker, 1 State Street Plaza, New York, New York 10004.

Career-minded, former NBE seeking challenging executive level position in community bank or small holding company in Mid-Atlantic area. MBA. Extensive experience in evaluating policies, plans and operations. Strong background in credit review and administration and regulatory compliance. Honest and hard-working. A personable leader who works well with all levels of employees and customers. Reply to: BOX #J51, c/o American Banker, 1 State Street Plaza, New York, New York 10004.

MARKETING VP

Over ten years comprehensive, profit oriented success with a retail bank and savings & loan association. Experience includes product development and management, business devel, advertising, sales training and market research. Knowledgeable in consumer and mortgage lending. Excellent communication and presentation skills. Public and shareholder relations experience. Will relocate. Call Marvin Brokaw.

(205) 956-6358.

PRIVATE MERCHANT BANKERS

Experienced Merchant Bankers Seeking J.V. Partner(s) With Interest In Participating In Equity Pool For Acquisitions. Primarily In NJ, NY, And PA Based Companies. Reply To: BOX #J50, c/o American Banker, 1 State Street Plaza, New York, New York 10004.

Focus On
A Changing Industry

Home MORTGAGES

Read It Fridays in
AMERICAN BANKER

Auction Notices

M. SKOLNICK DCA LIC # 793108 and/or S. GORELICK DCA LIC #841437 Sell June 26, 1990 9:45 A.M. 2506 Albermarle Rd. Bklyn 1984 Mitsubishi 2 Dr Sdn JA3BF54G2EZ451220 Re: S. Rogers: 10:30 A.M. 1120 Atlantic Ave. Bklyn 1961 Austin Healy 2 Dr Sdn AN5L47710 Re: R. Harary; 1980 Ford 2 Dr Sdn 0F02A190311 Re: A. Rivera: 11:00 A.M. 827 Sterling Pl. Bklyn 1972 Rolls Royce 4 Dr Sdn LRA13144 Re: A. Erwiah; 1972 Volkswagon 2 Dr Conv. 1422012858 Re: M. Corbett; 1980 Datsun 2 Dr H/B KPS110015473 Re: F. Beltre: 11:30 A.M. 12 Claver Pl. Bklyn 1983 Dodge 2 Dr Sdn JB3BD437XDY402758 Re: B. Apar/Chemical Bank: 12:00 P.M. 1048 Bedford Ave. Bklyn 1983 Cadillac 2 Dr Sdn 1G6AB4788D9116777 Re: C. Shields: 12:30 P.M. 132 Franklin Ave. Bklyn 1986 Oldsmobile 2 Dr Sdn 1G3NF27U4GM330185 Re: S. Toole; 1979 Cadillac 4 Dr Sdn 6D69S99158907 Re: W. Hayes: 1:00 P.M. 107 Gerry St Bklyn 1976 White Freightliner Tractor CA112HP066593 Re: H. Anthony: 1:45 P.M. 1967 Atlantic Ave. Bklyn 1986 Chevrolet 4 Dr Sdn 1G1AW19R3GG115907 Re: G. Aguirre/Eastfield Auto Sales Inc.: 2:15 P.M. 46 Hull St. Bklyn 1977 Ford 2 Dr Sdn 7G87H147781 Re: R. Campbell; 1984 Honda 4 Dr Sdn 1HGAD7437EA042836 Re: N. Goldberg: 2:45 P.M. 1605 Bushwick Ave. Bklyn 1985 Renault 4 Dr Sdn 1XMAC9539FK121041 Re: J. Dunworth; 1985 Mazda 2 Dr H/B JM1FB3318F0853524 Re: V. Nevans: 3:30 P.M. 169 New Lots Ave. Bklyn 1974 Dodge P/U Truck D14AE4S188597 Re: D. Benteu; 1977 Chevrolet P/U Truck CCL147A164172 Re: S. Smilowitz; 1981 Pontiac Subn 1G2AD35A0BB117102 Re: R. Gottschalk; 1976 Plymouth Van BB2BJ6X123183 Re: C. Finetta/Teds Used Cars; 1978 Dodge Truck C40CK8V733224 Re: M. Singh: 4:00 P.M. 120 New Lots Ave. Bklyn 1951 Willys Utility Vehicle 451FA114904 Re: R. Rossi: 4:15 P.M. 659 Powell St. Bklyn 1980 Volvo 4 Dr Sdn VC26477A1101872 Re: G. Helden. Metropolitan Auctioneers, Inc. Published June 11, 1990 & June 19, 1990.

Joel Pope auct'r Lic #794209 sells 6/27/90 10 AM at 50-06 72nd St Qns NY, '82 Dat #JN1CB0252CU105810 Re: League Ins Co.; 11 AM at 56-17 58th St Qns NY, '87 Chev #1G1YY3184H5102359 Re: Mhntn Lsng Grp Inc., Tilden Commer Alliance Inc, '46 HA/DA mcy #46F5918 Re: M. Connelly, J. Doe et al, '84 Olds #1G3AJ19E7EG317570 Re: A. Tuturici, '84 Ford #2FABP43F6EX193944 Re: S. Kramer; 12 PM at 241-07 Jam Ave Qns NY, '85 Pont #1G2FW87F7FN202741 Re: S. Parks, Bk of NY; 1 PM at 945 Atlantic Ave Bklyn NY, '89 Honda #1HGED3548KA030935 Re: L. Dandridge, Citibank NA, '89 Linc #1LNBM81F1KY612030 Re: CARS of NY Inc, NatWest Bk USA; on 6/28/90 9 AM at 660 Newbridge Rd, East Meadow NY, '71 Volvo #1453363-102515 Re: CJC Collision Inc., J. Doe, '88 Dodge #1B3BX48D6JN309951 Re: F. Inaldi, GMAC; 10 AM at 803 Cross Bay Blvd, Qns NY '84 Kawaski mcy 'JKAZXBA18EB502766 Re: M. Carr; 12 PM at 28 Sylvia St, SI NY '88 Merc #1MEBM50U5JG631623 Re: E. Barrett, Ford Mtr Cred Co., '68 Diamond REO Truck #DRB42DC585072 Re: Wander Iron Trkng; 3 PM at 55 Ludy St, Hcksville NY, '83 Chrys #2C3BF66PXDR123870 Re: Zara Contrctng Co. Inc., GE Cred Corp, LI Trst Co. Published 6/12 & 6/19/90.

E .F. Fazio Auct'r Lic #798972 Sells on 06/27/90 9 AM at 431 West 203rd ST NYC '78 Porsche #9308700704 Re: J. Perez; 9:30 AM at 1828 Webster Ave Bx '80 Chevy #1X115AT243077 Re: M. Colon, '83 BMW #WBADK7301D7956095 Re: Interstate A/S &/or F. Delos Santos, '88 Buick #1G4CW51C9J1600010 Re: E. R. Hayward '89 Pontiac #1G2JB11K9K7539493 Re: M. G. &/or C. Sarmento, '88 Dodge #JB3BA26K9JU061661 Re: B. Samedi, '88 VW #9BWGA0306JP083956 Re: J. Burke, '68 Ford #F50BED1176 Re: P. Stravoskoufis, '79 Datsun #HLS130134986 Re: P. Coffe, '85 Chevy #1G1AW19X1FG103574 Re: C. P. Joyner, '82 Ford #2FABP38F6CB177000 Re: F. Artiles; 11 AM at 57 Sinsink Dr. Wash, '85 VW #WVWGB0161FW558795 Re: VW Credit Inc/P. Kilcullen; 12 PM at 103-02 Rockaway Blvd Qns '81 Chevy #1G1AT35KXBK506359 Re: A. Frincu, '83 Nissan #JN1HT13S6DT111317 Re: W. B. Coligado, '81 Olds #2G3AR47A8B2497784 Re: A. Holland; 1 PM at 259 58th St Bklyn '83 Mitsubishi #JA3BF4640DZ704028 Re: W. Vega; 1:30 PM at 471 Baltic St Bklyn '87 Nissan #JN1PS24S7HW028602 Re: R. Hyman; 2 PM at 592 Pacific St Bklyn '67 Olds #338677W413375 Re: J. Doe; 2:30 PM at 990 Metro Ave Bklyn '79 Ford #F14HLDJ9171 Re: R. & M.C. Falcone; 3 PM at 516 West 27th St NYC '89 Ford #1FTEF25Y1KLB22379 Re: P. & O. Olaru; 3:30 PM at 502 West 35th St NYC '81 Ford #1FABP23B0BK157005 Re: J. Karaypof; 4 PM at 609 11th Ave NYC '86 Buick #1G4NJ27UXGM119177 Re: E. Henries; 4:30 PM at 2 West End Ave NYC '76 Cady #6S69R6Q460178 Re: J. Belin; 5 PM at 236 West 60th St NYC '81 Buick #1G4AX69Y8BH432802 Re: M. Izhri. Published 06/12 & 06/19/90.

U. S. Marshals Sale- Charles E. Healy U.S. Marshal. 1987, 24 Ft. Sea Ray With 260 hp Merc Cruiser I/O & Galvanized Float On Trailer, Call Sea Traveler Marina 2835 Flatbush Ave., Brooklyn, N.Y. Tel: (718) 377-7310.

LIEN SALE: July 3, 1990 In Man., N.Y. At 1555 Third Ave., At 4:30 P.M. A 1975 Triumph #CF38316U Re: Lee Wecker: B. Zurrow, Auct'r.

Hal Zakow auct'rs sells 6/26/90 5 PM at 899 E. 134th St, Bx, NY '78 Chevy Tow Trk #CCL4481111902 Re: Imperial Collision. Published 6/12 & 6/19/90.

FAX
your classified ad to *American Banker* today!

You'll get instant access to banking's most influential audience.

Fax to:
212-943-8815

800

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

AMERICAN BANKER

VOL. CLV NO. 120 | Wednesday, June 20, 1990 | 155th year

For Investors, Asset Quality Worries Prevail

By KELLEY HOLLAND

In today's jittery market, concern about asset quality is overtaking a traditional focus on interest rates and changing the way investors treat bank stocks.

At the end of April, when long-term bond rates started falling, investors reacted as if bank stocks were still an interest-rate play, as in the good old days. The Keefe Bank Index shot up 17.9% between April 27 and June 1.

ANALYSIS: *Follow-up on the news*

But sobering reminders about asset quality – reminders in the forms of ratings downgrades, Donald Trump's cash squeeze, and more loan writedowns – stopped the rally in its tracks. The average bank stock, as measured by Keefe, fell 4.9% in the first two weeks of June, even though bond yields barely changed.

Indeed, asset quality is becoming increasingly important to bank profitability. And investors are coming to realize that asset quality is in greater danger when interest rates fall and the economy is, presumably, slowing down.

Less Rate Sensitivity

That means lower interest rates are not always a bullish signal for banks, and traders may be missing the full picture when they become positive on bank securities simply because rates are declining.

"I've always been puzzled by the effect of interest rate moves and how they've affected bank stocks," said a chief financial officer at a major regional bank.

Banks have historically been considered interest sensitive, with funding costs falling when interest rates decline. That's because in the past most banks borrowed short term to fund long-term loans – so when interest rates fell, their funding costs dropped but their income did

See **ASSET** back page

Clarification

A table published Tuesday on page 1 showed that commercial real estate loans on the books of Midlantic National Bank increased 80% in 1989. Most of that increase was due to the inclusion of loans from two affiliates that merged with Midlantic last year. Excluding the effects of the consolidation, Midlantic's commercial real estate loans grew 4.8%.

INSIDE NEWS

FINANCE

VALLEY NATIONAL Corp. shares have revived on takeover speculation fueled by BankAmerica's announcement several weeks ago that it would buy a failed thrift in Arizona. *Page 24*

BANKERS MULLING the proposed $4.4 billion union buyout of UAL Corp. expressed concern that the company's noncontract employees might not support the deal. *Page 22*

INTERNATIONAL

U.S. BANKS are competing aggressively for the right to sponsor special packages of stocks issued in the United States by foreign companies. *Page 16*

CONSUMER

SWISS PRIVATE BANKERS are confident they will retain their traditional position as the industry's elite in the 1990s. *Page 6*

TECHNOLOGY

DEPOSITORY TRUST CO. of New York will conduct a small-scale test in September on converting existing commercial paper into electronic files. *Page 8*

COMMENT

LENDER LIABILITY in cleanups presents a workout dilemma, writes Richard G. Leland. *Page 4*

INDEX

Company Index 2
Grapevine 4
Classified Advertising 18
Bank and Thrift Stocks 23

LATE NEWS

Fed Plans to Ease Rule on Fund Sales

The Federal Reserve Board said late Tuesday afternoon it planned to allow bank holding companies and their subsidiaries to sell the mutual funds of investment management companies they advise.

That practice is currently prohibited because of potential conflicts of interest. Banking companies can now either sell mutual funds or advise fund managers. The proposal is out for public comment until Aug. 9.

Paper Mart Looks to Go Paperless

By RICHARD LAYNE

NEW YORK — Moving to improve efficiency and reduce risks in processing commercial-paper transactions, financial institutions and corporations are preparing to test an automated settlement and safekeeping system similar to that used for other securities.

Pending approval from the Federal Reserve Board and Securities and Exchange Commission, a small-scale test of the system will begin in September at the Depository Trust Co. of New York, which operates clearing systems for major banks and securities firms.

A Substantial Test

The initial test will involve an expected 10% of the more than $500 billion in commercial paper outstanding, rising to 55% in 1992, according to Depository Trust Co.

The test will be a result of an initiative begun in 1988 by a 14-member Public Securities Association task force, which represents the biggest commercial-paper dealers, issuers, and issuing and paying banks. They are seeking to extend the book-entry method of securities settlement into the fast-growing commercial-paper market.

Risks to Be Reduced

Bankers say the book-entry method will cut several risks in commercial-paper transactions, such as daylight overdrafts on the Fed Wire and the failure of couriers to make deliveries. They also see a potential reduction in operating costs or fees of paper issuers, banks, and investors.

In the contemplated book-entry system, existing commercial paper will be converted into

See **COMMERCIAL** page 3

Most Buyers Shun Gibraltar As Bidding Deadline Passes

By TERESA CARSON

LOS ANGELES — Far fewer institutions than expected have submitted bids for Gibraltar Savings, California's largest seized thrift, industry sources said Tuesday.

More than a dozen potential investors studied the $5.7 billion-deposit thrift's books, but most dropped out after seeing the deterioration in Gibraltar's franchise after 15 months as a ward of the government, the sources said.

"In the beginning, we all thought there would be 10 to 12 bids," said one investment banker.

It was unclear how many bids were actually filed, but sources familiar with the process said that there were probably no more than five, possibly as few as two or three.

Tuesday was the deadline for bidding on the thrift, which is based in the Los Angeles suburb of Simi Valley. The original deadline was June 10, but regulators extended it hoping to generate more interest in the thrift, sources said. The winning bidder is expected to be an-

See **GIBRALTAR** page 15

At a glance
Gibraltar Savings

Headquarters:	Simi Valley, California
Deposits:	$5.9 billion
Branches:	83, most in Southern California
Assets:	$7.2 billion

NCNB Corp. Decides to Sit Out Bidding to Buy Failed CenTrust

By KENNETH CLINE

ATLANTA — Apparently unwilling to pay the high premium required, NCNB Corp. confirmed Tuesday that it has not bid for the failed CenTrust Bank of Miami.

The Resolution Trust Corp. on Tuesday began reviewing bids for CenTrust, the largest of 141 insolvent savings and loans it has slated for sale by June 30. The winning bid is expected to be announced within a few days.

Speculation on Bidders

The RTC declined to comment, but industry speculation on likely bidders included Citicorp of New York; Barnett Banks Inc. of Jacksonville, Fla.; and SunTrust Banks Inc. and Citizens and Southern Corp., both of Atlanta; Great Western Bank, Beverly Hills, Calif.; and Golden West Financial Corp., Oakland, Calif. The deadline for submitting bids was last Wednesday.

Industry observers were surprised at NCNB's decision to sit out the CenTrust sale. Since passage of federal thrift bailout legislation last year, NCNB has bought more failed thrifts than

See **CENTRUST** page 13

At a glance
CenTrust Bank

Headquarters:	Miami
Deposits:	$5.9 billion
Branches:	71, most in southern Florida
Assets:	$8.2 billion

Union Bank Tries to Combine Cultures

UNION BANK: Seishichi Itoh must unite two diverse banks.

By SAM ZUCKERMAN

SAN FRANCISCO — Union Bank's pedigree is Japanese, but its aspirations are decidedly American.

Having established itself as the top-performing Japanese bank in the United States, the Bank of Tokyo unit is ready to take on the biggest and best California institutions. Despite its foreign ownership, Union wants to be seen as apple pie, not sushi.

Emulating Bank of America

"Look at Bank of America," California's largest, said Union's president and chief executive, Seishichi Itoh. "It used to be the Bank of Italy. We can be the second Bank of America."

Mr. Itoh's institution is the biggest Japanese-owned full-service bank in the United States, with about 170 branches throughout California and $16.1 billion in assets. Its retail and middle-market lending operations are larger than those of any other Japanese-owned institution. And its performance is more

See **JAPANESE** page 12

PEOPLE *in the news*

New Mexico's Regulator Has a Beef with the RTC

By STEVE KLINKERMAN

DALLAS — New Mexico bank regulator Kenneth J. Carson Jr. trusted the Resolution Trust Corp., and now the agency has usurped his state's branch banking law.

As director of New Mexico's Financial Institutions Division, Mr. Carson became worried about the RTC's intentions several months ago. The more than 50 state banks he supervises were supposed to abide by strict branching laws.

Steve Klinkerman

Kenneth J. Carson Jr.

But in marketing presentations, the RTC was telling state banks they could disregard New Mexico law when acquiring failed thrifts from the agency. "It's as though the RTC is intent on destroying state charters," said Mr. Carson during an interview in early April.

Only weeks later, Mr. Carson got wind of the agency's plans to sell New Mexico Federal Savings Association, Albuquerque. If a New Mexico bank won the bidding, the RTC promised, the bank could convert the thrift's offices into a branch network that would cross several county lines – a privilege not permitted by the state of New Mexico.

A similar case had come up in Colorado in February. The state's attorney general and the Colorado Independent Bankers Association responded with litigation, gaining a temporary injunction against the RTC. The agency then reworked a thrift sale to conform with state law.

Attempt at Dialogue

Mr. Carson knew about the precedent but decided against an immediate lawsuit. Instead, he tried to open a dialogue with the RTC, hoping he could persuade the agency not to attempt an override of New Mexico's laws.

He trusted the agency when it sent a letter saying: "We will be in touch with you as soon as possible after the bid openings to discuss New Mexico law. . . ."

Then a Fax Arrived

It was the wrong move.

The RTC's promised discussion turned out like this: Six days after bids for New Mexico Federal were opened, the RTC sent a facsimile letter stating the agency's intent to sell the thrift less than 48 hours hence in a transaction that would override New Mexico law. Period.

Mr. Carson and the Independent Community Bankers Association of New Mexico rushed into court. "New Mexico got pushed into a corner, and we had to defend our state laws," he said.

The RTC finally agreed to delay action until a court hearing could be held. But last Thursday, U.S. District Judge Santiago Campos declined to issue a restraining order against the RTC. The agency completed the sale of New Mexico Federal on Friday to First National Bank in Albuquerque.

Second Thoughts

Now Mr. Carson, who is 35, looks back and wonders if he could have done more. "It's tough," he said. "I never expected New Mexico to be the first state where an override would be pushed through."

With First National Bank in Albuquerque now enjoying the privilege of cross-county branching, Mr. Carson expects New Mexico's branching restrictions to be overturned altogether by the legislature.

A Matter of Fairness

Proponents of statewide branching will argue that the restrictions should be dropped as a matter of fairness to First National's competitors, he said.

And though the regulator expresses no personal opposition to the prospect, he regrets that it was the federal government who got the ball rolling on what could be one of the biggest recent changes in New Mexico's banking law. ☐

Ailing Bank of New England Sells Two Properties for $31 Million

BOSTON — Bank of New England Corp. said it has sold two real estate properties for about $31 million.

The properties include four apartment complexes in Phoenix with 1,093 units and 47 condominiums in the North End of Boston.

Subsidiary Was Agent

The properties were sold by Barnside Realty Corp., a Bank of New England subsidiary.

The bank said that the proceeds from the sale, its largest real estate sale to date, would provide an additional boost to its recovery.

Chicago-Based Buyer

Robert Sheridan and Partners, a Chicago-based developer, purchased the Phoenix properties. The Boston condominium units were sold individually at auction.

— **Reuters**

More Serious Charges Made Against Neil Bush

By ROBERT M. GARSSON

WASHINGTON — The Office of Thrift Supervision drafted an order accusing President Bush's son Neil of favoring the interests of his oil exploration company over those of the failed savings and loan association of which he was a director.

The charges were broader than previously disclosed OTS conflict-of-interest accusations, which Mr. Bush has repeatedly denied. An OTS spokesman described the document as a draft but would not say whether the charges were dropped in the investigation that led to the regulator's seeking of a cease-and-desist order against Mr. Bush.

The latest disclosure, made Tuesday during a House Banking Committee hearing into the failure of Silverado Banking, Savings and Loan Association, cited Mr. Bush for having "willfully breached his fiduciary duty" to the Denver-based thrift, which regulators closed in December 1988.

Disclosure of the OTS document is likely to embarrass President Bush as his administration is struggling to come to grips with the increasingly costly savings and loan bailout.

The document is also likely to add fuel to charges by congressional Democrats, made most forcefully on Tuesday by Rep. Frank Annunzio of Illinois, that Silverado received preferential treatment from regulators because of Mr. Bush's presence on the board.

The OTS draft sought to bar Mr. Bush from taking part in the management of a financial institution.

Mr. Bush is currently the subject of an OTS administrative law proceeding that could lead to the issuance of a less serious cease-and-desist order against him.

Two others cited in the order disclosed Tuesday, Silverado chairman Michael R. Wise and executive committee chairman W. James Metz, did not contest the charges.

The OTS contended that Mr. Bush's oil exploration company received a $3 million commitment from partner Kenneth M. Good at the same time Mr. Good was receiving loan concessions from Silverado valued at more than $11 million. The concessions were based on Mr. Good's "reported financial problems."

At the same time, Mr. Good planned to contribute additional money to Mr. Bush's company that would pay down a $750,000 loan Mr. Bush had personally guaranteed.

Informaton Withheld

Mr. Bush violated his "fiduciary duty to Silverado Banking by failing to disclose to the other directors that Mr. Good was committed to contribute more than $3 million to [JNB Exploration, the oil venture] while the other directors were being told that Good probably would not be able to meet his financial obligations," the OTS order said.

The Bush Argument

Mr. Bush's lawyer, James E. Nesland, gave a strikingly different interpretation of the transaction. Mr. Good's company, Gulfstream Development Corp., rather than Mr. Good himself, was to put up the $3 million, he said. He added that the company had the option – not the obligation – of putting up the money in return for an 80% stake in JNB.

Because Mr. Good was not free to use Gulfstream resources to pay his own debts, Mr. Bush believed the transaction involving JNB was irrelevant to Silverado's consideration of Mr. Good's loans, Mr. Nesland said.

At Tuesday's hearing, which featured appearances by regulators and former Silverado officers who had previously refused to testify, lawmakers repeatedly asked why it took so long to close Silverado and to remove officers. ☐

Lincoln Was Keating Tool, Lawyer Says

By DEBRA COPE

WASHINGTON — Federal regulators seized Lincoln Savings and Loan Association because it had become merely a real estate investment fund for its parent, American Continental Corp., an attorney for the government said Tuesday.

American Continental's chief, Charles H. Keating Jr., used the Irvine, Calif., thrift for shrewdly timed deals that shifted profits and $94 million in tax payments from Lincoln to its parent, attorney James Murphy of Squires, Sanders & Dempsey told U.S. District Judge Stanley Sporkin.

Lincoln, which was placed in conservatorship in April 1989 and declared insolvent last August, has cost the Resolution Trust Corp. $1.2 billion so far.

Judge Sporkin, who has held 30 days of preliminary hearings on Mr. Keating's bid to regain control of Lincoln, will rule whether the case should proceed to a jury trial.

Mr. Murphy, in final arguments defending the Office of Thrift Supervision's takeover, argued that it had not acted arbitrarily. ☐

Clarification

A table published June 19 (page 15) incorrectly included two banks as among those with the highest percentages of bad business loans to total business loans. The two banks heading the list — Bank One Texas, Dallas, and Team Bank, Fort Worth — were reorganized with federal regulatory assistance last year. Although the inventory of bad loans is on their books, the banks are not assuming the risk for these loans; the government has assumed that risk.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
American Bankers Assn. ... 8
American Continental ... 2
American Express ... 6
Ames Department Stores ... 22
Apple Bancorp ... 4
Automatic Data Processing ... 3
Avco ... 4
AVX ... 16
Bank of New England ... 2
Bank of New York ... 16,20
Bank of Tokyo ... 1
BankAmerica ... 1,16,24
Bankers Trust ... 4,6,16
Barclays ... 8
Barnett Banks ... 1
Barnside Realty ... 2

C
Campeau ... 22
Carolina First ... 20
CenTrust ... 1
Chase Manhattan ... 3,4
Chemical Banking ... 4,8,16,22
Chrysler ... 22
Citibank ... 1,3,6
Citizens and Southern ... 1
City National ... 1
Colorado Independent Bankers ... 2
Computer Sciences ... 8
Connecticut Community Bank ... 20
Coutts ... 6

D - F
Danville Bank ... 20
David Ross Palmer & Associates ... 6
Depository Trust ... 3
Eastern Bancorp ... 20
Export Development ... 2
F&M National ... 20
First Chicago ... 1,3,22
First Federal Savings ... 20
First Hawaiian ... 20
First Interstate ... 24
First Interstate of Hawaii ... 20
First Nat'l, Albuquerque ... 2
First Nat'l of Broadway ... 20
First Wachovia ... 4
Ford Motor Credit ... 3
Fried Frank Harris Shriver
  & Jacobson ... 22
Fulton Financial ... 20

G - I
Gateway ... 20
GE Capital ... 4
Gibraltar Savings ... 1
Golden West ... 1
Great Western ... 1
Henry Ansbacher ... 16
Hongkong and Shanghai ... 4
IBM ... 8
Independent Community Bankers
  Assn. of New Mexico ... 2
Infotechnology ... 3

J - M
John Deere ... 4
Keefe Bruyette & Woods ... 1
Kidder Peabody ... 1
Kyocera ... 16
La Jolla Bancorp ... 20
Manufacturers Hanover ... 3,6,8
Marine Midland ... 4
McDonald's ... 4
Merrill Lynch ... 1
Midlantic ... 1,20
Midwest Clearing ... 8
Mirabaud ... 6
MNC Financial ... 1
J.P. Morgan ... 1,4,16
Moody's Investors Service ... 1
Morgan Guarantee ... 3

N - R
NCNB ... 1
New Mexico Federal ... 2
Norwest ... 1
PaineWebber ... 24
Pargesa Group ... 16
Payment Systems ... 6
PC Quote ... 3
Public Securities Assn. ... 3
Resolution Trust Corp. ... 1,2
Rockefeller Group ... 4
Rockingham Bancorp ... 20
Royal Trust ... 1

S
Securities Industry Assn. ... 3
Security Pacific ... 1,16,20
Shark Information ... 3
Silverado Banking ... 2
Southeast Banking ... 1
Squires Sanders & Dempsey ... 2
Standard Chartered ... 1
SunTrust ... 1
Swiss Private Bankers Assn. ... 6

T - Z
Thomas Associates ... 1
UAL ... 22
Union Bank of Switzerland ... 6
Valley National ... 24
Wells Fargo ... 1,24
Western Savings ... 24
Western Union ... 6

COMMENT/*By Richard G. Leland*

Lender Liability in Cleanups Presents Workout Dilemma

A recent decision by the United States Court of Appeals for the 11th Circuit in Atlanta has widened the potential for lenders to be held liable for cleanup of hazardous substances on their borrowers' properties.

This liability has long been a risk associated with foreclosing loans on industrial and commercial property that has the potential of being contaminated. It now looms largely for nonforeclosing lenders looking to cut or minimize their losses on bad loans.

In an era in which workout departments are becoming larger than loan departments, the decision is portentous.

The case, *United States v. Fleet Factors Corp.*, arose under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, commonly known as Superfund. Under Superfund, an owner or operator of a facility at which there has been a release of hazardous substances is strictly liability to reimburse the Environmental Protection Agency for costs it expends for cleanup.

Two kinds of owners or operators are liable: those who own or operate at the time the EPA begins its lawsuit and those who owned or operated at the time of a release of hazardous substances. A release includes a spill, discharge, or even gradual leaching of substances into the soil and groundwater.

The Fleet case vastly and, in this writer's opinion, improperly expanded the circumstances under which a lender that does not foreclose can be found to be an owner or operator.

As its name denotes, Fleet Factors Corp. is a commercial factor. In 1976, it entered into a factoring arrangement with Swainsboro Print Works, a textile finishing company that operated a plant in Swainsboro, Ga.

Collateral on a Debt

To collateralize its loan, Fleet obtained liens on accounts receivable, inventory, fixtures, and equipment. It also obtained a lien on the real property. Under Georgia law, that lien was a deed to secure a debt, not a traditional mortgage.

During the course of a workout (which followed an unsuccessful attempt at a Chapter 11 reorganization), there was an alleged release of hazardous substances at the plant. EPA spent about $400,000 for cleanup, then sued Fleet. EPA claimed that Fleet, by its conduct during the workout, became an owner or operator of the plant.

Superfund contains an important exemption for lenders. It provides that a secured lender which holds ownership of a facility primarily as a means of evidencing or perfecting its security interest is not an owner or operator unless the lender participates in the management of the borrower.

Early interpretations of that exemption, including the lower court decision in the Fleet case, held that a lender did not participate in management unless it became involved in day-to- day activities that relate to the generation, use, or disposal of hazardous substances. Under those interpretations, lenders could exercise the kind of strict financial control necessary in working out a bad loan without being fearful that their activities in protecting their collateral will result in their being saddled with cleanup costs that vastly exceed the value of the property.

See **LENDER** *page* **10**

Mr. Leland is a partner with the law firm of Rosenman & Colin, New York, and chairman of the firm's environmental client services group. He successfully represented Fleet Factors Corp. in U.S. District Court, but not on the appeal discussed in this article.

GRAPEVINE/*By Jed Horowitz*

Adding Names. Look for the name "The HongkongBank" to be posted soon on the 51-story Manhattan headquarters building of Marine Midland Banks, sources said.

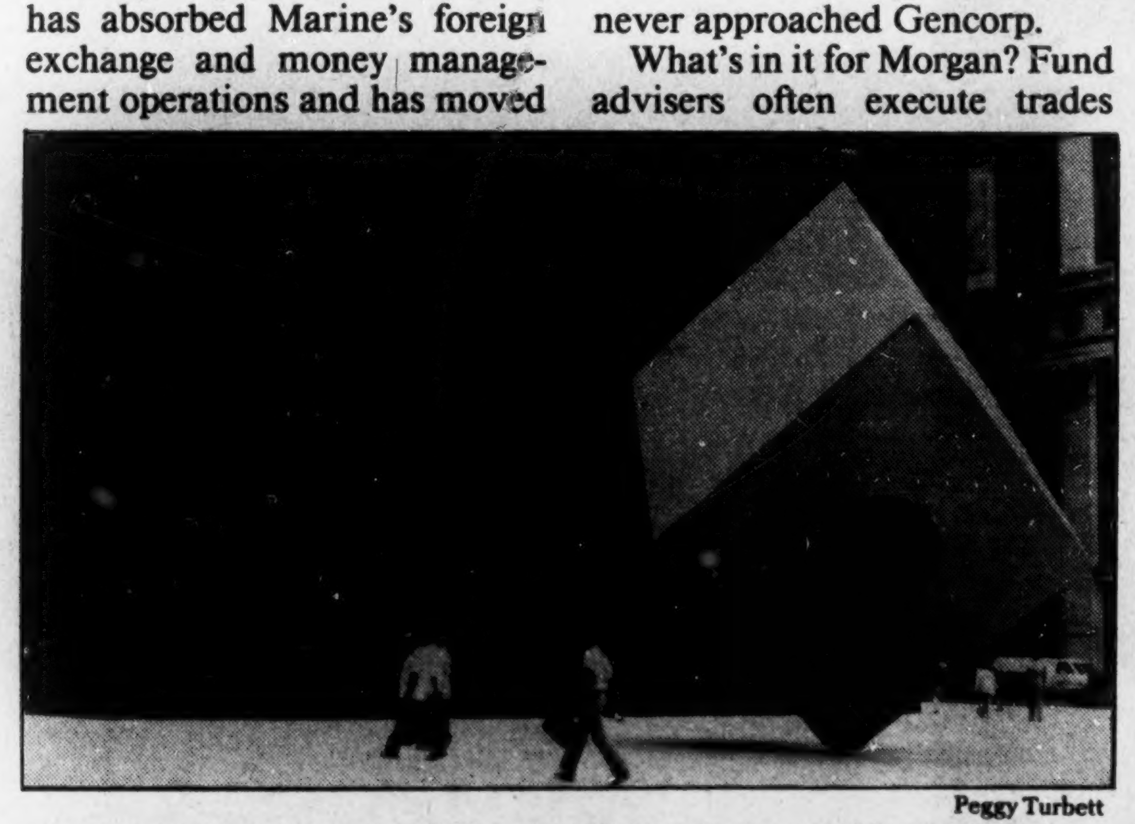
The addition would symbolize the dominance of Marine's Hong Kong parent over its U.S. subsidiary, which at one time filled about half the floors in the lower Manhattan skyscraper.

In the past six months, Hongkong and Shanghai Banking Corp. has curbed Marine's money-center ambitions and its payroll. About 1,000 Manhattan-area wholesale banking jobs have been eliminated, an official said, and New York City staffers continue to be transferred to the regional bank headquarters in Buffalo.

HongkongBank, meanwhile, has absorbed Marine's foreign exchange and money management operations and has moved into many of Marine's old quarters.

Marine denied rumors last week that it was slashing its public finance staff, although sources acknowledged the bank had considered excising its entire municipal banking division. Instead, Marine will simply prune a few more jobs in municipal bond trading, they said.

A decision on putting the Hongkong name on the Marine Midland Building is not final, a source said. If it does go up, he added, it will abut, not replace, the Marine name.



Peggy Turbett

NAME GAME: Marine Midland Building in lower Manhattan may soon sport the name "The HongkongBank," after Marine's parent.

* * *

BT Boosts Morgan Index. Bankers Trust Co. is managing a $100 million fixed-income pension portfolio for Gencorp that tracks J.P. Morgan & Co.'s new index of foreign government bonds. It is the first U.S. fund based on the Morgan index, and it represents a marketing "milestone," said Sharon O'Connor, a Morgan associate.

Morgan has been urging fund sponsors to set up passive index funds based on its market indicators ever since introducing a series of bond indexes in December. Ironically, the bank never approached Gencorp.

What's in it for Morgan? Fund advisers often execute trades through the compiler of the index, meaning commissions for J.P. Morgan Securities. "We understand the composition of our index best," Ms. O'Connor said.

Bankers Trust expects the Gencorp fund to be the first tranche of a much larger commingled trust, Ms. O'Connor said. Bankers Trust officials did not return calls for comment.

* * *

Aiming for a Comeback. Chase Manhattan Corp. is reorganizing its foreign exchange business to focus more on corporate accounts and high-net-worth individuals and perhaps less on proprietary trading. Since Richard Zecher, the bank's former treasurer, took the reins early this year, the heads of trading and sales have been replaced.

"We've been lighter in revenues than we should be," said Michael Esposito, Chase's chief financial officer. "We seem to have slipped a bit, and we'd like to make sure we get it all back."

* * *

Like Teller Lines. Thomas S. Johnson, president of Manufacturers Hanover Corp., told bank officers recently that the bank can replace its "slow-as-molasses" leveraged buyout business with the formerly lethargic energy and energy-related business sector.

"Because of tightening supply and demand factors, I think we're going to see tremendous deal activity over the next several years in energy, a sector that has practically been dormant during the recent period," he said.

* * *

Practice Session. Capital Link, a J.P. Morgan joint venture that aims to let issuers sell plain-vanilla debt directly to investors, held two practice sessions last week to familiarize investors with the computerized auction process.

There is no fixed date for the first real auction, said CapLink president David Jeffrey, but he added that six issuers are now qualified with the Securities and Exchange Commission to use the system. In addition to Morgan, they are Avco Financial Corp., McDonald'sCorp., GE Capital Corp., John Deere Capital, and Canada's Export Development Co.

* * *

Citicorp Beefs Up. Citicorp's depleted private placement department has divided itself into an origination and structuring unit and a distribution unit in separate locations, bank officials said. The uptown origination unit, headed by Timothy Conway, hired John Kjorlien from Shearson Lehman Brothers two weeks ago and may be close to bringing in one other refugee from that concern.

Chase Manhattan recently hired the former head of Shearson's private placement group, Joel Glasky, to run its private department. Brad Wheatley has moved downtown with Citicorp's fixed-income traders to coordinate the bank's distribution of privates.

* * *

Chemical Stahls Move. Chemical Banking Corp., which must decide by the summer of 1992 whether to sign a new lease at its headquarters building on Park Avenue, is being wooed by the Rockefeller Group to move into a complex being built on Manhattan's West Side, real estate sources say.

But the cheap rental base from which Chemical is starting and the difficulties of building new trading floors make it likely that the banking company will re-up with landlord Stanley Stahl. He is the same landlord who is making a hostile run at Apple Bancorp.

* * *

Bonus on the Dividend. First Wachovia Corp. is considering boosting its generous dividend to a payout above the 40% of earnings level, bank officials told analysts recently. A dividend increase is one way to deal with the North Carolina bank's persistent problem of having too much capital and not enough outlets on which to spend it. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

800

C0175-1

NEWSPAPER 15538900015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
ETHESDA MD 20814

TOP BANKS IN CONSUMER LENDING
Tables begin on page 14

AMERICAN BANKER

VOL. CLV NO. 121 Thursday, June 21, 1990 155th year

Small Banks Hold The Trump Cards In Loan Workout

By STEVEN LIPIN

Donald Trump's negotiations with his lead banks are said to be intense, a term that could apply equally to the talks between the lead banks and members of the banking syndicate.

The lead lenders are finding it difficult to persuade the smaller institutions – as many as 100 – to go along with a debt-restructuring package and commit at least $60 million in new loans. Large banks are again stuck in the position of persuading 100% of a company's bank creditors to go along with a debt-restructuring package.

ANALYSIS: *Follow-up on the news*

Agent banks are reportedly seeking permission from the smaller banks to postpone interest payments on at least part of Trump's $2 billion in bank loans. The big banks also want syndicate approval to extend the Trump properties already posted as collateral for the outstanding bank loans to cover the new $60 million package as well.

Just as small banks were close to torpedoing the debt restructurings of Campeau Corp. and Interco Inc., they are again stymieing the large banks that want to restructure the Trump Organization, lend it fresh cash – and keep it out of bankruptcy court.

Drawbacks of Loan Sales

Money-center banks are now seeing the pitfalls of the loan-sales wave of recent years, some bankers believe. And the language of many agreements that selling banks made with small buyers requires the large banks to vote as the small banks do in any restructuring talks.

"I hate to use the cliche, but it's the tail wagging the dog," complained one banker who has battled with smaller lenders.

"To the degree that banks have participated out the loans, it creates interbank creditor friction," said Wilbur Ross, managing director at Rothschild Inc.

Mr. Ross said some of the agent banks' problems arise because they can often hold less of a loan than the participating banks, "which does not give them much credibility and clout with participants." He believes loan documentation must be changed to eliminate the need for 100% approval.

Ironically, this divisiveness among large and small bank lenders comes at a time when bond creditors are organizing and speaking with a more unified voice.

While the move to sell assets has meant a diversification of

See **TRUMP** page 22

INSIDE NEWS

INTERNATIONAL

AN IRS CRACKDOWN on foreign banks – which have been deducting funding costs as an interest expense – could curtail the growth of their U.S. operations. *Page 10*

TECHNOLOGY

A CITICORP unit introduced a credit card processing product that provides centralized control of all auditing and settlement functions for merchants with dispersed point-of-sale terminals. *Page 3*

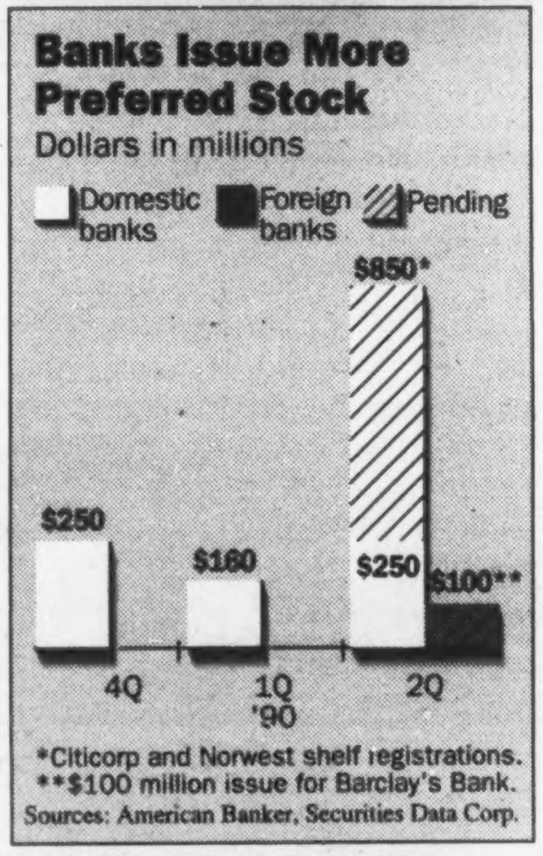
CONSUMER

A HARSHER marketplace and cost concerns have driven banks to mix image and product advertising. Winning ads in a recent contest reflected this trend. *Page 6*

MANAGEMENT

ACROSS-THE-BOARD cost cutting is often a penny-wise, pound-foolish strategy, says Anat Bird, a consultant with BDO Seidman in New York. *Page 8*

FINANCE


Banks Issue More Preferred Stock
Dollars in millions

*Citicorp and Norwest shelf registrations.
**$100 million issue for Barclay's Bank.
Sources: American Banker, Securities Data Corp.

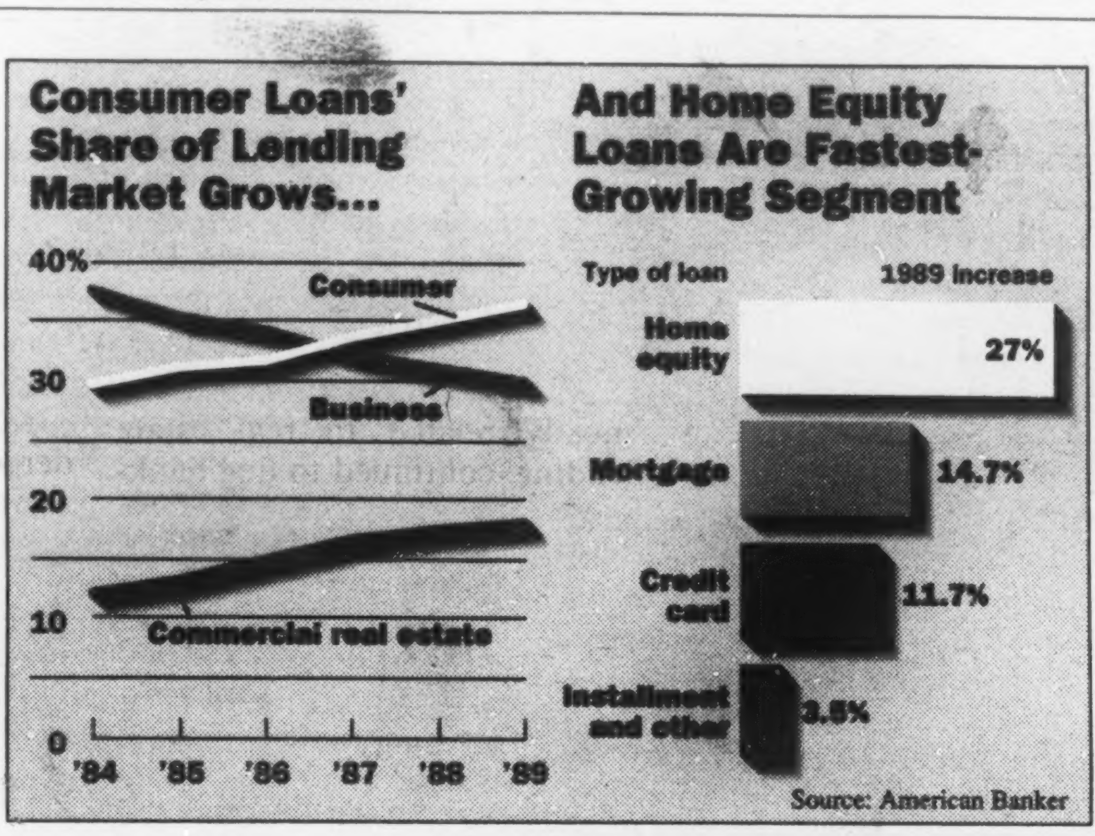
SEVERAL BIG BANKS are aiming at the market for new preferred stock to raise Tier 1 capital, and investment bankers expect more to follow in the third quarter. *Page 24*

COMMENT

THE FED'S DILEMMA is how close to the brink of recession, or how much beyond, the economy must go for inflation to be brought down permanently, Stephen H. Axilrod writes. *Page 4*

INDEX

Company Index 2
The Lobbyists 4
Executive Changes 5
Classified Advertising 18
Bank and Thrift Stocks 23


Consumer Loans' Share of Lending Market Grows...

And Home Equity Loans Are Fastest-Growing Segment

Source: American Banker

Consumer Loans Surge 4th Year With Home Equity Hottest Area

By YVETTE D. KANTROW

The consumer lending market is growing rapidly, and home equity loans are leading the way.

The second mortgages grew by 27% last year, three times as fast as other consumer loans, according to an *American Banker* survey. (Tables ranking the top lenders begin on page 14.)

Growth in Most Categories

Home equity loans still make up only a small percentage of consumer loans outstanding – about 7%. But they are growing at rates reminiscent of the ascent of credit card loans in the mid-1980s. And observers say that while growth may slow this year from last year's torrid pace, it will remain rapid.

The annual survey also found that:

- The consumer loan market grew by a robust 10.6% in 1989, marking the fourth straight year of growth between 10% and 11%. Consumer loans on the books of federally insured banks stood at $751.5 billion at yearend.
- The share of the total lending market held by consumer loans continued its steady increase, moving up to 36.5% from 35.2% at the end of 1988. The increase reflects an ongoing restructuring of commercial bank balance sheets, which now hold significantly more consumer loans than business loans.
- A handful of giant California banks increased their con-

See **CONSUMER** page 12

Fed Allows Discount Links for Credit Cards

By LINDA CORMAN

WASHINGTON — The Federal Reserve Board on Wednesday permitted bank credit card affiliates to offer discounts on the condition that customers buy other bank products.

Traditionally, bank holding company affiliates have been barred from offering one product to a customer on condition that another be bought, a practice known as "tying."

Norwest, NCNB Applied

But the Fed, responding to applications from Norwest Corp., Minneapolis, and NCNB Corp., Charlotte, N.C., allowed the exception to Section 106 of the Bank Holding Company Act Amendments of 1970, which prohibit tying.

The Fed also, in effect, made the exceptions applicable to other banking companies, such as Chase Manhattan Corp. and Citicorp, which issue credit cards through affiliated companies. It approved a general rule that would apply under the same circumstances approved for Norwest and NCNB.

District Fed bank boards,

See **FED** page 6

Banks Tightening Realty Standards, Survey Indicates

By ROBERT TRIGAUX

WASHINGTON — Although the Federal Reserve's beige book released Wednesday shows there is little evidence that a credit crunch is spreading beyond the real estate sector, it indicates that lenders are continuing to tighten credit standards in anticipation of further deterioration of real estate markets.

The survey of economic conditions in the 12 Federal Reserve districts reported residential and commercial construction generally flat or declining. The survey saw prospects for further decline in coming months.

Excess Office Space

Excess office space in many parts of the country was hurting commercial building and housing sales in many areas.

"Constraints on credit seem to be primarily in real estate," the beige book stated.

By district, housing sales were down in Philadelphia, Rich-

See **LENDERS** page 21

Outsourcing Dispute Triggered Departure from First Fidelity

By KAREN GULLO

NEW YORK — The unexpected departure of the chief technology executive at First Fidelity Bancorp three weeks ago was tied to a dispute with top management over whether the bank should hire an outside firm to run its $100 million technology operation, sources close to the bank said.

Gary A. Provo, executive vice president in charge of technology, was asked to leave the New Jersey banking company because he opposed an outsourcing proposal backed by top managers, including chairman Anthony P. Terracciano, sources said.

Many large banks are looking at outsourcing arrangements, in which the technology operation is turned over to a firm such as International Business Machines Corp. or Electronic Data Systems. Outsourcing can save a bank up to 50% on technology expenses, say analysts.

Robert Paul Molay

HE WON: First Fidelity chief Anthony P. Terracciano.

Several midsize banks have farmed out technology operations. But, so far, no large superregional banks like First Fidelity have signed a

See **OUTSOURCING** page 3

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 13-17

COMMENT/*By Stephen H. Axilrod*

The Fed's Inflation Fight Brings Results – and Risks

Markets in the United States have continued to be beset by uncertainties.

First, the bond market becomes convinced by weak retail sales figures that the Federal Reserve will ease. Then unexpectedly strong industrial production figures are published, and the market decides easing may be a long time coming.

Meanwhile, the stock market tentatively reaches new high ground, propelled it would seem mainly by momentum. Then doubts about business profits creep back into consciousness, and the market relapses.

Markets Watching Fed

The markets' backing and filling are connected to the question of how the Federal Reserve will resolve its policy dilemma or, indeed, whether it will.

The dilemma is easily stated. Labor costs seem to be rising about 4½% to 5% a year. Therefore, if the Fed succeeds in reducing price inflation to a significantly slower pace it risks causing a recession as profit erosion forces businesses to cut spending.

I would judge that the Fed is, in fact, making progress on curbing inflation. The latest monthly price figures are still a bit ambiguous. The increases were relatively little but could be interpreted as no more than offsetting unusually high first-quarter increases, leaving the inflation rate for the year to date at an unsatisfactory level.

Surer signs of at least some progress in containing inflation are the weaknesses that have been developing in the housing market and, lately, in consumer spending.

Consumers Inhibit Business

Cautious consumer behavior makes it much more difficult for businesses to pass along price increases. It raises hope that the slowing of price increases in the past month or so might signal a downturn in inflation, after two years of steadily creeping increases.

A good part of the pressure against price increases – asset as well as goods prices – stems from continuing relatively taut monetary policy. The Fed stopped easing in terms of money market interest rates late last year. Its posture in that respect has remained unchanged.

Whether that means overall credit and money conditions have also remained unchanged is yet another question. Apparently, banks and thrifts have tightened lending standards, partly in response to the regulatory situation and partly, and perhaps more important, in response to their own perceptions of the market.

Such an institutional tightening would not necessarily tighten overall credit conditions (compared with what they otherwise would be). If banks and thrifts have become less willing lenders, that should release funds to the market. Banks would bid less aggressively for corporate and other large deposits as well as for overnight funds, but this money would instead flow into market instruments.

Market Can Supply Credit

In that case, a less accommodative institutional environment would tend to be offset by more accommodative market circumstances. And credit conditions would not tighten, overall, except to the extent that some borrowers lacked direct or indirect access to the market.

It remains possible, however, that some overall tightening has occurred in recent months. Growth in all money supply measures weakened perceptibly in the spring, as compared with the winter.

Further weakening in the broadest measure of money, M3, occurred at the initiative of depositary institutions, and the credit was diverted to the market. But markedly slower growth of the narrower measures of money, M1 and M2, from a fairly good first-quarter pace could also reflect constraint on banks' reserve base as the Fed tries to prevent further easing of money market conditions when banks are not such active borrowers.

It is almost impossible in practice and in the short run to determine from money supply figures whether overall credit conditions are tighter than they otherwise would be or were intended to be.

At root, the dilemma is how close to, or how much beyond, the brink of recession the economy must go in order to bring down inflation permanently. The dilemma is even greater when it is not crystal clear how much pressure is being exerted by the central bank, given the difficulty of interpreting money supply figures. □

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

THE LOBBYISTS

Insurers Threaten To Push Their Views On Bank Legislation

Paul Equale

The powerful **Independent Insurance Agents of America** is threatening revenge on the **American Bankers Association**-for the its decision to lobby over a bill not directly germane to banking but potentially very damaging to the agents. That's a big no-no, according to IIAA's rule book on lobbying.

Insurers' have treasured the McCarran-Ferguson Act, an antitrust exemption largely protecting the industry from federal oversight, but the act is under attack in the House and Senate. The ABA has weighed in several times encouraging an end to the act.

In an interview Tuesday, IIAA vice president **Paul Equale** issued a mano-a-mano challenge to ABA. He said he had just gotten off the phone with the ABA's chief lobbyist, **Edward L. Yingling,** to complain about ABA efforts to repeal McCarran-Ferguson.

"The ABA lobbying is gratuitous, and I do not see their direct interest in repealing McCarran-Ferguson," Mr. Equale said. "Being the political cynics we are, we see it as banks' efforts to punish us for effective lobbying on the bank powers issue.

"I told Yingling the interesting thing about lighting a legislative backfire is that the winds can change and burn your own house down."

Mr. Yingling confirmed the conversation with Mr. Equale but said the ABA had been urging repeal of McCarran-Ferguson for years and there now appears to be legislative momentum.

The ABA lobbyist said that because banks now compete directly with the insurance industry on both sides of the balance sheet, it is perfectly appropriate for banks to push for federal oversight of the insurance industry.

One one hand, Mr. Yingling said, the insurance agents are arguing on the Hill that federal laws should not interfere with the states' governance of insurance activities. On the other hand, he said, the agents are lobbying for federal overrides of state laws letting banks into the insurance business. "They can't have it both ways."

Mr. Equale cited Mr. Yingling's June 11 letter to members of the House Judiciary subcommittee on economic and commercial law, which recently passed H.R. 1663 — a bill that would gut McCarran-Ferguson.

The IIAA said there may soon come a bill tough on banks — on mandatory cashing of government checks, for instance — and the insurance agents may push their position.

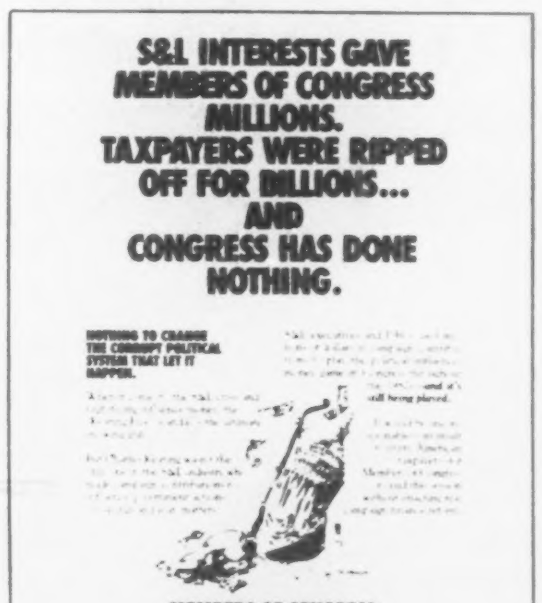
"We've never done it in the past, and we have been straight with the ABA," he said. But "if the ABA thought they had problems with us to date, if we have been pests, they ain't seen nothing yet."

The insurance agents also have taken it on the chin lately in decisions by the courts (for the Comptroller of the Currency) and the State of Delaware letting banks expand significantly into the insurance business.

* * *

Common Cause Ad Attacks the Thrifts

Common Cause, the government watchdog organization, is running an ad in newspapers warning that the same political contributions game that produced the "Keating Five" scandal is still alive in Washington.



S&L INTERESTS GAVE MEMBERS OF CONGRESS MILLIONS. TAXPAYERS WERE RIPPED OFF FOR BILLIONS... AND CONGRESS HAS DONE NOTHING.

NOTHING TO CHANGE THE CORRUPT POLITICAL SYSTEM THAT LET IT HAPPEN.

MEMBERS OF CONGRESS:

COMMON CAUSE'S ad for reform of campaign financing.

The group is pushing Congress to limit the use of political action committees and some other techniques in financing political campaigns.

The ad points out that **Charles Keating,** though the most public of political contributors from the S&L industry, was not the only one. "S&L executives and PACs used millions of dollars in campaign contributions to play the political influence-money game in Congress throughout the 1980s — and it's still being played," the ad states.

* * *

Minority Bankers Fear Metzenbaum Bill

Most of the banking industry is alarmed at efforts by Sen. **Howard Metzenbaum,** D-Ohio, to push through legislation that could force banks and thrifts to offer new services to the poor. But lobbyist **Bruce Gamble** thinks members of his organization, the **National Bankers Association,** could be hit the hardest.

The trade group represents minority-owned institutions mostly located in the inner city, near the population most likely to need government check cashing and lifeline checking services.

"We operate on a small profit margin," Mr. Gamble said. "We cash government checks for a majority of our customers. But if we have to open up to all the people, and all the entitlement people come in, it could discourage our current customers."

Mr. Metzenbaum is expected to try this week to attach his legislation to a housing bill under consideration on the Senate floor. Mr. Gamble said his organization has tried to talk to the Ohio Democrat about the issue since last year, but with little success.

"He seemed pretty upset that we would not support him last year," Mr. Gamble said.

— **Robert Trigaux, Robert M. Garsson, and Debra Cope**

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Consumer Credit, Led by Equity Loans, Is Growing Rapidly

Continued from *page* **12**

ing Citicorp's lead bank, Citibank, New York, as the nation's top bank consumer lender.

Overall, the nation's top 100 banks in consumer lending saw consumer outstandings grow 17.5%. But at Bank of America, Wells Fargo Bank, and Security Pacific National bank, consumer receivables grew 27.9%, 26.2%, and 26.4%, respectively.

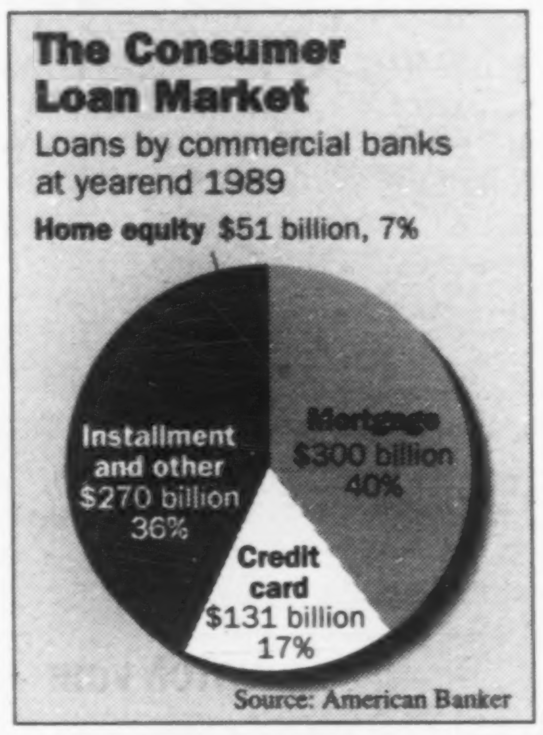
A Commonplace Emphasis

The emphasis on consumer loans was apparent at other major banks, too. At fifth-ranked Chase Manhattan Bank, for instance, consumer outstandings soared 40% in 1989. And retail loans continue to grab a bigger share of all lending activities at the nation's largest banks.Citicorp – still the premier banking company in consumer lending – saw five of its bank affiliates ranking among the top 50 in consumer loans. Overall growth, however, was comparatively slow at only 5.7% at these affiliates. Combined, these five banks had $48.3 billion in consumer loans, or 6.4% of consumer loans held by all banks.

At the top 100 banks, consumer loans as a percentage of total loans reached 46% in 1989, up from 44.5% a year earlier. At all FDIC-insured banks, consumer loans accounted for 36.5% of all lending activities, while business loans comprised only 30.1% of total loans, down from 31.1% a year earlier.

The Consumer Loan Market

Loans by commercial banks at yearend 1989



Source: American Banker

"More and more lenders are getting involved in consumer credit," said Gerald T. Flynn, chairman of the consumer credit division at the American Bankers Association. "It provides them with quicker liquidity, lets them charge higher rates, and allows for cross-selling." Mr. Flynn is a vice president in charge of indirect consumer lending at National Bank of Detroit.

A Sturdy Outlook

Even as talk of a possible recession and a downturn in consumer spending escalates, bankers and economists say the outlook for consumer debt is good.

"We expect total consumer loans to be steady this year because personal income continues to go up." said Stephanie Murphy, an economist with the CM&M Group Inc. in New York. But she said to expect a slight curtailment in home equity lending as the savings and loan bailout causes more property values to decline.

Cautious Approach Seen

At least one industry observer is bearish on the home equity market. Keith T. Gumbinger, of HSH Associates, Butler, N.J., said consumers were losing interest in home equity loans, largely because of continuing talk of a slowing economy. "I wish I could say things were rosy and millions of calls were coming in, but that's not the case," he said. "It's fairly slow out there."

HSH, a publisher of mortgage market information, talks to many lenders in 24 markets for each survey every three months. According to Mr. Gumbinger, no-fee and other pricing discounts are becoming harder to find in the home equity market, reflecting increased pressures on banks to improve their bottom lines.

Bankers agree that competitive deals can negatively impact the profitability of home equity loans. "Lenders have to be careful if they waive fees," Mr. Flynn said. "If consumers don't use the credit lines, banks can lose money."

Commercial Bank Loans to the Consumer

Yearend 1984 to Yearend 1989 ($ Billion)

	1989	1988	1987	1986	1985	1984
Home Equity Loans[1]	$ 50.8 +27.0%	$ 40.0 +33.8%	$ 29.9	—	—	— ....
Other Mortgage Loans[2]	$300.1 +14.7%	$261.7 +12.3%	$233.0 + 4.7%	$222.5 +12.0%	$198.7 + 9.4	$181.6 %+ 8.5%
Total Real Estate Loans[3]	$350.9 +16.3%	$301.7 +14.8%	$262.9 +18.2%	$222.5 +12.0%	$198.7 + 9.4%	$181.6 + 8.5%
Credit Card Loans	$130.9 +11.7%	$117.2 +14.0%	$102.8 +11.9%	$ 91.9 +17.7%	$ 78.1 +27.6%	$ 61.2 +256.5%
All Other[4]	$269.7 + 3.5%	$260.7 + 4.9%	$248.6 + 2.0%	$243.8 + 5.8%	$230.5 +12.1%	$205.6 - 0.9%
Total Consumer Loans	$751.6 +10.6%	$679.6 +10.6%	$614.3 +10.1%	$558.2 +10.0%	$507.3 +13.1%	$448.4 +14.4%
Total loans[5]	$2,057.8	$1,932.3	$1,829.1	$1,758.7	$1,630.8	$1,508.3
Consumer as a % of total	36.5%	35.2%	33.6%	31.8%	31.1%	29.7%

Data Source: Data are from the federal regulatory report of condition for all federally insured, domestically chartered U.S. commercial banks as reported by the Federal Deposit Insurance Corp., Washington, D.C. (1)— First broken out from total mortgage loans by the federal regulators in 1987. Home equity loans are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (2)— Other mortgage loans are are loans secured by 1-4 family residential properties, including both first and second mortgages. Until 1987, home equity loans were included in the total. Since 1987, home equity loans have been excluded. (3)— The sum of home equity loans and other mortgage loans. (4)— Includes loans to individuals for household, family, and other personal expenditures and include single payment, instalment, and student loans. (5)— total loans and lease financing receivables net of unearned income but including the allowance for loan and lease losses and the allocated transfer risk reserve.

In addition, home equity loans of less than $15,000 are generally not believed to be profitable, while most banks have only a $5,000 or $10,000 floor limit on their home equity products.

But depending on a bank's technological sophistication, home equity loans should carry a return on assets of 1% to 2%, Shawmut's Mr. Grigley said. Shawmut – which operates in a region hit hard by real estate woes – increased its Boston bank's home equity portfolio 145% in 1989. While some of the growth was through portfolio acquisition, most of it reflected a major marketing effort, he said.

"Home equity is our No. 1 consumer lending product," Mr. Grigley said. Home equity lines of credit are also attractive to banks from a funding perspective. Under the new risk-based capital requirements, unused lines granted to consumers do not have to be reserved against, Mr. Grigley said. □

How they pay for it should be yours.

FIRST BANK
THE COMPANY
4000 1234 5678 9010
0000
M. PURCELL 00/00 BV
VISA

perior MIS reporting system. Designed to help control and manage both their travel and business expenses.

They get detailed, timely reports broken down in expense report form—monthly, quarterly or annually. And the ability to customize reports according to their specific business needs.

Our program also integrates with your billing system and that of travel agents. Which will keep both your corporate and travel agent clients happy.

They'll be even happier when they hear about the new benefits we've added to the business card package. We'll soon be launching a national consumer campaign that will explain these benefits in detail.

To get the details on how you can sign up, just give us a call at the phone number nearest you. In San Mateo, California, call us at (415) 570-2120 or in McLean, Virginia, call us at (703) 827-8404.

And do it soon.

Because the business of business is booming.

VISA It's everywhere you want to be.®

BANK LOANS TO THE CONSUMER

Top 100 Banks in Lending to the Consumer

Based on Federal Regulatory Report of Condition data for Dec. 31, 1989, compared with Dec. 31, 1988 (dollar amounts in thousands)

Rank 12/89		Total Consumer Loans			1-4 Family Mortgage Loans			Home Equity Loans			All Other Consumer Loans		Consumer Loans As % of Total Loans	
		12/31/89	12/31/89	% Chg.	12/31/89	12/31/88	% Chg.	12/31/89	12/31/88	% Chg.	12/31/89	12/31/88	12/31/89	12/31/88
1	Bank of America NT&SA, San Francisco	27,761,000	21,712,000	27.9	14,822,000	11,377,000	30.3	1,825,000	1,170,000	56.0	11,114,000	9,165,000	42.6	36.5
2	Citibank NA, New York	24,652,000	22,814,000	8.1	7,647,000	7,009,000	9.1	1,532,000	1,397,000	9.7	15,473,000	14,408,000	22.7	22.9
3	Wells Fargo Bank NA, San Francisco	14,891,669	11,796,214	26.2	8,433,654	5,831,522	44.6	1,921,962	1,736,045	10.7	4,536,053	4,228,647	37.8	33.0
4	Security Pacific National Bank, Los Angeles	13,898,796	10,994,441	26.4	9,866,280	6,634,111	48.7	1,280,551	757,758	69.0	2,751,965	3,602,572	36.5	33.5
5	Chase Manhattan Bank NA, New York	11,041,819	7,888,669	40.0	6,673,552	4,425,850	50.8	724,432	496,124	46.0	3,643,835	2,966,695	20.1	15.8
6	Citibank (South Dakota) NA, Sioux Falls	9,389,200	12,167,846	-22.8	505	846	-40.3	0	0	0.0	9,388,695	12,167,000	93.0	95.0
7	Chase Manhattan Bank (USA) NA, Wilmington, Del.	9,294,094	6,764,557	37.4	0	0	0.0	28,025	31,666	-11.5	9,266,069	6,732,891	100.0	100.0
8	Citibank (Nevada) NA, Las Vegas	8,136,383	5,790,751	40.5	51,802	20,507	152.6	9,026	3,275	175.6	8,075,555	5,766,969	99.9	100.0
9	Greenwood Trust Co., Newcastle, Del.	6,918,527	5,921,599	16.8	1,709	1,551	10.2	0	0	0.0	6,916,818	5,920,048	100.0	100.0
10	Marine Midland Bank NA, Buffalo, N.Y.	6,726,582	6,649,932	1.2	1,542,897	1,184,819	30.2	621,943	500,283	24.3	4,561,742	4,964,830	37.7	36.7
11	First Interstate Bank of California, Los Angeles	5,922,975	5,620,381	5.4	2,105,465	1,578,935	33.3	564,332	170,276	231.4	3,253,178	3,871,170	41.5	41.7
12	Chemical Bank, New York	5,686,000	4,575,000	24.3	2,787,000	1,530,000	82.2	342,000	271,000	26.2	2,557,000	2,774,000	19.2	15.9
13	American Express Centurion Bank, Newark, Del.	5,193,885	3,821,234	35.9	0	0	0.0	2,525	3,000	-15.8	5,191,360	3,818,234	88.6	85.1
14	Southeast Bank NA, Miami	5,169,219	3,686,808	40.2	2,093,228	1,185,808	76.5	213,544	154,784	38.0	2,862,447	2,346,216	48.1	41.5
15	FCC National Bank, Wilmington, Del.	4,815,016	2,997,421	60.6	0	0	0.0	0	0	0.0	4,815,016	2,997,421	100.0	100.0
16	Boston Safe Deposit and Trust Co.	4,781,622	4,800,525	-0.4	4,104,588	4,040,113	1.6	165,313	143,628	15.1	511,721	616,784	96.1	76.5
17	Bank of New York	4,708,841	2,269,818	107.5	2,149,604	402,524	434.0	443,537	319,147	39.0	2,115,700	1,548,147	14.5	16.2
18	Manufacturers Hanover Trust Co., New York	4,399,000	4,028,000	9.2	339,000	275,000	23.3	210,000	238,000	-11.8	3,850,000	3,515,000	11.8	10.7
19	First Union National Bank, Charlotte, N.C.	4,248,297	3,842,883	10.5	2,762,696	2,581,337	7.0	378,808	285,873	32.5	1,106,793	975,673	37.4	38.8
20	Connecticut National Bank, Hartford	4,022,245	3,521,268	14.2	2,147,873	1,768,928	21.4	737,157	608,945	21.1	1,137,215	1,143,395	48.3	47.4
21	Citibank (New York State), Perinton	3,925,585	3,493,223	12.4	1,208,835	1,154,527	4.7	144,343	100,373	43.8	2,572,407	2,238,323	93.5	90.9
22	Seattle-First National Bank	3,866,386	3,114,258	24.2	1,591,274	1,129,606	40.9	2,539	2,884	-12.0	2,272,573	1,981,768	38.9	35.3
23	Sovran Bank NA, Richmond	3,729,169	3,673,730	1.5	1,141,075	1,049,040	8.8	175,122	86,629	102.2	2,412,972	2,538,061	41.4	43.4
24	NCNB Texas National Bank, Dallas	3,650,208	2,689,712	35.7	1,562,565	1,152,670	35.6	0	0	0.0	2,087,643	1,537,042	28.3	23.1
25	Bank of New York (Delaware), Wilmington	3,362,440	2,666,846	26.1	0	0	0.0	0	0	0.0	3,362,440	2,666,846	88.9	82.3
26	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	3,329,931	3,015,392	10.4	1,096,013	846,270	29.5	275,330	246,988	11.5	1,958,588	1,922,134	33.8	36.0
27	Union Bank, San Francisco	3,255,588	2,920,623	11.5	1,680,879	1,388,305	21.1	360,038	277,560	29.7	1,214,671	1,254,758	28.4	26.5
28	Valley National Bank, Phoenix, Ariz.	3,018,325	2,590,089	16.5	666,421	651,705	2.3	377,445	343,957	9.7	1,974,459	1,594,427	46.1	39.2
29	Crestar Bank, Richmond	2,795,538	2,820,230	-0.9	680,751	705,158	-3.5	264,973	198,655	33.4	1,849,814	1,916,417	37.5	40.0
30	Citizens & Southern National Bank, Atlanta	2,743,597	2,763,507	-0.7	695,343	718,627	-3.2	238,255	165,941	43.6	1,809,999	1,878,939	34.0	36.2
31	Meridian Bank, Reading, Pa.	2,717,065	1,773,947	53.2	1,102,596	396,123	178.3	145,676	40,819	256.9	1,468,793	1,337,005	39.7	33.6
32	NCNB National Bank of N.C., Charlotte	2,675,579	2,307,390	16.0	1,305,644	940,536	38.8	473,433	421,826	12.2	896,502	945,028	23.9	23.1
33	Chase Lincoln First Bank NA, Rochester, N.Y.	2,534,307	2,281,619	11.1	1,217,206	1,083,156	12.4	139,404	111,830	24.7	1,177,697	1,086,633	46.2	44.2
34	NCNB National Bank of Florida, Tampa	2,524,054	2,313,832	9.1	791,271	692,959	14.2	88,813	46,505	91.0	1,643,970	1,574,368	38.3	39.0
35	Comerica Bank-Detroit	2,522,063	2,153,943	17.1	805,888	653,325	23.4	236,351	163,305	44.7	1,479,824	1,337,313	38.6	38.5
36	First Union National Bank, Jacksonville, Fla.	2,420,340	1,964,281	23.2	1,559,775	1,126,017	38.5	134,959	106,838	26.3	725,606	731,426	44.8	42.3
37	First National Bank, Atlanta	2,406,287	2,182,707	10.2	650,572	591,764	9.9	148,943	108,838	36.8	1,606,772	1,482,105	46.9	43.4
38	Society National Bank, Cleveland	2,391,357	1,385,506	72.6	545,716	343,934	58.7	268,789	177,389	51.5	1,576,852	864,183	49.4	39.9
39	First Fidelity Bank NA, Newark, N.J.	2,294,091	2,526,364	-9.2	805,179	1,171,880	-31.3	690,234	587,916	17.4	798,678	766,568	30.3	35.2
40	Pittsburgh National Bank	2,257,485	1,856,032	21.6	443,171	403,986	9.7	253,992	91,161	178.6	1,560,322	1,360,885	26.1	24.3
41	Signet Bank/Virginia, Richmond	2,246,727	2,008,789	11.8	206,517	172,203	19.9	326,711	317,616	2.9	1,713,499	1,518,970	48.8	46.9
42	Huntington National Bank, Columbus, Ohio	2,229,342	1,919,560	16.1	428,294	358,622	19.4	273,525	262,192	4.3	1,527,523	1,298,746	39.6	37.5
43	Citibank (Maryland) NA, Towson	2,174,290	1,387,637	56.7	69,578	78,061	-10.9	1,628	1,223	33.1	2,103,084	1,308,353	100.0	100.0
44	Banco Popular de Puerto Rico, San Juan	2,122,101	1,980,154	7.2	315,204	169,983	85.4	0	0	0.0	1,806,897	1,810,171	64.7	63.9
45	Bank One Texas NA, Dallas	2,088,610	....	....	832,485	....	....	0	....	....	1,256,125	....	28.8	...
46	Shawmut Bank NA, Boston	2,084,807	1,461,813	42.6	464,309	480,718	-3.4	572,193	233,376	145.2	1,048,305	747,719	33.5	27.6
47	Barnett Bank of South Florida NA, Miami	2,078,903	1,788,857	16.2	953,788	744,554	28.1	79,758	41,507	92.2	1,045,357	1,002,796	44.6	43.6
48	First Bank NA, Minneapolis	2,016,380	1,838,784	9.7	650,073	628,331	3.5	243,480	159,892	52.3	1,122,827	1,050,561	21.8	18.0
49	First National Bank, Boston	2,009,615	1,941,841	3.5	1,037,289	568,693	82.4	279,182	235,046	18.8	693,144	1,138,102	10.5	10.2
50	Florida National Bank, Jacksonville, Fla.	1,985,245	1,944,387	2.1	535,106	496,721	7.7	93,014	76,279	21.9	1,357,125	1,371,387	46.7	42.4
51	First Interstate Bank of Arizona NA, Phoenix	1,930,713	1,803,589	7.0	410,384	332,796	23.3	35,413	34,137	3.7	1,484,916	1,436,656	42.1	38.5
52	Security Pacific Bank Washington NA, Seattle	1,917,653	1,707,611	12.3	732,229	555,837	31.7	52,556	34,055	54.3	1,132,868	1,117,719	30.5	31.9
53	Citizens & Southern National Bank, Fort Lauderdale, Fla.	1,913,754	1,735,779	10.3	695,729	711,646	-2.2	136,293	115,226	18.3	1,081,732	908,907	50.0	50.7
54	Chemical Bank New Jersey NA, Morristown	1,902,533	684,706	177.9	693,082	233,849	196.4	357,528	177,257	101.7	851,923	273,600	52.6	45.9
55	BancOhio National Bank, Columbus	1,869,855	1,935,487	-3.4	289,676	265,915	8.9	64,684	57,564	12.4	1,515,495	1,612,008	48.3	51.9
56	Ameritrust Co. NA, Cleveland	1,864,789	1,725,749	8.1	668,978	704,086	-5.0	91,681	54,892	67.0	1,104,130	966,771	29.6	29.7
57	AmSouth Bank NA, Birmingham, Ala.	1,861,610	1,779,249	4.6	670,061	761,147	-12.0	151,476	111,159	36.3	1,040,073	906,943	37.5	37.9
58	First Alabama Bank, Montgomery	1,851,003	1,464,556	26.4	836,142	572,282	46.1	116,029	95,688	21.3	898,832	796,586	51.1	47.0
59	Norwest Bank Minnesota NA, Minneapolis	1,776,305	1,701,736	4.4	429,518	473,820	-9.3	95,597	87,829	8.8	1,251,190	1,140,087	30.8	32.4
60	Midlantic National Bank, Newark, N.J.	1,760,495	782,186	125.1	219,633	89,169	146.3	427,593	246,699	73.3	1,113,269	446,318	21.8	16.5
61	Hibernia National Bank, New Orleans	1,743,986	1,324,841	31.6	993,522	723,657	37.3	34,198	31,222	9.5	716,266	569,962	37.0	31.3
62	Connecticut Bank & Trust Co. NA, Hartford	1,715,888	2,509,951	-31.6	456,794	588,956	-22.4	577,732	535,395	7.9	681,362	1,385,600	29.0	36.1
63	United States National Bank, Portland, Ore.	1,640,870	1,432,732	14.5	416,052	371,526	12.0	31,397	25,15[illegible]	24.8	1,193,421	1,036,055	23.2	24.7
64	First Florida Bank NA, Tampa	1,636,976	1,661,599	-1.5	607,938	731,814	-16.9	46,747	[illegible]	6.4	982,291	885,833	44.3	47.0
65	Household Bank NA, Salinas, Calif.	1,598,296	1,068,858	49.5	0	0	0.0	0	[illegible]	0.0	1,598,296	1,068,858	100.0	100.0
66	First Interstate Bank of Oregon NA, Portland	1,597,793	1,285,906	24.3	378,549	266,916	41.8	60,579	44,982	34.7	1,158,665	974,008	39.8	37.2
67	National Bank of Detroit	1,585,838	1,608,635	-1.4	708,917	794,634	-10.8	66,144	35,958	83.9	810,777	778,043	17.7	18.7
68	Bank of Hawaii, Honolulu	1,558,109	1,370,012	13.7	687,667	573,622	19.9	219,232	184,369	18.9	651,210	612,021	33.2	35.1
69	National Westminster Bank USA, New York	1,537,101	1,347,246	14.1	262,826	217,820	20.7	108,027	87,368	23.6	1,166,248	1,042,058	14.3	13.6
70	Norstar Bank of Upstate NY, Albany, N.Y.	1,530,019	1,582,675	-3.3	424,982	366,918	15.8	180,649	141,676	27.5	924,388	1,074,081	55.7	58.1
71	Boatmen's National Bank, St. Louis	1,526,371	869,764	75.5	871,786	384,070	127.0	148,894	81,544	82.6	505,691	404,150	32.5	34.7
72	First Union National Bank of Georgia, Atlanta	1,523,245	1,287,024	18.4	490,700	338,348	45.0	73,275	54,149	35.3	959,270	894,527	46.9	43.7
73	First Tennessee Bank NA, Memphis	1,492,304	1,385,162	7.7	357,875	317,262	12.8	126,773	107,872	17.5	1,007,656	960,028	42.1	39.9
74	CoreStates Bank of Delaware NA, Wilmington	1,486,035	1,179,685	26.0	0	0	0.0	0	0	0.0	1,486,035	1,179,685	100.0	100.0
75	Central Fidelity Bank, Richmond	1,456,971	1,281,393	13.7	471,030	371,146	26.9	102,129	68,584	48.9	883,812	841,663	41.4	39.4
76	Dominion Bank NA, Roanoke, Va.	1,455,415	1,071,754	35.8	592,628	439,771	34.8	113,724	104,495	8.8	749,063	527,488	50.6	45.2
77	National City Bank, Cleveland	1,423,005	1,331,492	6.9	368,315	361,374	1.9	119,298	112,520	6.0	935,392	857,598	29.1	30.9
78	South Carolina National Bank, Columbia	1,422,634	1,311,083	8.5	451,787	376,111	20.1	163,880	148,398	10.4	806,967	786,574	34.0	35.3
79	Bank of Baltimore	1,409,988	1,392,491	1.3	536,106	627,481	-14.6	84,801	51,105	65.9	789,081	713,905	65.0	66.8
80	BayBank Middlesex, Burlington, Mass.	1,401,902	1,338,908	4.7	612,474	563,868	8.6	303,937	283,722	7.1	485,491	491,318	45.4	45.0
81	Barnett Bank of Central Florida NA, Orlando	1,396,568	1,178,461	18.5	341,654	272,691	25.3	14,366	13,869	3.6	1,040,548	891,901	66.4	65.2
82	Mellon Bank NA, Pittsburgh	1,390,526	1,281,031	8.5	363,674	260,780	39.5	80,932	119,058	-32.0	945,920	901,193	10.2	9.4
83	First Interstate Bank Washington NA, Seattle	1,384,581	1,067,406	29.7	398,749	293,362	35.9	26,883	17,907	50.1	958,949	756,137	55.8	52.1
84	First National Bank, Chicago	1,382,989	1,850,296	-25.3	916,063	867,810	5.6	162,553	205,584	-20.9	304,373	776,902	6.4	8.4
85	First Deposit National Bank, Tilton, N.H.	1,374,848	1,477,901	-7.0	6,113	7,634	-19.9	11,375	764	1388.9	1,357,360	1,469,503	98.2	99.1
86	Maryland Bank NA, Newark, Del.	1,362,245	1,431,006	-4.8	0	0	0.0	0	0	0.0	1,362,245	1,431,006	97.5	97.2
87	First National Bank of Maryland, Baltimore	1,330,867	1,191,900	11.7	673,679	591,942	13.8	268,642	199,444	34.7	388,546	400,514	32.6	33.9
88	INB National Bank, Indianapolis	1,318,453	1,295,343	1.8	339,889	296,850	14.5	36,506	28,722	27.1	942,058	969,771	39.3	39.9
89	Bank One Columbus NA, Ohio	1,311,762	1,055,940	24.2	139,521	128,341	8.7	63,045	42,330	48.9	1,109,196	885,269	48.5	43.5
90	Marine Midland (Delaware) NA, Wilmington	1,296,874	1,207,008	7.4	25,551	34,280	-25.5	0	0	0.0	1,271,323	1,172,728	59.8	59.4
91	Wilmington Trust Co., Del.	1,279,440	1,105,450	15.7	718,800	582,905	23.3	102,349	74,988	36.5	458,291	447,557	53.9	54.0
92	Manufacturers National Bank, Detroit	1,278,259	1,223,268	4.5	670,260	649,905	3.1	124,508	100,614	23.7	483,491	472,749	24.5	23.4
93	NCNB National Bank of South Carolina, Columbia	1,270,430	1,064,138	19.4	297,846	239,568	24.3	125,420	94,392	32.9	847,164	730,178	39.6	40.7
94	Michigan National Bank, Farmington Hills	1,260,862	1,993,854	-36.8	788,644	507,690	55.3	98,353	66,605	47.7	373,865	1,419,559	20.7	31.7
95	Provident National Bank, Philadelphia	1,252,988	1,075,301	16.5	408,842	338,396	20.8	0	0	0.0	844,146	736,905	21.7	21.3
96	Barnett Bank of Pinellas Cty., St. Petersburg, Fla.	1,235,332	1,055,020	17.1	845,838	761,006	11.1	29,502	21,064	40.1	359,992	272,950	68.6	66.0
97	Fidelity Bank NA, Philadelphia	1,227,046	1,244,221	-1.4	436,771	475,578	-8.2	161,961	99,722	62.4	628,314	668,921	18.7	18.3
98	First Virginia Bank, Falls Church	1,215,691	1,154,332	5.3	388,298	349,868	11.0	114,132	88,405	29.1	713,261	716,059	85.9	86.1
99	First-Citizens Bank & Trust Co., Raleigh, N.C.	1,205,605	1,012,859	19.0	288,665	198,989	45.1	192,169	160,058	20.1	724,771	653,812	55.7	54.5
100	Sanwa Bank California, San Francisco	1,204,154	1,019,943	18.1	672,318	441,910	52.1	33,345	11,713	184.7	498,491	566,320	25.5	22.9
	Totals for the Top 100 Banks‡ ($ Bil.)	**$336.5**	**$286.4**	**+17.5**	**$116.6**	**$90.2**	**+29.3**	**$23.0**	**$17.4**	**+32.2**	**$196.8**	**$178.8**	**46.0[1]**	**44.5[1]**

Data Sources: Data were provided by **W.C. Ferguson & Co.,** Irving, Tex. from **BankSource,** a data base of the Federal Regulatory report of condition (RC). Ferguson does not adjust the 1988 data for mergers occurring in 1989. Some of the large changes may be attributable to mergers. **Total Consumer Loans** are the sum of 1-4 family mortgage loans, home equity loans, credit card loans, and other consumer loans). **1-4 Family Mortgage loans** are loans secured by 1-4 family residential properties. First and second mortgage loans are included, but home equity loans are excluded. (Schedule RC-C, Column B-Domestic Offices, item 1.c.(2).) **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (Schedule RC-C, Column B, item 1.c.(1).) **All other consumer loans** are loans to individuals for hosehold, family, and other personal expenditures. Included in this catergory are credit card loans and other consumer loans. **Credit card loans** include all extentions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. (Schedule RC-C, Column A-Consolidated Bank, item 6a.) **Other consumer loans** include single payment, instalment, and student loans. (Schedule RC-C, Column A, item 6b.) **Consumer loans % of total loans** is the ratio of total consumer loans to total loans. **Total loans** are Loans and leases, net of unearned income. (RC-Balance Sheet, item 4.a.) **(‡)**— The 1988 totals are for the top 100 banks in 1989. **(1)**— An unweighted average derived by summing the individual ratios for each bank in the top 100.

Copyright American Banker, 1990.

Top 100 Banks in Lending to the Consumer

Listed georgraphically in order of consumer-loan size within states (dollar amounts in thousands)

Rank 12/89		Consumer Loans		
		12/31/89	12/31/88	% Chg.
	ALABAMA			
57	AmSouth Bank NA, Birmingham	1,861,610	1,779,249	4.6
58	First Alabama Bank, Montgomery	1,851,003	1,464,556	26.4
	ARIZONA			
28	Valley National Bank, Phoenix	3,018,325	2,590,089	16.5
51	First Interstate Bank of Arizona NA, Phoenix	1,930,713	1,803,589	7.0
	CALIFORNIA			
1	Bank of America NT&SA, San Francisco	27,761,000	21,712,000	27.9
3	Wells Fargo Bank NA, San Francisco	14,891,669	11,796,214	26.2
4	Security Pacific National Bank, Los Angeles	13,898,796	10,994,441	26.4
11	First Interstate Bank of California, Los Angeles	5,922,975	5,620,381	5.4
27	Union Bank, San Francisco	3,255,588	2,920,623	11.5
65	Household Bank NA, Salinas	1,598,296	1,068,858	49.5
100	Sanwa Bank California, San Francisco	1,204,154	1,019,943	18.1
	CONNECTICUT			
20	Connecticut National Bank, Hartford	4,022,245	3,521,268	14.2
62	Connecticut Bank & Trust Co. NA, Hartford	1,715,888	2,509,951	-31.6
	DELAWARE			
7	Chase Manhattan Bank (USA) NA, Wilmington	9,294,094	6,764,557	37.4
9	Greenwood Trust Co., Newcastle	6,918,527	5,921,599	16.8
13	American Express Centurion Bank, Newark	5,193,885	3,821,234	35.9
15	FCC National Bank, Wilmington	4,815,016	2,997,421	60.6
25	Bank of New York (Delaware), Wilmington	3,362,440	2,666,846	26.1
74	CoreStates Bank of Delaware NA, Wilmington	1,486,035	1,179,685	26.0
86	Maryland Bank NA, Newark	1,362,245	1,431,006	-4.8
90	Marine Midland (Delaware) NA, Wilmington	1,296,874	1,207,008	7.4
91	Wilmington Trust Co.	1,279,440	1,105,450	15.7
	FLORIDA			
14	Southeast Bank NA, Miami	5,169,219	3,686,808	40.2
34	NCNB National Bank of Florida, Tampa	2,524,054	2,313,832	9.1
36	First Union National Bank, Jacksonville	2,420,340	1,964,281	23.2
47	Barnett Bank of South Florida NA, Miami	2,078,903	1,788,857	16.2
50	Florida National Bank, Jacksonville	1,985,245	1,944,387	2.1
53	Citizens & Southern National Bk, Fort Lauderdale	1,913,754	1,735,779	10.3
64	First Florida Bank NA, Tampa	1,636,976	1,661,599	-1.5
81	Barnett Bank of Central Florida NA, Orlando	1,396,568	1,178,461	18.5
96	Barnett Bank of Pinellas Cty., St. Petersburg	1,235,332	1,055,020	17.1
	GEORGIA			
30	Citizens & Southern National Bank, Atlanta	2,743,597	2,763,507	-0.7
37	First National Bank, Atlanta	2,406,287	2,182,707	10.2
72	First Union National Bank of Georgia, Atlanta	1,523,245	1,287,024	18.4
	HAWAII			
68	Bank of Hawaii, Honolulu	1,558,109	1,370,012	13.7
	ILLINOIS			
84	First National Bank, Chicago	1,382,989	1,850,296	-25.3
	INDIANA			
88	INB National Bank, Indianapolis	1,318,453	1,295,343	1.8
	LOUISIANA			
61	Hibernia National Bank, New Orleans	1,743,986	1,324,841	31.6
	MARYLAND			
43	Citibank (Maryland) NA, Towson	2,174,290	1,387,637	56.7
79	Bank of Baltimore	1,409,988	1,392,491	1.3
87	First National Bank of Maryland, Baltimore	1,330,867	1,191,900	11.7
	MASSACHUSSETTS			
16	Boston Safe Deposit and Trust Co.	4,781,622	4,800,525	-0.4
46	Shawmut Bank NA, Boston	2,084,807	1,461,813	42.6
49	First National Bank, Boston	2,009,615	1,941,841	3.5
80	BayBank Middlesex, Burlington	1,401,902	1,338,908	4.7
	MICHIGAN			
35	Comerica Bank-Detroit	2,522,063	2,153,943	17.1
67	National Bank of Detroit	1,585,838	1,608,635	-1.4
92	Manufacturers National Bank, Detroit	1,278,259	1,223,268	4.5
94	Michigan National Bank, Farmington Hills	1,260,862	1,993,854	-36.8
	MINNESOTA			
59	Norwest Bank Minnesota NA, Minneapolis	1,776,305	1,701,736	4.4
48	First Bank NA, Minneapolis	2,016,380	1,838,784	9.7
	MISSOURI			
71	Boatmen's National Bank, St. Louis	1,526,371	869,764	75.5
	NEVADA			
8	Citibank (Nevada) NA, Las Vegas	8,136,383	5,790,751	40.5
	NEW HAMPSHIRE			
85	First Deposit National Bank, Tilton	1,374,848	1,477,901	-7.0
	NEW JERSEY			
39	First Fidelity Bank NA, Newark	2,294,091	2,526,364	-9.2
54	Chemical Bank New Jersey NA, Morristown	1,902,533	684,706	177.9
60	Midlantic National Bank, Newark	1,760,495	782,186	125.1
	NEW YORK			
2	Citibank NA, New York	24,652,000	22,814,000	8.1
5	Chase Manhattan Bank NA, New York	11,041,819	7,888,669	40.0
10	Marine Midland Bank NA, Buffalo	6,726,582	6,649,932	1.2
12	Chemical Bank, New York	5,686,000	4,575,000	24.3
17	Bank of New York	4,708,841	2,269,818	107.5
18	Manufacturers Hanover Trust Co., New York	4,399,000	4,028,000	9.2
21	Citibank (New York State), Perinton	3,925,585	3,493,223	12.4
33	Chase Lincoln First Bank NA, Rochester	2,534,307	2,281,619	11.1
69	National Westminster Bank USA, New York	1,537,101	1,347,246	14.1
70	Norstar Bank of Upstate NY, Albany	1,530,019	1,582,675	-3.3
	NORTH CAROLINA			
19	First Union National Bank, Charlotte	4,248,297	3,842,883	10.5
26	Wachovia Bank & Trust Co. NA, Winston-Salem	3,329,931	3,015,392	10.4
32	NCNB National Bank of N.C., Charlotte	2,675,579	2,307,390	16.0
99	First-Citizens Bank & Trust Co., Raleigh	1,205,605	1,012,859	19.0
	OHIO			
38	Society National Bank, Cleveland	2,391,357	1,385,506	72.6
42	Huntington National Bank, Columbus	2,229,342	1,919,560	16.1
55	BancOhio National Bank, Columbus	1,869,855	1,935,487	-3.4
56	Ameritrust Co. NA, Cleveland	1,864,789	1,725,749	8.1
77	National City Bank, Cleveland	1,423,005	1,331,492	6.9
89	Bank One Columbus NA	1,311,762	1,055,940	24.2
	OREGON			
63	United States National Bank, Portland	1,640,870	1,432,732	14.5
66	First Interstate Bank of Oregon NA, Portland	1,597,793	1,285,906	24.3
	PENNSYLVANIA			
31	Meridian Bank, Reading	2,717,065	1,773,947	53.2
40	Pittsburgh National Bank	2,257,485	1,856,032	21.6
82	Mellon Bank NA, Pittsburgh	1,390,526	1,281,031	8.5
95	Provident National Bank, Philadelphia	1,252,988	1,075,301	16.5
97	Fidelity Bank NA, Philadelphia	1,227,046	1,244,221	-1.4
	PUERTO RICO			
44	Banco Popular de Puerto Rico, San Juan	2,122,101	1,980,154	7.2
	SOUTH CAROLINA			
78	South Carolina National Bank, Columbia	1,422,634	1,311,083	8.5
93	NCNB National Bank of South Carolina, Columbia	1,270,430	1,064,138	19.4
	SOUTH DAKOTA			
6	Citibank (South Dakota) NA, Sioux Falls	9,389,200	12,167,846	-22.8
	TENNESSEE			
73	First Tennessee Bank NA, Memphis	1,492,304	1,385,162	7.7
	TEXAS			
24	NCNB Texas National Bank, Dallas	3,650,208	2,689,712	35.7
45	Bank One Texas NA, Dallas	2,088,610	....	...
	VIRGINIA			
23	Sovran Bank NA, Richmond	3,729,169	3,673,730	1.5
29	Crestar Bank, Richmond	2,795,538	2,820,230	-0.9
41	Signet Bank/Virginia, Richmond	2,246,727	2,008,789	11.8
75	Central Fidelity Bank, Richmond	1,456,971	1,281,393	13.7
76	Dominion Bank NA, Roanoke	1,455,415	1,071,754	35.8
98	First Virginia Bank, Falls Church	1,215,691	1,154,332	5.3
	WASHINGTON			
22	Seattle-First National Bank	3,866,386	3,114,258	24.2
52	Security Pacific Bank Washington NA, Seattle	1,917,653	1,707,611	12.3
83	First Interstate Bank Washington NA, Seattle	1,384,581	1,067,406	29.7

Data Sources: Data were provided by **W.C. Ferguson & Co.**, Irving, Tex. from **BankSource**, a data base of the Federal Regulatory report of condition (RC). Ferguson does not adjust the 1988 data for mergers occurring in 1989. Some of the large changes may be attributable to mergers. Total Consumer Loans are the sum of 1-4 family mortgage loans, home equity loans, credit card loans, and other consumer loans).**Copyright American Banker 1990.**

Largest Home Equity Loan Growth

Among Top 100 (Dollar amounts in thousands)

		Home Eq. Loans 12/31/89	Home Eq. Loans 12/31/88	Incr. (%)	C.L. Rank
1	First Deposit National Bank, Tilton, N.H.	11,375	764	1388.9	85
2	Meridian Bank, Reading, Pa.★	145,676	40,819	256.9	31
3	First Interstate Bank of California, Los Angeles	564,332	170,276	231.4	11
4	Sanwa Bank California, San Francisco	33,345	11,713	184.7	100
5	Pittsburgh National Bank	253,992	91,161	178.6	40
6	Citibank (Nevada) NA, Las Vegas	9,026	3,275	175.6	8
7	Shawmut Bank NA, Boston	572,193	233,376	145.2	46
8	Sovran Bank NA, Richmond	175,122	86,629	102.2	23
9	Chemical Bank New Jersey NA, Morristown★	357,528	177,257	101.7	54
10	Barnett Bank of South Florida NA, Miami	79,758	41,507	92.2	47

(★)— Merger(s) in 1989 may account for most of the gain. **C.L. Rank**— Consumer loan rank.

Largest Growth in Mortgage Loans

Among Top 100 (Dollar amounts in millions)

		Mtge. Loans 12/31/89	Mtge. Loans 12/31/88	Decr. (%)	C.L. Rank
1	Bank of New York★	2,149.6	402.5	434.0	17
2	Chemical Bank New Jersey NA, Morristown★	693.1	233.8	196.4	54
3	Meridian Bank, Reading, Pa.★	1,102.6	396.1	178.3	31
4	Citibank (Nevada) NA, Las Vegas	51.8	20.5	152.6	8
5	Midlantic National Bank, Newark, N.J.★	219.6	89.2	146.3	60
6	Boatmen's National Bank, St. Louis★	871.8	384.1	127.0	71
7	First National Bank, Boston	1,037.3	568.7	82.4	49
8	Banco Popular de Puerto Rico, San Juan	315.2	170.0	85.4	44
9	Chemical Bank, New York	2,787.0	1,530.0	82.2	12
10	Southeast Bank NA, Miami★	2,093.2	1,185.8	76.5	14

(★)— Merger(s) in 1989 may account for most of the gain. **C.L. Rank**— Consumer loan rank.

Top 200 Banks in Home Equity Loans

Based on federal regulatory report of condition data for Dec. 31, 1989 (dollar amounts in millions)

Rank 12/89		Home Equity Loans 12/31/89	Home Equity Loans 12/31/88	Percent Change
1	Wells Fargo Bank NA, San Francisco	1,922	1,736	10.7
2	Bank of America NT&SA, San Francisco	1,825	1,170	56.0
3	Citibank NA, New York	1,532	1,397	9.7
4	Security Pacific National Bank, Los Angeles	1,281	758	69.0
5	Connecticut National Bank, Hartford	737	609	21.1
6	Chase Manhattan Bank NA, New York	724	496	46.0
7	First Fidelity Bank NA NJ, Newark	690	588	17.4
8	Marine Midland Bank NA, Buffalo, N.Y.	622	500	24.3
9	Connecticut Bank & Trust Co. NA, Hartford	578	535	7.9
10	Shawmut Bank NA, Boston	572	233	145.2
11	First Interstate Bank of California, Los Angeles	564	170	231.4
12	NCNB National Bank of North Carolina, Charlotte	473	422	12.2
13	Bank of New York	444	319	39.0
14	Midlantic National Bank, Newark	428	247	73.3
15	First Union National Bank, Charlotte, N.C.	379	286	32.5
16	Valley National Bank of Arizona, Phoenix	377	344	9.7
17	Union Bank, San Francisco	360	278	29.7
18	Chemical Bank New Jersey NA, Morristown	358	177	101.7
19	Chemical Bank, New York	342	271	26.2
20	Signet Bank/Virginia, Richmond	327	318	2.9
21	Barclays Bank of New York NA	323	280	15.3
22	First Jersey National Bank, Jersey City	304	240	26.6
23	BayBank Middlesex, Burlington, Mass.	304	284	7.1
24	First National Bank, Boston	279	235	18.8
25	Fleet National Bank, Providence, R.I.	276	253	9.2
26	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	275	247	11.5
27	Huntington National Bank, Columbus, Ohio	274	262	4.3
28	Society National Bank, Cleveland	269	177	51.5
29	First National Bank of Maryland, Baltimore	269	199	34.7
30	Crestar Bank, Richmond	265	199	33.4
31	Riggs National Bank, Washington, D.C.	258	227	13.4
32	Pittsburgh National Bank	254	91	178.6
33	Union Trust Co., Stamford, Conn.	247	232	6.6
34	Equitable Bank NA, Baltimore	245	199	23.5
35	First Bank NA, Minneapolis	243	160	52.3
36	Citizens & Southern National Bank, Atlanta	238	166	43.6
37	Comerica Bank-Detroit	236	163	44.7
38	First Fidelity Bank NA, Totowa. N.J.	230	203	13.6
39	Bank of Hawaii, Honolulu	219	184	18.9
40	Southeast Bank NA, Miami	214	155	38.0
41	Manufacturers Hanover Trust Co., New York	210	238	-11.8
42	Bank of New England NA, Boston	203	259	-21.9
43	New Jersey National Bank, Pennington	197	188	4.6
44	First-Citizens Bank & Trust Co., Raleigh, N.C.	192	160	20.1
45	UJB/Hackensack, N.J.	190	141	35.3
46	Chase Bank of Maryland, Baltimore	189	151	24.6
47	Midlantic National Bank/North, West Paterson, N.J.	188	163	15.3
48	National Community Bank, Rutherford, N.J.	184	169	9.2
49	Norstar Bank of Upstate New York, Albany	181	142	27.5
50	Sovran Bank NA, Richmond	175	87	102.2
51	Sovran Bank/Maryland, Bethesda	171	142	20.4
52	BayBank Norfolk Cty Trust Co., Dedham, Mass.	166	147	12.6
53	Boston Safe Deposit & Trust Co.	165	144	15.1
54	South Carolina National Bank, Columbia	164	148	10.4
55	First National Bank, Chicago	163	206	-20.9
56	Fidelity Bank NA, Philadelphia	162	100	62.4
57	United Bank & Trust Co., Hartford, Conn.	162	130	24.8
58	Bank of Boston Connecticut, Waterbury	157	148	6.6
59	United Jersey Bank NA, Princeton, N.J.	156	144	8.5
60	Massachusetts Co., Inc., Boston	155	4	4111.1
61	Rhode Island Hospital Trust NA, Providence, R.I.	153	128	19.0
62	AmSouth Bank NA, Birmingham	151	111	36.3
63	First National Bank, Atlanta	149	109	36.8
64	Boatmen's National Bank, St. Louis	149	82	82.6
65	Meridian Bank, Reading, Pa.	146	41	256.9
66	Citizens & Southern National Bank, Columbia, S.C.	145	129	12.5
67	Citibank (New York State), Perinton	144	100	43.8
68	Signet Bank/Maryland, Baltimore	140	129	8.8
69	Citizens First National Bank, Ridgewood, N.J.	140	137	2.5
70	Chase Lincoln First Bank NA, Rochester, N.Y.	139	112	24.7
71	Shawmut Worcester County Bank NA, Worcester, Mass.	139	106	30.7
72	Citizens & Southern Nat'l Bank, Ft Laudardale, Fla.	136	115	18.3
73	First Union National Bank of Florida, Jacksonville	135	107	26.3
74	Norstar Bank NA, Buffalo, N.Y.	133	102	30.7
75	Delaware Trust Co., Wilmington	130	111	17.3
76	Bank of New England-South NA, Brockton, Mass.	130	27	386.1
77	Bank of California NA, San Francisco	130	83	56.8
78	First Fidelity Bank NA, Burlington Township, N.J.	127	112	13.7
79	First Tennessee Bank NA, Memphis	127	108	17.5
80	Bank of New England-North NA, Lowell, Mass.	125	11	1022.9
81	NCNB National Bank of South Carolina, Columbia	125	94	32.9
82	Manufacturers National Bank, Detroit	125	101	23.7
83	Mercantile Bank of St. Louis NA, Clayton, Mo.	120	104	15.9
84	National City Bank, Cleveland	119	113	6.0
85	Northern Trust Co., Chicago	117	96	21.6
86	First Alabama Bank, Montgomery	116	96	21.3
87	First Chicago Bank, Mount Prospect, Ill.	116	15	674.6
88	First Virginia Bank, Falls Church	114	88	29.1
89	Dominion Bank NA, Roanoke, Va.	114	104	8.8
90	Merrill Lynch B&T Co., Plainsboro Township, N.J.	114	357	-68.2
91	First Security Bank of Utah NA, Salt Lake City	112	106	6.4
92	First Pennsylvania Bank NA, Philadelphia	109	94	16.3
93	Central Trust Company NA, Cincinnati	109	98	11.5
94	National Westminster Bank USA, New York	108	87	23.6
95	National State Bank, Elizabeth, N.J.	106	86	24.0
96	Commerce Bank NA, Evesham Township, N.J.	106	24	349.6
97	Southern National Bank, Lumberton, N.C.	105	84	24.6
98	Amboy-Madison National Bank, Old Bridge Township, N.J.	103	80	28.8
99	City National Bank, Beverly Hills	103	60	71.0
100	Wilmington Trust Co., Del.	102	75	36.5
	Totals for the Top 100 Banks	**28,300**	**21,940**	**29.0**
101	Central Fidelity Bank, Richmond	102	69	48.9
102	Citibank (Arizona), Phoenix	102	88	14.9
103	Merrill/Norstar Bank, Bangor, Me.	100	69	44.5
104	Michigan National Bank, Farmington Hills	98	67	47.7
105	Norwest Bank Minnesota NA, Minneapolis	96	88	8.8
106	Central Carolina Bank & Trust Co., Durham, N.C.	95	87	9.1
107	Florida National Bank, Jacksonville	93	76	21.9
108	Ameritrust Co. NA, Cleveland	92	55	67.0
109	First National Bank,Toms River, N.J.	91	86	5.7
110	NCNB National Bank of Florida, Tampa	89	47	91.0
111	Central Bank of the South, Birmingham, Ala.	88	67	30.8
112	Key Bank of Southeastern New York NA, Chester	88	60	46.1
113	Fleet Bank, Nashua, N.H.	87	32	175.9
114	BayBank Harvard Trust Co., Cambridge, Mass.	87	82	5.6
115	Bank of New England-West NA, Springfield, Mass.	86	78	10.3
116	Shawmut Arlington Trust Co., Lawrence, Mass.	85	73	17.0
117	First Hawaiian Bank, Honolulu	85	56	50.7
118	First American Bank of Virginia, McLean	85	73	16.3
119	Bank of Baltimore	85	51	65.9
120	Bank of New England-Worchester, Mass.	85	74	13.8
121	Harris Trust and Savings Bank, Chicago	84	67	25.2
122	First National Bank of Cntrl. Jersey, Bridgewater Twnshp., N.J.	84	82	2.0
123	Bank South NA, Atlanta	83	75	10.4
124	Continental Bank NA, Chicago	81	74	10.7
125	Bucks County Bank & Trust Co., Perkasie, Pa.	81	79	2.8
126	Mellon Bank NA, Pittsburgh	81	119	-32.0
127	Sun Bank NA, Orlando, Fla.	81	79	2.3
128	Trustco Bank of New York, Schenectady	80	51	58.2
129	People's Bank NA, Johnston, R.I.	80	77	3.5
130	Barnett Bank of South Florida NA, Miami	80	42	92.2
131	Security Pacific Bank-Arizona, Phoenix	79	71	12.1
132	Central Jersey B&T Co., Freehold Township, N.J.	79	78	1.4
133	Valley Bank of Nevada, Las Vegas	78	54	44.8
134	Maine National Bank, Portland	77	58	32.9
135	Philadelphia National Bank	75	53	41.8
136	Westamerica Bank NA, San Rafael, Calif.	74	60	24.4
137	United Jersey Bank/South NA, Cherry Hill, N.J.	74	64	16.1
138	Key Bank NA, Albany, N.Y.	74	50	46.0
139	Commerce Bank of St. Louis NA, Clayton, Mo.	73	60	23.4
140	First Union National Bank of Georgia, Atlanta	73	54	35.3
141	First American National Bank, Nashville, Tenn.	73	66	10.5
142	Summit Trust Co., N.J.	73	68	7.5
143	Dominion Bank of Northern Virginia, Vienna	72	59	22.9
144	Dominion Bank of Richmond NA	71	59	19.6
145	BayBank Southeast NA, Plymouth, Mass.	70	69	1.9
146	First National Bank, Cincinnati	70	60	15.6
147	Bank of Delaware, Wilmington	69	57	22.6
148	Trust Company Bank, Atlanta	69	60	15.0
149	United Counties Trust Co., Cranford, N.J.	69	64	8.3
150	Maryland National Bank, Baltimore	69	189	-63.7
151	Mid-America Bank of Louisville & Trust Co., Ky.	68	61	12.0
152	United Carolina Bank, Whiteville, N.C.	68	53	29.7
153	Bank of New England/Old Colony NA, Providence R.I.	67	62	8.4
154	National Bank of Detroit	66	36	83.9
155	Sovran Bank/Central South, Nashville, Tenn.	65	54	20.5
156	Dominion Bank of Greater Hampton Roads, Norfolk	65	55	19.1
157	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	65	52	25.8
158	BancOhio National Bank, Columbus	65	58	12.4
159	Bank One Columbus NA, Ohio	63	42	48.9
160	PNC National Bank, Wilmington, Del.	63	43	45.4
161	Prudential Bank & Trust Co., Atlanta	62	47	30.5
162	Gary-Wheaton Bank, Wheaton, Ill.	62	0	ERR
163	Valley National Bank, Passaic, N.J.	61	51	19.9
164	First Interstate Bank of Oregon NA, Portland	61	45	34.7
165	Mark Twain Bank NA, Ladue, Mo.	60	34	78.1
166	San Diego Trust & Savings Bank, Calif.	60	39	53.5
167	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	59	43	38.2
168	LaSalle National Bank, Chicago	59	35	69.4
169	Key Bank of Central New York NA, Syracuse	58	31	85.7
170	First Chicago Bank, Oak Park, Ill	58	8	620.3
171	SouthTrust Bank of Alabama NA, Birmingham	58	43	35.3
172	United Jersey Bank/Commercial Trust, Jersey City, N.J.	58	55	4.2
173	BayBank Boston NA	58	60	-3.4
174	Chittenden Trust Co., Burlington, Vt.	57	45	28.2
175	Branch Banking and Trust Co., Wilson, N.C.	57	36	58.4
176	National City Bank, Akron, Ohio	56	37	52.6
177	United Jersey Bank/Mid State, Hazlet Twnshp., N.J.	55	46	17.7
178	Bank One Akron NA, Ohio	55	48	13.5
179	Trustcorp Bank, South Bend, Ind.	54	51	5.4
180	Zions First National Bank, Salt Lake City, Utah	53	52	1.9
181	Key Bank Maine, Augusta	53	42	26.7
182	Rockland Trust Co., Mass.	53	38	38.1
183	Security Pacific Bank Washington NA, Seattle	53	34	54.3
184	Manufacturers & Traders Trust Co., Buffalo, N.Y.	52	37	41.8
185	First American Bank NA, Washington, D.C.	52	47	10.2
186	First Interstate Bank of Hawaii, Honolulu	52	32	62.6
187	Merchants Bank NA, Allentown, Pa.	52	41	24.4
188	First Valley Bank, Bethlehem, Pa.	51	47	10.0
189	First Interstate Bank of Nevada NA, Reno	51	36	40.2
190	Valley Bank & Trust Co., Salt Lake City, Utah	51	33	52.4
191	United Jersey Bank/Northwest, Randolph, N.J.	51	46	11.1
192	Bank One Dayton NA, Ohio	50	52	-4.0
193	USTrust/Middlesex, Cambridge, Mass.	50	19	165.4
194	Society Bank NA, Dayton, Ohio	50	38	30.5
195	National Bank of Boyertown, Pa.	50	40	23.1
196	Marquette Bank Minneapolis NA	49	35	39.5
197	Commerce Bank of Kansas City NA, Mo.	48	36	33.0
198	Atlantic Bank of New York	48	38	26.3
199	National Bank of Commerce, Memphis	48	37	31.8
200	Equibank, Pittsburgh	48	47	0.5
	Totals for the Top 200 Banks	**$35,223**	**$27,513**	**28.02**
	Totals for All FDIC-Insured Banks	**$50,825**	**$40,001**	**27.06**

Data Sources: Data were provided by **W.C. Ferguson & Co.,** Irving, Tex. from **BankSource,** a data base of the Federal Regulatory report of condition (RC). Ferguson does not adjust the 1988 data for mergers occurring in 1989. Some of the large changes may be attributable to mergers. Data for all federally insured banks provided by the **Federal Deposit Insurance Corp.,** Washington, D.C. **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (Schedule RC-C, Column B, item 1.c.(1).)

Compiled by American Banker, Copyright 1990.

BEST AVAILABLE COPY

Top 200 Banks in Mortgage Loans

Based on federal regulatory report of condition data for Dec. 31, 1989. Exludes home equity loans. (dollar amounts in millions)

Rank 12/89		Mortgage Loans 12/31/89	Mortgage Loans 12/31/88	Percent Change
1	Bank of America NT&SA, San Francisco	14,822	11,377	30.3
2	Security Pacific National Bank, Los Angeles	9,866	6,634	48.7
3	Wells Fargo Bank NA, San Francisco	8,434	5,832	44.6
4	Citibank NA, New York	7,647	7,009	9.1
5	Chase Manhattan Bank NA, New York	6,674	4,426	50.8
6	Boston Safe Deposit & Trust Co.	4,105	4,040	1.6
7	Chemical Bank, New York	2,787	1,530	82.2
8	First Union National Bank, Charlotte, N.C.	2,763	2,581	7.0
9	Bank of New York	2,150	403	434.0
10	Connecticut National Bank, Hartford	2,148	1,769	21.4
11	First Interstate Bank of California, Los Angeles	2,105	1,579	33.3
12	Southeast Bank NA, Miami	2,093	1,186	76.5
13	Union Bank, San Francisco	1,681	1,388	21.1
14	Seattle-First National Bank	1,591	1,130	40.9
15	NCNB Texas National Bank, Dallas	1,563	1,153	35.6
16	First Union National Bank of Florida, Jacksonville	1,560	1,126	38.5
17	Marine Midland Bank NA, Buffalo, N.Y.	1,543	1,185	30.2
18	NCNB National Bank of North Carolina, Charlotte	1,306	941	38.8
19	Chase Lincoln First Bank NA, Rochester, N.Y.	1,217	1,083	12.4
20	Citibank (New York State), Perinton	1,209	1,155	4.7
21	Sovran Bank NA, Richmond	1,141	1,049	8.8
22	Meridian Bank, Reading, Pa.	1,103	396	178.3
23	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	1,096	846	29.5
24	Citibank of Florida NA, Dania	1,038	20	4986.6
25	First National Bank, Boston	1,037	569	82.4
26	Hibernia National Bank, New Orleans	994	724	37.3
27	Barnett Bank of South Florida NA, Miami	954	745	28.1
28	First National Bank, Chicago	916	868	5.6
29	Boatmen's National Bank, St. Louis	872	384	127.0
30	Barnett Bank of Southwest Florida, Sarasota	850	840	1.2
31	Barnett Bank of Pinellas County, St. Petersburg, Fla.	846	761	11.1
32	First Alabama Bank, Montgomery	836	572	46.1
33	Bank One Texas NA, Dallas	832	0	...
34	Comerica Bank-Detroit	806	653	23.4
35	First Fidelity Bank NA, Newark, N.J.	805	1,172	-31.3
36	NCNB National Bank of Florida, Tampa	791	693	14.2
37	Michigan National Bank, Farmington Hills	789	508	55.3
38	National Community Bank, Rutherford, N.J.	784	735	6.6
39	Security Pacific Bank Washington NA, Seattle	732	556	31.7
40	Wilmington Trust Co., Del.	719	583	23.3
41	National Bank of Detroit	709	795	-10.8
42	Citizens & Southern National Bank, Ft. Lauderdale, Fla.	696	712	-2.2
43	Citizens & Southern National Bank, Atlanta	695	719	-3.2
44	Chemical Bank New Jersey NA, Morristown	693	234	196.4
45	Bank of Hawaii, Honolulu	688	574	19.9
46	Crestar Bank, Richmond	681	705	-3.5
47	First National Bank of Maryland, Baltimore	674	592	13.8
48	Sanwa Bank California, San Francisco	672	442	52.1
49	Manufacturers National Bank, Detroit	670	650	3.1
50	AmSouth Bank NA, Birmingham	670	761	-12.0
51	Ameritrust Co. NA, Cleveland	669	704	-5.0
52	Valley National Bank, Phoenix, Ariz.	666	652	2.3
53	Riggs National Bank, Washington, D.C.	661	382	73.1
54	First National Bank, Atlanta	651	592	9.9
55	First Bank NA, Minneapolis	650	628	3.5
56	Branch Banking and Trust Co., Wilson, N.C.	617	669	-7.8
57	BayBank Middlesex, Burlington, Mass.	612	564	8.6
58	Bank of California NA, San Francisco	612	539	13.6
59	First Florida Bank NA, Tampa	608	732	-16.9
60	Citibank (Arizona), Phoenix	603	705	-14.5
61	Dominion Bank NA, Roanoke, Va.	593	440	34.8
62	Manufacturers & Traders Trust Co., Buffalo, N.Y.	587	518	13.4
63	Chase Bank of Maryland, Baltimore	563	514	9.6
64	Society National Bank, Cleveland	546	344	58.7
65	Bank of Baltimore	536	627	-14.6
66	Florida National Bank, Jacksonville	535	497	7.7
67	Chase Bank of Ohio, Columbus	526	568	-7.4
68	Northern Trust Co., Chicago	524	412	27.1
69	Massachusetts Co., Inc., Boston	500	382	31.0
70	First Union National Bank of Georgia, Atlanta	491	338	45.0
71	U.S. Bank of Washington NA, Seattle	488	403	21.1
72	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.,	472	387	22.0
73	Central Fidelity Bank, Richmond	471	371	26.9
74	Shawmut Bank NA, Boston	464	481	-3.4
75	Maryland National Bank, Baltimore	459	465	-1.3
76	Connecticut Bank & Trust Co. NA, Hartford	457	589	-22.4
77	Union Trust Co., Stamford, Conn.	452	193	134.6
78	South Carolina National Bank, Columbia	452	376	20.1
79	First Fidelity Bank NA, Totowa, N.J.	447	438	2.1
80	Pittsburgh National Bank	443	404	9.7
81	Equibank, Pittsburgh	441	249	76.9
82	First Interstate Bank NA, Houston	438	502	-12.7
83	Fidelity Bank NA, Philadelphia	437	476	-8.2
84	Mercantile Bank of St. Louis NA, Clayton, Mo.	434	327	32.5
85	First Security Bank of Utah NA, Ogden	434	426	1.8
86	Central Bank of the South, Birmingham, Ala.	431	392	10.1
87	Norwest Bank Minnesota NA, Minneapolis	430	474	-9.3
88	Huntington National Bank, Columbus, Ohio	428	359	19.4
89	Team Bank NA, Fort Worth, Tex.	428	0	...
90	Sun Bank/South Florida NA, Fort Lauderdale	427	334	27.9
91	Norstar Bank of Upstate NY, Albany	425	367	15.8
92	United States National Bank, Portland, Ore.	416	372	12.0
93	First Interstate Bank of Arizona NA, Phoenix	410	333	23.3
94	Provident National Bank, Philadelphia	409	338	20.8
95	First Interstate Bank of Washington NA, Seattle	399	293	35.9
96	United Jersey Bank, Hackensack, N.J.	397	268	48.4
97	United Bank & Trust Co., Hartford, Conn.	392	354	10.7
98	First Security Bank of Idaho NA, Boise	391	362	7.9
99	Banco de Ponce, P.R.	390	359	8.7
100	First Eastern Bank NA, Wilkes-Barre, Pa.	389	323	20.6
	Totals for the Top 100 Banks	**126,752**	**98,201**	**29.07**
101	Continental Bank, Norristown, Pa.	389	384	1.2
102	First Virginia Bank, Falls Church	388	350	11.0
103	European American Bank, New York	384	267	43.8
104	BayBank Norfolk County Trust Co., Dedham, Mass.	383	359	6.8
105	First Interstate Bank of Oregon NA, Portland	379	267	41.8
106	Premier Bank NA, Baton Rouge, La.	378	0	...
107	First Hawaiian Bank, Honolulu	373	340	9.8
108	Sovran Bank/Central South, Nashville, Tenn.	371	263	41.0
109	National City Bank, Cleveland	368	361	1.9
110	Citizens First National Bank, Ridgewood, N.J.	365	344	6.1
111	Mellon Bank NA, Pittsburgh	364	261	39.5
112	First Tennessee Bank NA, Memphis	358	317	12.8
113	Union Planters National Bank, Memphis	356	270	31.8
114	First of America Bank-SE Michigan NA, Detroit	352	315	11.8
115	Deposit Guaranty National Bank, Jackson, Miss.	348	301	15.6
116	Fleet National Bank, Providence, R.I.	344	433	-20.6
117	Barnett Bank of Jacksonville NA, Fla.	342	261	31.1
118	Barnett Bank of Central Florida NA, Orlando	342	273	25.3
119	INB National Bank, Indianapolis	340	297	14.5
120	Manufacturers Hanover Trust Co., New York	339	275	23.3
121	Trustmark National Bank, Jackson, Miss.	327	275	19.1
122	Sun Bank NA, Orlando, Fla.	320	295	8.3
123	Banco Popular de Puerto Rico, San Juan	315	170	85.4
124	First American Bank of Virginia, McLean	307	309	-0.5
125	Chittenden Trust Co., Burlington, Vt.	307	302	1.6
126	Northeastern Bank of Pennsylvania, Wilkes-Barre	306	376	-18.7
127	Chase Bank of Arizona, Phoenix	301	295	1.9
128	Central Trust Co. NA, Cincinnati	300	212	41.7
129	NCNB National Bank of South Carolina, Columbia	298	240	24.3
130	Eastern Bank, Lynn, Mass.	295	0	...
131	Bank of Boston Connecticut, Waterbury	290	298	-2.7
132	BancOhio National Bank, Columbus	290	266	8.9
133	First-Citizens Bank & Trust Co., Raleigh, N.C.	289	199	45.1
134	Summit Trust Co., N.J.	286	274	4.3
135	AmSouth Bank of Florida, Pensacola	282	315	-10.4
136	Barnett Bank of Pasco Cty., Holiday, Fla.	282	236	19.2
137	Amboy-Madison National Bank, Old Bridge Township, N.J.	282	277	1.7
138	United Penn Bank, Wilkes-Barre, Pa.	278	232	19.8
139	Bank of the West, San Francisco	275	220	25.4
140	Imperial Bank, Inglewood, Calif.	274	134	104.9
141	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	273	269	1.5
142	Midlantic National Bank/North, West Paterson, N.J.	270	267	1.2
143	National State Bank, Elizabeth, N.J.	270	250	7.8
144	Central Carolina Bank & Trust Co., Durham, N.C.	269	245	9.6
145	American Security Bank NA, Washington, D.C.	268	229	17.0
146	Casco Northern Bank NA, Portland, Me.	267	243	9.9
147	Barnett Bank of Tampa NA, Fla.	267	251	6.3
148	Society Bank NA, Dayton, Ohio	264	241	9.6
149	National Westminster Bank USA, New York	263	218	20.7
150	Old Kent Bank and Trust Co., Grand Rapids, Mich.	257	205	25.1
151	Boatmen's First National Bank, Kansas City, Mo.	256	159	60.5
152	Comerica Bank NA, Jackson, Mich.	255	20	1162.8
153	Commerce Bank of St. Louis NA, Clayton, Mo.	254	206	22.8
154	Sumitomo Bank of California, San Francisco	252	188	34.4
155	BayBank Harvard Trust Co., Cambridge, Mass.	252	221	13.7
156	Provident Bank of Maryland, Baltimore	249	315	-20.7
157	Sovran Bank/Maryland, Bethesda	248	239	3.7
158	Hamilton Bank, Lancaster, Pa.	245	217	13.0
159	First National Bank of Ohio, Akron	245	230	6.2
160	United States Trust Co., New York	242	200	20.6
161	Bank of Delaware, Wilmington	241	216	11.8
162	Atlantic Bank of New York	240	223	7.7
163	United Carolina Bank, Whiteville, N.C.	238	208	14.7
164	Jefferson National Bank, Charlottesville, Va.	238	209	13.7
165	First Pennsylvania Bank NA, Philadelphia	237	195	22.0
166	Continental Bank NA, Chicago	236	107	120.1
167	M&I Marshall & Ilsley Bank, Milwaukee	235	223	5.5
168	Barnett Bank of Naples, Fla.	235	172	36.4
169	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	233	283	-17.7
170	First Interstate Bank of Nevada NA, Reno	231	182	26.8
171	First Seneca Bank, Butler, Pa.	229	215	6.6
172	Shawmut Worcester County Bank NA, Worcester, Mass.	229	212	7.9
173	Key Bank of Central New York NA, Syracuse	225	226	-0.1
174	Rhode Island Hospital Trust NA, Providence, R.I.	225	161	39.7
175	Barclays Bank of New York NA	223	252	-11.5
176	Key Bank NA, Albany, N.Y.	223	149	50.4
177	Landmark Bank, Clayton, Mo.	223	174	28.2
178	Citibank (Maine) NA, South Portland	222	199	11.8
179	Adams Cty. Nat'l Bank, Cumberland Township, Pa.	222	210	5.5
180	Sun Bank of Lee County NA, Fort Myers, Fla.	221	189	17.3
181	Sun Bank & Trust Co., Brooksville, Fla.	220	207	6.4
182	Midlantic National Bank, Newark, N.J.	220	89	146.3
183	Colonial National Bank USA, Wilmington, Del.	218	149	46.3
184	Marquette Bank Minneapolis NA	217	225	-3.9
185	Bank South NA, Atlanta	216	208	3.9
186	Philadelphia National Bank	215	169	27.5
187	Colonial Bank, Huntsville, Ala.	215	156	38.0
188	Putnam Trust Co., Greenwich, Conn.	214	202	6.3
189	First National Bank of Cntrl Jersey, Bridge Water Twnshp.	214	205	4.5
190	Barnett Bank of Lee County NA, Fort Myers, Fla.	211	172	23.0
191	First National Bank, Cincinnati	211	145	45.5
192	New Jersey National Bank, Pennington	210	171	22.9
193	Bank One NA, Indianapolis	209	177	18.5
194	Merchants Bank NA, Allentown, Pa.	209	278	-24.6
195	Valley National Bank, Passaic, N.J.	209	196	6.6
196	First City National Bank, Houston	208	147	41.9
197	Fifth Third Bank, Cincinnati	208	170	22.0
198	Barnett Bank of Manatee Cty. NA, Fla.	208	184	12.8
199	Signet Bank/Virginia, Richmond	207	172	19.9
200	Sunburst Bank, Grenada, Miss.	206	184	12.2
	Totals for the Top 200 Banks	**153,936**	**121,088**	**27.13**
	Totals for All FDIC-Insured Banks	**$300,059**	**$261,709**	**14.65**

Data Sources: Data were provided by **W.C. Ferguson & Co.,** Irving, Tex. from **BankSource,** a data base of the Federal Regulatory report of condition (RC). Ferguson does not adjust the 1988 data for mergers occurring in 1989. Some of the large changes may be attributable to mergers. Data for all federally insured banks provided by the **Federal Deposit Insurance Corp.,** Washington, D.C. **Mortgage loans** are loans secured by 1-4 family residential properties. First and second mortgage loans are included, but home equity loans are excluded. (Schedule RC-C, Column B, item 1.c.(2).)

Compiled by American Banker, Copyright 1990.

800

AMERICAN BANKER

VOL. CLV NO. 123 Monday, June 25, 1990 55th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Pressure Mounts To Allow Banks Free Branching

By ROBERT TRIGAUX

WASHINGTON — Claiming that the U.S. banking industry is overly fragmented and losing ground to international competitors, a powerful coalition of federal regulators, legislators, influential consultants, and some large banks is renewing the call to allow U.S. banks to branch nationwide.

The drive favoring larger U.S. banks with extensive branch networks is being engineered by top Federal Reserve Board officials and key members of Congress, among others.

Their moves pose the latest challenge to states that want to preserve their historical right under the McFadden Act to control banking activities within their borders.

ANALYSIS: *Follow-up on the news*

The latest strike for nationwide banking is legislation to be introduced this week by Sen. Christopher Dodd, D-Conn., and Rep. Charles Schumer, D-N.Y.

Greenspan Backs Move

At a hearing last Thursday, Federal Reserve Board Chairman Alan Greenspan asked Sen. Dodd if this legislation would mean an end to the McFadden Act. Told that it would, Mr. Greenspan responded, "No question, it would be highly desirable."

The McFadden law, enacted in 1927, allows national banks to open branches in a given state only to the extent allowed state-chartered banks. It thus gives state governments the final word on branch authority for all banks regardless of charter, and broadly prohibits banks from opening deposit-taking offices across state borders.

Branching Laws Varied

By way of reciprocal interstate banking laws that many states enacted during the 1980s, bank holding companies can buy or establish a separate institution in each state they enter. In most cases, entry into each new state requires the expense and bureaucracy of an independent management and a new board of directors.

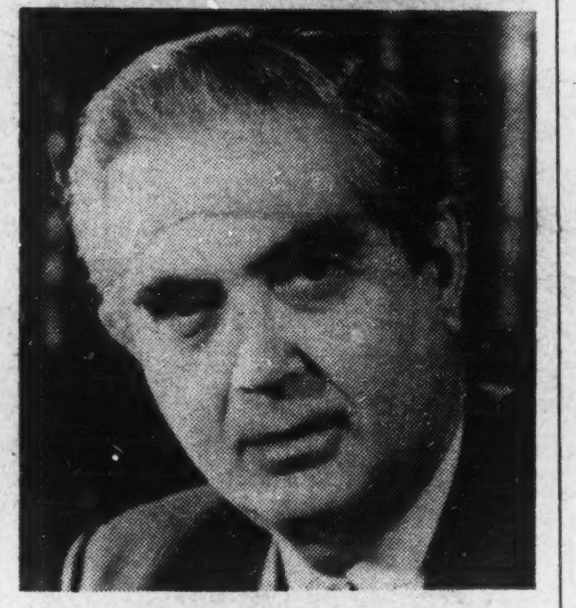
A majority of states permit some form of interstate banking. About 30 allow statewide branching, 13 others have restricted branching laws, and a handful still operate as unit banking states with very limited or no branching.

Federal Reserve Board Governor John LaWare thinks the McFadden Act has contributed

See **PRESSURE** *page* 14

INSIDE NEWS

WASHINGTON



PETER COOKE, a former Bank of England official who helped lay the groundwork for international risk-based capital rules, suggested to the Senate Banking Committee that the U.S. emulate other nations and adopt a centralized system of bank regulation. *Page 8*

INTERNATIONAL

SOME JAPANESE bankers, fearing that further penetration of the U.S. market could prove a political liability, acknowledged that they may have to accept voluntary growth restraints. *Page 10*

FINANCE

RJR NABISCO Holdings Corp. appears well on the way to raising $2 billion to $3 billion in bank loans to help retire some of its junk bonds. *Page 14*

CONSUMER

SHOREBANK CORP. of Chicago doesn't just finance community development. A subsidiary, City Lands Corp., has built 1,300 units of low- and moderate-income housing units since it was formed in 1978. *Page 6*

TECHNOLOGY

VERIFONE and Financial News Network reached an agreement that will allow merchants to receive credit card authorizations via television airwaves. *Page 3*

PEOPLE

ARTHUR F. RYAN, newly appointed president of Chase Manhattan Corp., is a hands-on, Brooklyn-bred executive who fits right in at a patrician institution closely identified with Rockefellers. *Page 2*

INDEX

Company Index 2
Sound Off 4
Classified Advertising 12
Bank and Thrift Stocks 15

Older Baby Boomers' Unease Called Bankers' Opportunity

By ELLEN MEMMELAAR

NEW YORK — An unusual degree of financial uneasiness makes older members of the baby-boom generation a potentially lucrative marketing target for astute bankers, researchers and bank marketers say.

These baby boomers, 35 to 44 years old, see themselves in a three-way bind – having to support children, aging parents, and their own retirement plans – that calls for sophisticated financial planning.

Targeting the older baby boomers is being pushed by the International Association for Financial Planning, an Atlanta-based trade group, and a few banks are taking it to heart.

Special Attention

While the banks have long viewed the 70 million people born from 1946 to 1964 as a key marketing opportunity, the older half of that generation is beginning to attract special attention.

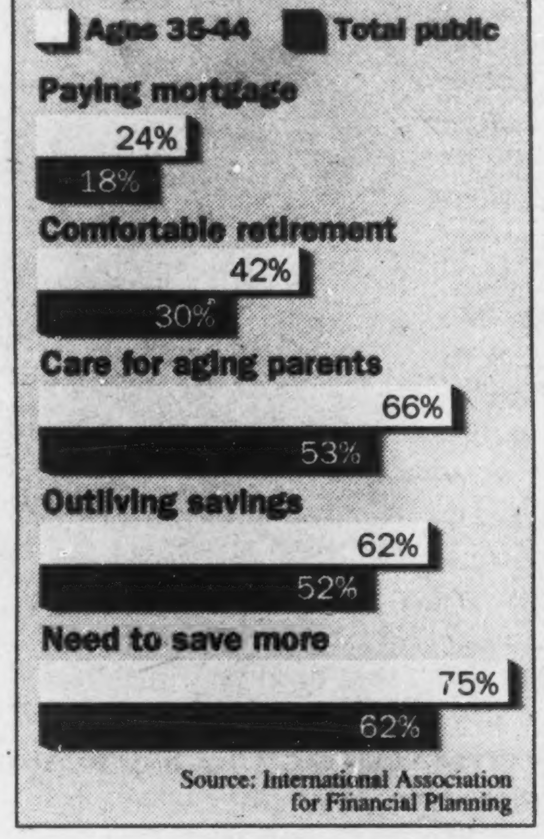
For example, U.S. Bank, the lead subsidiary of U.S. Bancorp., Portland, Ore., recently acquired a financial planning company. The bank has an eye toward attracting baby boomers who are in their prime income- and wealth-creating years but lack confidence in their ability to manage money and meet family financial demands.

"There are many things that banks can do for this segment of

See **BANKS** *page* **6**

Boomers Feel Squeezed

How their concerns compare with the general population's



Source: International Association for Financial Planning

Bush Orders New Steps To Combat S&L Crimes

By DEBRA COPE

WASHINGTON — Facing increasing political heat over his administration's handling of the savings industry crisis, President Bush announced several initiatives Friday to crack down on fraud and other criminal activity related to thrift failures.

His moves included creation of a federal strike force to catch criminal activity at financial institutions before it gets out of hand, and endorsement of proposals by Republic legislators to beef up enforcement tools and boost funds available for probing management abuses.

He also appointed James G. Richmond Jr., U.S. attorney for the northern district of Indiana since 1985, as special prosecutor to coordinate federal enforcement of thrift-related crimes.

"We will not rest until the cheats, the chiselers, and the charlatans spend a large chunk

See **BUSH** *page* **14**

Bankers Expect To Kill Bill on Check Cashing

By ROBERT M. GARSSON

WASHINGTON — After months of skirmishing, bankers are confident that they will defeat a bill this week that would require them to cash government checks for customers and noncustomers alike.

A decisive Senate vote on the bill could come on Tuesday, according to industry sources.

Banking lobbyists have adamantly opposed the measure since its sponsor, Sen. Howard Metzenbaum, began pushing it in 1987. That year, the Ohio Democrat was able to insert a similar provision – without a vote – into the Senate version of the Competitive Equality Banking Act. It was dropped from the final bill during conference negotiations with the House.

First Big Test

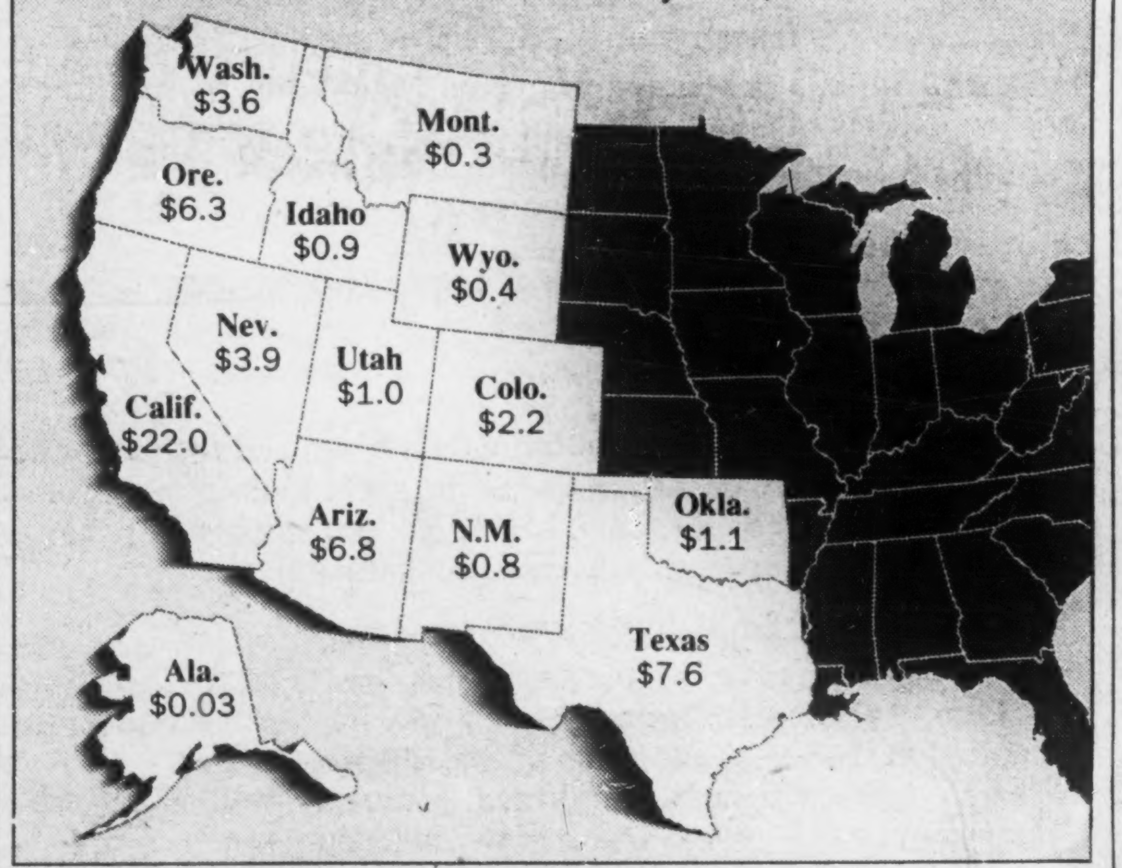
Now the requirement that banks and thrifts routinely cash most government checks faces its first high-stakes vote on the Senate floor. The banking industry, increasingly confident of victory, rejected attempts to reach a behind-the-scenes compromise this year.

If the industry prevails on the Senate floor, it may be able to

See **SENATE** *page* **7**

First Interstate's Banking Empire

Assets of commercial bank subsidiaries by state, in billions of dollars



First Interstate's Vulnerability Livens Speculation in the Stock

By GORDON MATTHEWS

NEW YORK — With so many troubled thrifts for sale at bargain prices, the bank takeover market is relatively dormant these days. But that's not stopping speculators from keeping alive talk of a bid for First Interstate Bancorp.

The latest flurry of takeover talk began after First Interstate's depressed stock rocketed 12% on June 4. That, combined with earlier informal expressions of interest from Wells Fargo & Co. and Security Pacific Corp., has kept the rumors alive and given bank securities analysts the almost impossible task of trying to figure out when and if a merger bid might surface.

Big Repercussions

If such a blockbuster occurred, it would permanently alter the landscape of American banking in a way that few other

See **FIRST** *back page*

COMMENT/*By Paul S. Nadler*

CoreStates May Be Pulling A 'Whitewash' on Holders

Somebody at CoreStates Financial Corp. must have been deeply influenced by Mark Twain because that Philadelphia-based bank corporation recently offered its shareholders a deal that can only be compared to Tom Sawyer's being paid by his friends for the chance to do his chore of whitewashing the fence.

CoreStates is offering its shareholders the chance to join its dividend reinvestment program on the following revised basis: They can have dividends reinvested in CoreStates stock directly, and they can add optional amounts.

No Concessions Offered

Well, lots of banks offer this. What makes CoreStates' offer special?

- There is no discount from market price.
- Investors share in the full cost of brokerage.
- They also pay a fee of 4% of the funds invested (to a maximum of $2.50 per transaction).
- If they send in optional funds, they earn no interest until the date of the quarterly sweep and investment.

What a deal! For the shareholder? No. For CoreStates.

Market makers in bank shares report that when a bank has a reinvestment plan, dealers are willing to hold larger positions in the stock and thus give it greater liquidity. They see "light at the end of the tunnel."

Guaranteed Demand

By this is meant that dealers are less likely to be caught with positions they cannot liquidate because, every quarter, the stock is in demand as the dividend reinvestment funds are put to work. And banks with reinvestment programs usually have a broader market for their shares because of the greater willingness of market makers to stand up and take positions.

When banks need new capital, dividend reinvestment programs have the added value of offering a way to divert dividend payments into investment in newly issued stock – thus building the bank's capital base. Some bank corporations have offered discounts of as much as 5% to shareholders who buy stock with their dividends. This incentive has worked well, bankers report.

But the key is that banks really need an incentive to get shareholders to reinvest. To the stockholder, a dividend reinvestment program is really somewhat of a pain. Look at it:

- You get no cash dividend.
- You get a 1099 form anyway, so you have to take other money and pay tax on the dividends you didn't directly get.
- You have the crazy job of keeping records on how much you reinvested each year so that, when you sell the stock, you can adjust the cost basis accordingly.

Transaction Usually Cost-Free

Sure, in most instances, even when there is no discount, the shareholder gets a chance to reinvest with no fee and with the brokerage commission paid by the bank. This is little enough compensation for the effort, if there is no discount on the shares.

But CoreStates charges for the commission and levies a service fee, too. All it offers is the chance to combine your commission cost with that of the others reinvesting their dividends to gain the advantages of a large-scale transaction.

To this observer, it would seem that CoreStates would be better off not offering a reinvestment program, if it is considering the best interests of its shareholders and not just its own.

Policies that look at actions from the viewpoint of the bank alone have a way of backfiring.

The Demand-Deposit Dodge

Many bankers remember when some depositors held large deposits in demand-deposit form, earning no interest. The bank benefited, and many officers felt: "Why rock the boat? If they are happy, why tell them they could be earning interest on their funds?"

But when someone else – often another bank – finally told them what they were losing, the depositors got angry and, frequently, instead of just shifting the funds to interest-bearing form, pulled the whole account.

Similarly, stores that honor discounts only when they are demanded find that the passive shoppers, who paid the initial price presented without knowing they could bargain, get angry when they learn the truth. These shoppers often take their business elsewhere. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

"SOUND OFF"

Last month, ailing American Bank & Trust Co. of New Orleans renamed itself Alerion Bank in hopes of revitalizing its image. The move renewed a discussion among bankers and consultants over the merits of name changes.

Some maintain that generic bank names, such as those beginning with "American" or "Federal," or names that refer to a particular city or state, which might hamstring a bank's interregional expansion plans, often *need* to be changed. Others, however, bemoaning what *The Wall Street Journal* recently referred to as "Klingonlike" names, fear that poorly chosen names might help to create a negative image for banks in general.

To gauge sentiment in the banking community about name-change programs, the *American Banker's* Chicago bureau chief, Nanine Alexander, asked:

Q *What effect does a bank's name have on its own image and that of the financial services industry?*

Edward B. Brandon

Chairman/CEO

National City Corp.

Cleveland

You create marketing and image problems when you start out with a name no one has ever pronounced. I think some name changes are rather ridiculous.

It takes your customers a year to figure out how to say the new name and another year to figure out what it means.

I think that many name changes are a rather humorous endeavor on the part of marketing consultants. If we were to change the name of National City Corp., I would be inclined to choose a name that calls to mind the banking industry.

Maura Connolly

Retail marketing manager

Fifth Third Bancorp

Cincinnati

There is a benefit to having a unique name. What we found was that the uniqueness of our name stood out as we expanded; we didn't run into other banks with the same name when we went into a new market.

I think what you have to do is weigh the cost versus the benefit with an unusual name. Also, I don't know if an unusual name translates into comfort for a bank's customers.

Chris Mahai

Senior vice president

Corporate relations

First Bank System Inc.

Minneapolis

In the case of mergers and acquisitions, name changes are understandable. You want to start with something new and different.

There are so many common names, with a new, unique name a bank can stand out. But it's hard to establish equity and value in a new name. And a name change takes a large financial investment: In the early '80s, all our units had different names, but we renamed them First Bank System. It was an expensive undertaking.

Then there's the capital expenditure: You have to redo the bank's signs and all your forms and letterhead. And you have to have an ad campaign to reinforce the name.

In short, I think you must have a pretty good reason to do it.

C. Paul Johnson

Chairman/CEO

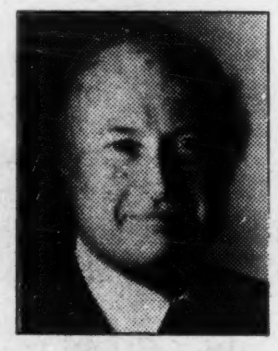
First Colonial Bankshares Corp.

Chicago

I have a problem with fancy, cute, or clever names. I think they detract from the industry.

If First Colonial bought a bank with such a name, we would have a tendency to change the name to something more acceptable to public taste.

I knew of a guy, used to be a Chicago banker, who started a bank out in Aspen [Colo.] and named it the Piggy Bank.



I don't think that's smart. A name like that wouldn't develop confidence in the bank.

Larry D. Bayliss

Senior vice president

Marketing and advertising

Boatmen's Bankshares Inc.

St. Louis

If you don't know the psychology or thought process behind a specific name change, judging the merits of a financial organization's choice becomes subjective.

For instance, let's say company A is developing a name that is obtrusive in the marketplace and is appealing to consumers, while company B is concerned with a name that is considered attractive by shareholders and financial analysts.

Because of the distinct thought processes involved, chances are the names selected will be 180 degrees apart. And because each name has its own group of supporters, both are appropriate.

But names aren't a substitute for high performance: In the end, no matter what the name, that's what counts. ☐

AMERICAN BANKER

Established 1836

One State Street Plaza, New York, N.Y. 10004

212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

COMMUNITY RELATIONS

Financier of Developments Also Does the Construction

By PHIL ROOSEVELT

Shorebank Corp. of Chicago doesn't just finance community development – it also does a lot of the work.

City Lands Corp., a real estate development subsidiary of Shorebank, has constructed about 1,300 units of low- and moderate-income housing units since it was formed in 1978.

Such development subsidiaries are "becoming more prevalent, but they are not yet common," said Janet Gordon, associate director of community development for the Office of the Comptroller of the Currency. Among the banking companies to embrace the concept are Continental Illinois Corp., Chicago, and NCNB Corp., Charlotte N.C.

Fit Seems Appropriate

A development company seems a natural fit for Shorebank, whose banking unit – the $180 million-asset South Shore Bank – focuses on community development. City Lands says it earns profits by selling the tax credits it receives to investment funds and by managing its properties.

"If you're just a lender, you're distanced from the actual production," says Thomas Moss, president of City Lands. "When you have people from the bank involved in the work, it gives you a better understanding of the credit needs and other issues in the community where you work."

> **"If you're just a lender, you're distanced from the actual production."**
>
> **Thomas Moss**
> *City Lands*

While City Lands has concentrated on multifamily housing, it recently celebrated the opening of Jeffery Plaza, a $10 million shopping center in Chicago's South Shore community, a low- and middle-income, largely black neighborhood.

The plaza was developed over eight years with South Shore Bank, the City of Chicago, community leaders, and private developers.

Mr. Moss said the project should enhance the value of Shorebank's residential developments in the area. So far, the plaza has an anchor tenant – Dominick's Finer Foods – and 12 of 23 smaller stores have been leased.

Buying Power Questioned

Mr. Moss said he is pleased with the pace but acknowledges that some potential tenants question the buying power of the local residents.

"There are some retailers that just haven't worked in black neighborhoods, and they have some difficulty with the idea," he said.

He sees opportunity in the dearth of retailers near Jeffery Plaza. "Think about the penetration you could get around here," he said. "You could get all the business."

Because the plaza required a good deal of time to develop, "a lot of banks would have dumped it," said John Long, who led one of the community groups that worked on the development. Shorebank's officials "are not foolish," he added, "but they tend to be more patient than other people."

A Summer Sale on Mortgages

For a limited time this summer, First Union National Bank is cutting 75 basis points off the loan rate in its mortgage program for low- and middle-income families.

The rate has declined to 9.75% from 10.5% at First Union National Bank offices in Georgia, North Carolina, South Carolina, and Tennessee.

"The Affordable Home Mortgage Loan program is one part of our ongoing effort to meet the needs of low- and moderate-income residents of the communities we serve," said Barbara K. Massa, First Union Corp. senior vice president and director of community reinvestment.

"We're happy to make this product more affordable – and housing more accessible – for our customers."

Limit on Income of Borrowers

The Charlotte, N.C.-based bank introduced the loan program in December. Loans are available in minimum amounts of $10,000. Borrowers may put as little as 5% down, and terms extend up to 30 years.

To qualify, the borrower's family income must be no more than 20% of the median in their county.

The down payment may include gifts, may be financed (if included in the debt-to-income ratio), or in some cases may even include sweat equity – work performed by the owner that adds value to the property.

The origination fee charged by First Union is 1% of the loan amount. ☐

Banks See Older Baby Boomers As Hungry for Financial Planning

Continued from *page* **1**

the population to get them out of the triple-squeeze position," said Muriel Van Housen, executive vice president of Sheppard & Associates, the U.S. Bancorp. subsidiary. "Clearly, there is a need for it. If these people are served now, they will be longtime customers of the bank."

The financial planning trade group said that baby boomers are gearing up for future expenses by saving or preparing to save at higher rates than ever before. That can mean more business for banks, it said.

Forced Savings Products

Some are creating so-called forced savings products, in which consumers have a fixed amount of money transferred periodically into an account.

> **Eighty-four percent said caring for aging parents would cut into their leisure time, and 82% felt that their financial security would be affected.**

Marine Midland Bank, a subsidiary of the Hongkong and Shanghai Banking Corp., introduced its Marine Gain package last year, including an automatic savings account, a short-term certificate of deposit that allows $250 additions, and a long-term, high-yielding certificate.

The product is "for very goal-oriented savers," said Cynthia Grochoqina, product manager for savings, CDs, and IRAs at the Buffalo-based bank.

Savings Gets More Stress

In a national survey commissioned by the financial planning association, 75% of 35- to 44-year-olds are already saving or likely to be saving more than they had previously. This compares with 65% of the overall population that has the same savings goal.

The statistics came from a Gallup Organization survey in April of 1,058 households, including 268 in the 35-44 age group. Gallup did more detailed interviews with 400 other people with incomes of more than $50,000.

Many boomers who are seeking help investing their savings for maximum return are turning to financial planners, said the trade group. Banks seeking to capture a larger percentage of this market should offer financial planning services, said Mark Tibergien, treasurer of the IAFP.

Shifts in Personal Finance

Baby boomers faced by those three critical expenses are shifting their finances in different ways, said Mr. Tibergien.

First, individuals are setting priorities for themselves and their dollars. The study found that 59% of the aging boomers worry about their ability to meet all of their financial responsibilities, compared with 46% of the general population that feel the same way.

The boomers acutely feel the need to compromise certain aspects of their lifestyles to make room for the coming expenses. Eighty-four percent said caring for aging parents would cut into their leisure time, and 82% felt that their financial security would be affected. Sixty-nine percent are worried that their standard of living will go down, and 61% are concerned about their ability to save for retirement.

Many Retiring Debt

Many boomers are taking steps to retire debt, said Mr. Tibergien. By reducing their loans outstanding, including credit card, auto, and mortgage, the boomers feel that they are freeing money for other uses.

Yet many boomers are missing the boat, he said. While paying off debt is important, this group should also be encouraged to begin long-term savings programs. Bankers could stress the value of individual retirement accounts and other tax-deferred plans and annuities to this group.

Bankers could also play a role in overcoming the generation's financial pessimism. The IAFP study said 86% of Americans believe that serious inflation is around the corner and 69% think a deep recession is near.

Lack of Planning Blamed

"It's clear that much of this fear grows out of a failure to come to grips with these issues and to do financial planning," said Robert Hewitt, chairman of the IAFP. "A good financial plan will structure savings and investments to successfully weather inflation and recession."

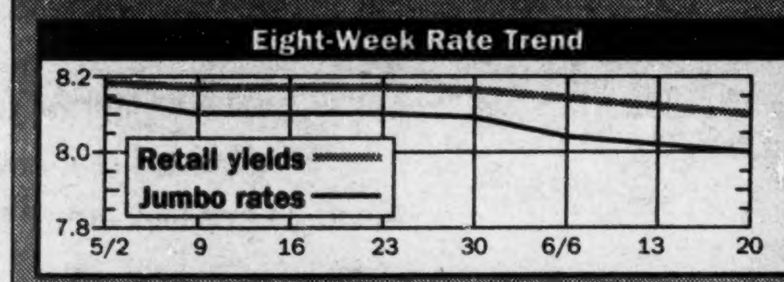
> **"It's clear that much of [Americans' economic] fear grows out of a failure to come to grips with these issues and to do financial planning."**
>
> **Robert Hewitt**
> *International Association for Financial Planning*

People with incomes of more than $100,000 or savings of $1 million are the client base of Sheppard & Associates, and a significant portion of the baby-boom generation fits those categories, said Ms. Van Housen. Clients pay fees on a per-hour basis.

Most U.S. banks have not chosen financial planning as a means to capture baby boomers, she said. Many institutions offer financial planning only to very wealthy people through their private banking operations. ☐

AMERICAN BANKER /*Bank Rate Monitor's*™ Consumer Money Index

Retail and Jumbo CDs



Here are the market-by-market averages being paid on jumbo and retail certificates of deposit by the 10 largest banks and thrifts in each of the nation's 10 largest markets on June 20. The eight-week rate trend is the average being paid on one-year maturities by the same 100 institutions on the dates indicated.

Retail Yields

	6-month	1-year	5-year
New York	7.95%	8.21%	8.49%
Los Angeles	8.03	8.27	8.03
Chicago	7.75	7.92	8.29
San Francisco	8.04	8.28	8.27
Philadelphia	8.04	8.18	8.20
Detroit	7.59	7.98	8.07
Boston	8.22	8.36	8.95
Houston	7.56	7.63	7.74
Dallas	7.57	7.87	7.79
Washington	8.31	8.47	8.47
BRM NATIONAL AVERAGE	7.91	8.10	8.17

Jumbo Rates

	6-month	1-year	5-year
New York	7.87%	8.04%	8.24%
Los Angeles	8.00	8.07	7.90
Chicago	7.81	7.90	8.34
San Francisco	8.01	8.14	8.24
Philadelphia	8.04	8.00	8.02
Detroit	8.03	8.03	8.12
Boston	8.19	8.17	8.21
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	8.11	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. [illegible] (407) 627-7330.

800

AMERICAN BANKER

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 125 Wednesday, June 27, 1990 155th year

Outsourcing Poses Dilemma For Strategists

By KAREN GULLO

NEW YORK — Hoping to cut technology costs while staying on the leading edge of automation, many banks are considering hiring an outside company to run their technology operations. But bankers and analysts say the decision is less clear-cut for larger banks than for smaller ones.

For many years, small to midsize banks have turned to outsourcing, the term for farming out all or part of the data processing operation. Now chief executives at larger banks are sitting up and taking notice, prompted by reports that large corporations are signing outsourcing contracts that promise savings of 40%.

ANALYSIS: *Follow-up on the news*

Determining whether outsourcing is the answer to containing ever-growing technology costs has sparked internal debate at some institutions. Sources said such a dispute recently led to the abrupt departure of the top technology chief at First Fidelity Bancorp, Newark, N.J.

Pitfalls Seen

Gary A. Provo, executive vice president at First Fidelity, opposed an outsourcing proposal backed by top managers, including chairman Anthony P. Terracciano, sources said. Mr. Provo reportedly believed that outsourcing could ultimately cost the bank more than continuing to run its $100 million data center in-house.

No banking company as large as the $30 billion-asset First Fidelity has signed an outsourcing contract.

Sometimes There Is Consensus

Bankers and analysts generally agree that outsourcing makes sense for small and medium-size banks that either cannot afford to fund their own technology units or cannot keep pace with new, complex technology projects such as consolidating data centers or creating integrated banking systems. But larger banks may be better off keeping technology in-house, some say.

Although outsourcing is a fast way to bring down the costs of a technology operation, the bank turns over control of a strategic unit to an outsider and may lose a competitive edge.

In addition, a large bank may be able to realize the cost saving without going through an outsourcer.

"It's very true that there are

See **FEW** *page* **8**

INSIDE NEWS

CONSUMER

NEAL F. FINNEGAN, an executive vice president of Bankers Trust, is the driving force behind the company's push to seize a big chunk of the global private banking market. *Page 6*

SPIEGEL INC., the catalog retailer, said it plans to purchase First Consumers National Bank, a credit card institution in Portland, Ore. *Page 20*

INTERNATIONAL

CITIBANK CONCLUDED a long-awaited agreement in Tokyo for access to the 20,000-strong automated teller network operated by Japan's big banks. *Page 24*

TECHNOLOGY

ROYAL BANK OF CANADA is installing 13,000 personal computers in a multimillion-dollar project to make its retail branch network operate more efficiently. *Page 3*

FINANCE

JAPANESE BANKS may siphon off a source of capital for U.S. banks if they get permission to issue subordinated loans and include them in regulatory capital. *Page 32*

BANC ONE'S winning strategy has been to expand rapidly through acquisitions and yet maintain a high level of performance. *Page 26*

COMMENT

THE FDIC must demand a fair price for the shares of Continental Illinois that it acquired in the 1984 bailout, writes Irvine Sprague. *Page 4*

INDEX

Company Index 2
Grapevine 4
Executive Changes 11
Weekly Index of Stories 17
Classified Advertising 28
Bank and Thrift Stocks 31

FDIC Liable In 12 Texas Bank Failures

By STEVE KLINKERMAN

DALLAS — A federal judge has ruled that the Federal Deposit Insurance Corp., in trying to limit its cost of rescuing 12 insolvent Texas banks last year, illegally provoked the failure of a dozen healthy affiliates.

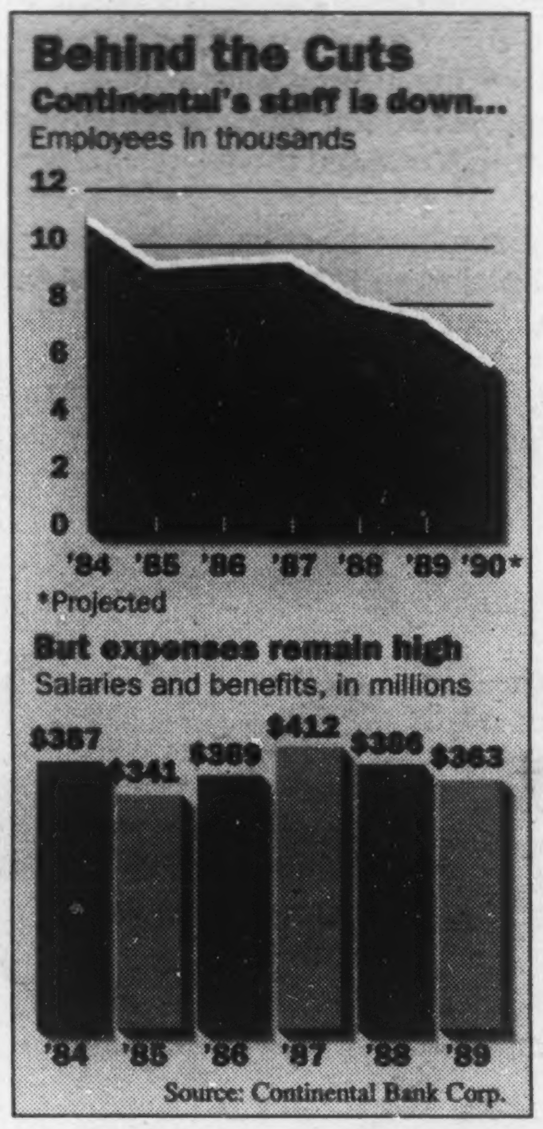
If upheld and extended to similar cases, the decision leaves the agency facing a potential liability of more than $500 million, lawyers say.

Sold to Investor Group

The ruling by U.S. District Judge Robert Sanders on Monday involved Texas American Bancshares Inc., a Fort Worth-based company now in bankruptcy proceedings. All 24 of the company's banks were declared

See **FDIC** *page* **23**

Continental to Lay Off 900, Take $50 Million Chargeoff



Source: Continental Bank Corp.

By NANINE ALEXANDER

CHICAGO — Continental Bank Corp. became the latest money-center bank to announce a significant staff reduction, saying on Tuesday it would drop 900 employees – 13% of its total – after completing a broad reassessment of its product lines.

The $29 billion-asset company said it would take a $50 million pretax charge for the restructuring, leading to an unspecified loss for the second quarter. Analysts estimated that the deficit would be from $20 million to as much as $50 million, against earnings of $64.1 million in the 1989 second quarter.

Shares of Continental closed at $15.375 Tuesday, down 62.5 cents.

Some Key Areas Affected

Among the areas likely to feel the effects of the cutbacks are global trading and corporate finance, according to spokesman William C. Murschel. Certain product lines, including exchange-traded futures and options, will be eliminated.

The cuts and the expected sale of its 700-employee First Options Corp. subsidiary would bring Continental's work force below 6,000. That would be barely half the 10,900 that the Chicago-based company employed in 1984 when it required a Federal Deposit Insurance Corp. rescue package to overcome bad loans to the oil industry.

The announcement came one day after Chase Manhattan Corp. said it planned to reduce its operating costs by $300 million a year through elimination

See **CONTINENTAL** *page* **26**

KKR to Withdraw $582 Million In Its RJR Nabisco Refinancing

By STEVEN LIPIN

Even as Kohlberg Kravis Roberts & Co. invests an additional $1.7 billion in RJR Nabisco Inc., the leveraged-buyout firm is looking to withdraw $500 million as well as accrued interest in short-term debt it had previously invested in RJR, according to banking sources.

But banks funding a new $2.25 billion financing package resisted approving a quick redemption of the $500 million in notes; they will allow KKR to redeem the notes only after RJR exceeds budget projections by a certain amount and after all amortization schedules are met, the sources added.

$582 Million at Stake

With accrued interest that has been paid with additional securities, the amount to be redeemed equals $582 million.

KKR, which declined to comment, invested $1.8 billion in equity and $500 million in a subordinated bridge loan as part of its $25 billion buyout of RJR.

See **KKR** *page* **30**

FDIC Anxiously Awaits Arrival of a Fed Loyalist

Washington Bureau

WASHINGTON — At the Federal Deposit Insurance Corp., they're hiding copies of *Mandate for Change.*

The 1987 publication, which outlined the agency's ideas for restructuring the financial services industry, called for dismantling the law that empowers the Federal Reserve to regulate banks.

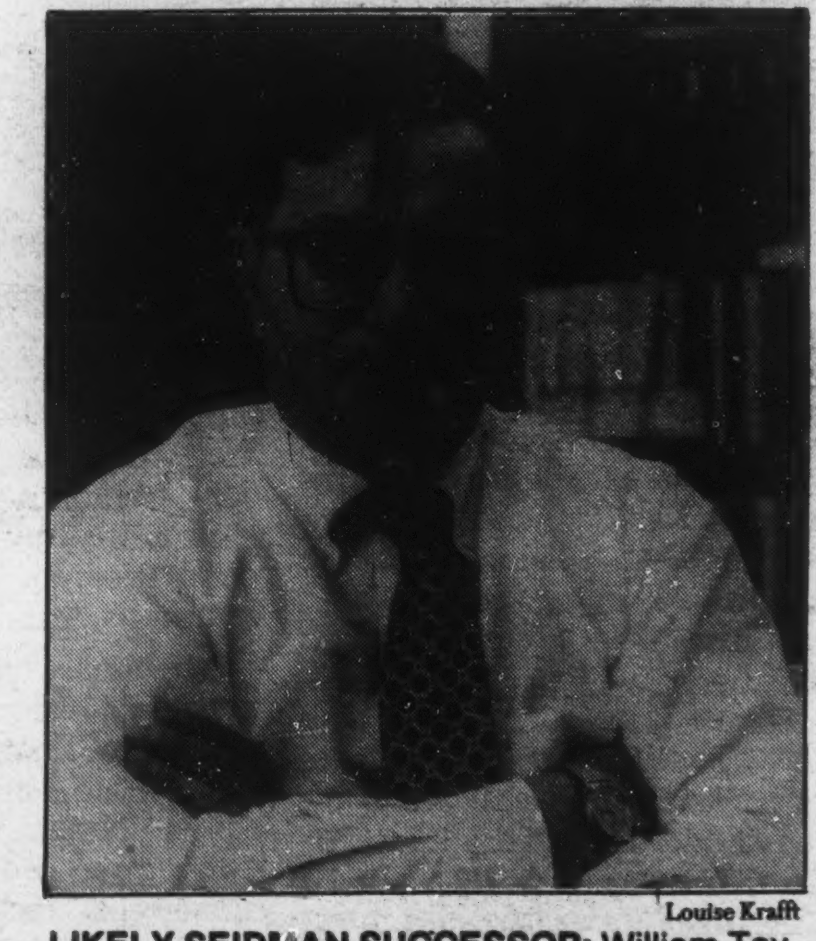
22 Years with the Other Agency.

But now the FDIC faces the likelihood that its next chairman will be a 22-year Fed veteran, William Taylor.

"We don't want to be associated with that book once Taylor gets here," one FDIC staffer said recently.

The staffer was joking, of course, but the quip reflects the deep rivalry that exists between the Fed and the FDIC. It also hints at the mixed feelings some FDIC officials have about Mr. Taylor's expected arrival. On the one hand, Mr.

See **CAN** *page* **16**



Louise Krafft

LIKELY SEIDMAN SUCCESSOR: William Taylor may bring some old views to his new job.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 6

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 9

PEOPLE *in the news*

Bank of New England Lured Wheeler from a Happy Spot

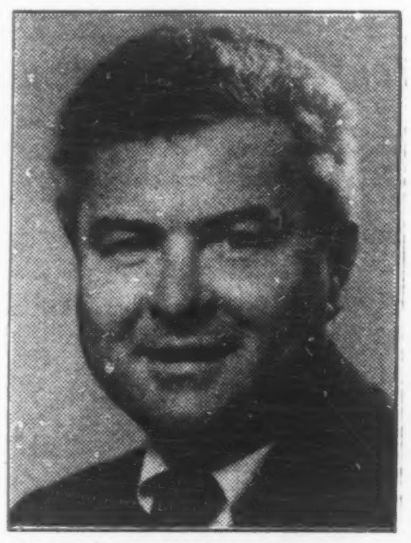
By TOM LEANDER

When Lawrence K. Fish, chairman of the Bank of New England, phoned D. Bruce Wheeler last month and offered him a job as president of the ailing company's flagship subsidiary, the timing couldn't have been worse.

"I'd never been happier at my job, never been happier about where I lived," Mr. Wheeler recalls. "The timing was awful."

Six months earlier, he had become head of the banking division of First Nationwide Bank, the San Francisco-based thrift subsidiary of Ford Motor Co.

But last week, after some diplomatic arm-twisting, he decided to join the team Mr. Fish's has hand-picked to turn around one of the nation's most troubled banking companies.



D. Bruce Wheeler

Mr. Wheeler, 43, is replacing Leo R. Breitman, who steps into the newly created post of senior credit policy officer.

Mr. Wheeler said he accepted the job only after careful study of Mr. Fish's plan to restructure the company. Eventually, he came to see the turnaround plan as "aggressive, definitely do-able."

Mr. Wheeler's job is to convert the lead subsidiary, Boston-based Bank of New England NA, from its focus on commercial real estate and business lending to retail banking and middle market lending. The bank is currently operating under a regulatory restriction known as a cease-and-desist order.

The parent company began its dizzying fall in late 1989 and posted a $1.1 billion loss for the year, followed by a $46 million loss in the first quarter.

Since Mr. Fish stepped in as chairman in March, he has assembled an eclectic squad to revive the ailing institution. Among them is R.T. McNamar, a former deputy Treasury secretary, who is vice chairman and head of investor relations; and Kent Price, the former head of Citicorp's United Kingdom operations, as chief financial officer.

Mr. Wheeler, too, is an eclectic banker. He found his way into banking after a long fling with academia – he earned a bachelor's degree in social anthropology at Harvard and a master's in history at the University of Chicago – and he taught high school for three years in Chicago.

Then he joined First Chicago Corp. and enrolled in its First Scholars program, studying at the University of Chicago for two years at night while he worked in a rotational management training program by day.

After he earned the degree, he joined First Chicago's international unit in Edinburgh, and then went to London to ply his trade at a correspondent bank.

Next, Crocker National Bank tapped him, and he moved to Thailand, then to San Francisco, where he met his wife, Dale.

In 1982, Mr. Wheeler joined Bank of Boston, where he became the head of its Massachusetts banking operations.

It was at Bank of Boston that he met Mr. Fish, then head of the bank's New England division. The pair had a hand in company's restructuring into five divisions in 1985.

"We dissected the company, divided the company," Mr. Wheeler recalls, "and redid the management reporting system. We turned it into a return-on-equity driven bank." □

NEWS *briefs*

Citibank, MCI to Use Visa as Calling Card

NEW YORK — Citibank, the largest issuer of bank credit cards, is allowing its customers' Visa cards to be used as calling cards on MCI Communications Corp.'s long-distance network. The offer comes three months after AT&T launched the Universal Card, a general-purpose credit and calling card.

Citibank's 14.6 million Visa customers will be charged long-distance rates 22% less than AT&T's standard calling card tariffs when they use MCI, the bank said. The AT&T Universal card offers a 10% discount on long-distance calling-card rates.

The program is being offered under VisaPhone, an initiative launched by Visa International and MCI last year. Citibank expects to extend the service soon to MasterCard customers.

Panama Seeks Aid from Western Governments

LONDON — Panama is seeking $540 million in aid from Western governments to pay its debt arrears to international financial institutions, Vice President Ricardo Arias Calderon said in a telephone interview.

Mr. Arias, touring Europe to encourage economic cooperation with Panama and to seek financial aid, said, "I think it is very important that we transmit the new political situation. . .that the emerging functional democracy is past its worst political crisis."

Panama wants aid to cover its arrears. — **Reuters**

Consumerists Call Bank Fees High

By LOUIS GERHARDSTEIN

Checking Account Fees Differ by Region

States ranked by monthly fees for basic checking

Expensive

	Average fee per month	Per check
Kansas	$7.29	NA
New Jersey	6.56	NA
Virginia	6.07	NA
Arizona	5.56	35¢
California	5.22	32¢

Inexpensive

	Average fee per month	Per check
North Carolina	$3.17	30¢
Rhode Island	3.30	40¢
Ohio	3.50	25¢
Michigan	3.77	40¢
Wisconsin	4.72	35¢

Source: Consumer Federation of America survey of 16 states

WASHINGTON — Climbing consumer bank fees coupled with a bewildering menu of services and pricing options continue to deprive low- and moderate-income people of banking services, a consumer advocacy group asserted Tuesday.

Citing its sixth annual survey of banking services, the Consumer Federation of America put the annual cost of an average noninterest-bearing checking account at $107.98 and the average interest-bearing NOW account at $111.39.

Since 1983, the federation said, costs for NOW accounts have risen 62.3% and regular checking accounts have risen 28%. Over the same period, the survey said, interest rates earned on NOW accounts have remained at around 5%.

The consumer group's legislative representative, Peggy Miller, said low- and moderate-income depositors who cannot maintain minimum balances are being squeezed out of the market.

"What we're seeing here is about one-half of all consumers face fees one way or another," Ms. Miller said. She added that the competition that has resulted from deregulation has benefited only the more affluent consumer with enough money to invest in higher-yielding products such as certificates of deposit.

The American Bankers Association challenged the Consumer Federation's findings as "unreasonable," and cited its own study that 59% of banks in 1989 offered basic banking services with low or nonexistent minimum balance requirements and no per-item fees for at least a limited number of checks.

The Consumer Federation study "is by no means representative of the banks out there," an ABA spokeswoman said Tuesday. "In some markets, you'll have to shop hard, but overall those [basic banking] choices are available."

Defends Bounced-Check Fees

The ABA also criticized CFA for including in its yearly checking account costs the price charged for two bounced checks, which would average $30 at the 170 institutions in 16 states monitored by the consumer group. Bad checks "should be the exception, not the norm," the ABA spokeswoman said.

See page **9**

Trump's Banks Seal Credit Pact With a $20 Million Bridge Loan

By WILLIAM GOODWIN

Donald Trump's bankers agreed Tuesday to a $65 million credit pact for the troubled developer.

As part of the agreement, the banks gave Mr. Trump a $20 million bridge loan, pending completion of documentation on the broader credit pact, which also includes deferral of interest payments on some of Mr. Trump's existing $2 billion of bank debt.

The $20 million bridge loan was funded at 4 p.m. Tuesday, according to a spokeswoman for Citibank, one of Mr. Trump's principal banks. She said the bridge loan was funded after the entire Trump bank group agreed to the underlying credit pact. The bridge loan will be repaid out of the $65 million.

However, it remained unclear whether Dresdner Bank, one of the last holdouts, had signed on to the deal.

A banking source said earlier in the day that the pact could be concluded without Dresdner. At the same time, this source said Dresdner's loan portion hadn't been bought out by other banks.

The $20 million bridge loan was needed after it became clear that the banks were not going to agree on the broader credit pact in time for Mr. Trump to make overdue interest payments on the casino bonds.

Tuesday was the deadline for curing the default. □

Amplification

The artist's credit for the drawing on Tuesday's page 1 was inadvertently omitted. The artist was Niculae Asciu.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
H.F. Ahmanson 32
American Bankers Assn. 2,8
American Express 8,24
American Nat'l Bank and Trust 1
Arizona Commerce 4
AT&T....8

B
Banc One 8,26,32
Bank of Boston 2
Bank of New England 2
Bank of the Philippine Islands 4
Bank of Tokyo....24,32
Bank South 1
BankAmerica 32
Bankers Trust 1,4,6
Banks of Iowa....4
Boatmen's Bancshares 4
Bowery Savings....6

C
Centerre Bancorp....4
Chase Manhattan 1
Chemical Banking 1
Citicorp....1,4,8,24,32
Concord Financial....6
Continental....1
Crocker National 2

D - E
Dai-Ichi Kangyo 24
Deutsche Kreditbank 24
Dillon Read....1
Dresdner Bank 1,24
Duff & Phelps 1
Electronic Data Systems....1,8

F
First Banks System 4
First Chicago 2
First Fidelity....1
First Interstate....2
First Nationwide....2
First Operations 1
First Republic....1
Firststar....4
Fiserv 3
Ford Motor 2
Fox-Pitt Kelton 24
Furash....2

G - L
General Electric 1
General Motors 3
Great Western 32
Hibernia....1
IBM....1
Independence Bancorp....32
Investment Co. Institute 6
ITT 2
Keefe Bruyette & Woods 32
Kohlberg Kravis Roberts 1

M
Manufacturers Hanover 1
Marine Midland 6
Marshall & Ilsley 4
MasterCard....2
MCI Communications 8
MCorp....1
Merrill Lynch 2
Mitsubishi Bank 24
Moody's 32
J.P. Morgan 4,32

N - R
Northeast Utilities 1
Norwest....2
PNC Financial 32
Public Service of N.H. 1
Real Decisions....1
RJR Nabisco 1
Resolution Trust Corp. 1,4

S
Salomon Brothers 6
Sanwa Bank 24
Sears & Roebuck 2
Securities Industry Assn. 8
Security Pacific....6,8,24
Shawmut....6
Smith Barney 32
Spiegel 20
Sumitomo Bank 24
Systematics....1

T - Z
Telechoice 8
Texas American 1
Thomson BankWatch 32
Tokai....32
Trump Organization 1
US Sprint 8
Upper Avenue Nat'l Bank 1
Weisberger Mutual Fund 6
Wells Fargo 6

COMMENT/*By Irvine Sprague*

FDIC Must Ask Fair Price For Its Stake in Continental

WASHINGTON — Continental Illinois is again in the news because public ownership of a control block of stock is in dispute. Gratitude and greed are the two words that come to mind as we recall the unprecedented bailout of the colossus of the Midwest. Unfortunately, greed is the dominant word.

Recently, Tom Theobald, chairman of Continental Bank, as it is now called, told *The Wall Street Journal* that he was "dumbfounded" that the FDIC had passed up "two legitimate opportunities" to sell its interest in Continental.

What bugged Theobald was that the FDIC board turned down his request for a sweetheart deal. Theobald's group offered to pay just over $15 a share on a day the stock was trading for $17.

The FDIC currently holds 26.3% of the Continental stock, a control block that should bring a premium, not a discount.

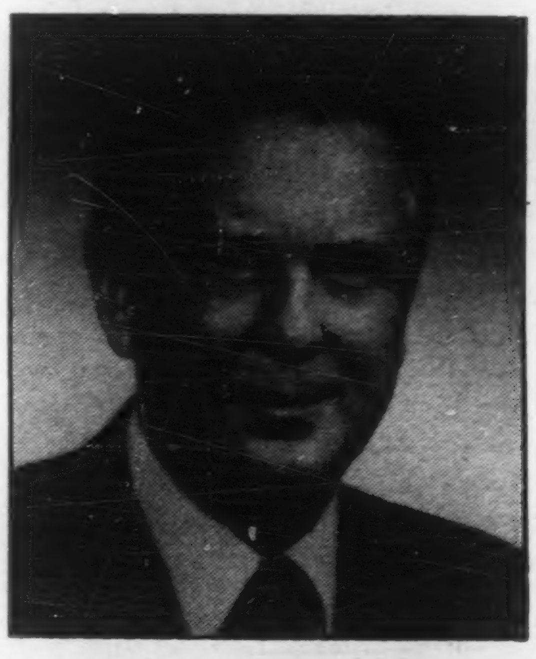
Played Role in Bailout

This was not the first time that Theobald was dumbfounded in dealing with the FDIC over Continental, and it probably will not be the last.

Remember, it was Theobald, then at Citibank, who delayed the Continental bailout in 1984, in a futile attempt to ensure that Citibank could suffer no loss but at the same time would get public credit for assisting in the rescue.

Theobald's argument, like that of some of the people at the Fed today, is that public ownership of Continental should not be continued by a regulator. I agree – but, heaven forbid, not at the expense of giving a donation to an investor group.

The FDIC engaged the Wall Street firm of Smith Barney, Harris Upham & Co. to advise on the disposition of the stock. After a presentation by the firm, the FDIC board unanimously turned down the three-way deal offered by Theobald and other Continental executives, the bank itself, and a group of well-heeled outside investors.



"The FDIC currently holds 26.3% of the Continental stock, a control block that should bring a premium, not a discount."

Then the FDIC announced that it is committed "to realizing full value for its holdings and will explore all options for divesting its ownership in the company."

Divestiture Is Timely

Actually, the divestiture is right on schedule. Let's turn back the clock.

In 1984, when Continental failed, the bank was nationalized so that it could keep its doors open. The FDIC led a rescue that totaled over $14 billion and included cash from the FDIC, enthusiastic support and advances from the Fed, and a commitment for safety-net loans by most of the nation's largest banks. When the books are finally balanced, they are expected to show a $1.5 billion loss, all charged to the FDIC.

The Continental plan was patterned after the successful First Pennsylvania bailout four years earlier. We pledged financial support through a public statement that we would not allow the bank to close its doors. Stockholders would lose, but all depositors and creditors would be made whole.

During tense negotiations that May, the bankers all agreed, except Citibank. Finally, Bill Isaac and I decided to ignore the banks. We held a stand-up board meeting in our New York office, appropriated $2 billion, told the press the bank was saved, and left for Washington. Todd Conover provided the third vote for a unanimous decision.

Stalemate Is Broken

We left the bankers just sitting there. After we left, Fed Chairman Paul Volcker called Theobald's boss at the time, Citicorp's Walter Wriston, in San Francisco, and the stalemate

See **COMMENT** *page* **9**

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years, during which time he handled 374 bank failures. He is the author of the book "Bailout: An Insider's Account of Bank Failures and Rescues" and frequently speaks before banking groups.

GRAPEVINE/*By Jed Horowitz*

Still Fishing. Though Banks of Iowa lost its oldest suitor when Minnesota's First Banks System called off a long-planned acquisition last week, others are waiting in line.

"I think I could name four or five parties that are seriously interested, including other bank holding companies within the Iowa [interstate] region," said Holmes Foster, chairman of $2.6 billion-asset Banks of Iowa. He quickly added that no direct offers have been made, though a well-placed source said "direct conversations" have occurred.

Several sources said Boatmen's Bancshares of St. Louis is a likely bidder, despite its recent digestion of its crosstown rival, Centerre Bancorp. They also speculated that at least one of Wisconsin's two largest companies — Marshall & Ilsley Corp. and Firststar Corp. — may be interested. The three banks are among the few within Iowa's interstate region large enough to acquire Banks of Iowa, Mr. Foster acknowledged. He added that some private investors also might be interested.

Officials at the banks would not comment.

Des Moines-based Banks of Iowa is unlikely to receive a cash offer, particularly one as attractive as the deal with First Bank, which dropped out because of capital constraints, Mr. Foster said. But "it's within the realm of possiblity that we can do a stock exchange on a book-and-a-half basis, which could be even a better deal because of tax ramifications," he said. Book value at the end of the first quarter was $62.15 a share.

* * *

A Yen for New Jersey. Bankers Trust New York Co. is seeking approval from the Federal Reserve Board to set up a trust company in New Jersey. The bank, which manages $105 billion of funds for public and private clients worldwide, is excluded from acting as an investment manager or custodian for the Garden State's public pension funds because it does not own an incorporated trust company in the state, a spokesman said.

BT New Jersey Ltd. is expected to begin operations late this summer, he said. It will be staffed initally with about 60 people now working at BTNY Services, the New Jersey-based operations center for Bankers Trust's trust department. The unit will be capitalized at $4 million and run by BTNY's senior manager, Jay Wilder, who will be president.

* * *

Morgan Unmoored? In its continuing drive to slash overhead costs, J.P. Morgan & Co. is easing more veterans into early retirement and is reorganizing businesses. It also may close some offices, particularly in Asia, where it is overstaffed, sources said.

Among the latest unannounced or planned departures, according to sources, are these 20-year Morgan veterans:

- Michael Stephen, the long-time head of the bank's representative office in the Philippines and overseer of its 20.4% stake in the Bank of the Philippine Islands.
- Michael Cleary, another 20-year Morganite who was a senior officer in Australia.
- Philip Murray, head of lending at Morgan Bank Delaware.
- William Holding, who was in charge of relationships with the U.S. subsidiaries of European corporations.

Mr. Murray, for one, is not being replaced.

Morgan last year laid out plans to cut 10% of its staff by the end of 1990. At the end of the first quarter it employed 13,900 people; some sources believe it hopes to reach 13,000 by year's end.

Many old-timers are nervous, noting that most executives who have left recently are in their late 40s or their 50s. A Morgan official said the company does not comment on employment policies or individuals.

Meanwhile, the head of Morgan's fledgling high-yield department is in line to expand his duties and perhaps move into a higher position, sources said.

Ramon deOliveira, a managing director, will soon gain control of both private placements and structured finance, areas J.P. Morgan Securities recently moved into, the sources said.

Mr. deOliveira said no final decision on the transfer had been made.

Neither Morgan nor other banks eager to break into high-yield — notably Bankers Trust and Citicorp — have underwritten a junk deal in the present moribund market.

But Mr. Oliveira said his unit is "looking at" placing a number of high-yield issues with registration rights in the private market.

* * *

Come to Sunny Arizona. Investment bankers specializing in bank mergers and acquisitions were chuckling last week over an unsolicited letter from F. Lee Jacquette, chairman of Arizona Commerce Bank.

He candidly laid out the problems of his $80 million-asset company: insufficient capital, a May cease-and-desist accord with regulators, a high volume of troubled loans, and Arizona's troubled real estate market.

The bank boasts a highly professional staff and a realistic business plan, he added. "Do you have any ideas for us?"

Mr. Jacquette said in a phone interview that he does not expect much response to his letter, which was sent to investment bankers culled from a list in *U.S. Banker magazine.* "We have a high-risk proposition for a high roller who wants to get into Arizona at this time," he said. "We need patient investors with reasonable expectations."

Mr. Jacquette says he arrived at the five-year-old bank last summer with "unrealistic expectations." About 18% of its $55 million loan portfolio is on a nonaccrual basis or in its foreclosed loan portfolio. The original plan to build a statewide branch network and then sell at twice book value to an out-of-state investor was conceived "in a different world than today," he concedes.

Arizona Commerce, which went public at $10.75 per share, is now trading on the American Stock Exchange at 25 cents per share. Its largest shareholder is the Resolution Trust Corp., which took over a thrift that seized the shares of the bank's now-bankrupt founder and former chairman, Ernest Garcia.

Arizona Commerce has three branches, down from eight, and 48 employees. Mr. Jacquette said it must double its regulatory capital of $5 million and needs at least $2 million by December to satisfy regulators. "We're in a midget in the land of giants," he conceded. "It's an uphill battle." ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Chemical Launches NY Grants Program

NEW YORK - Chemical Bank has launched a "Competitive Grants Program" to recognize the services provided by not-for-profit organizations serving the New York region.

Grant amounts range from $500 to $15,000. The size and experience of the receiving organization and how the funds will be used will help determine the amount of the award.

Application guidelines can be obtained at any of Chemical's 200 branches; the deadline for submissions is July 27.

COMMENT

Continued from *page* **4**

was broken. Before the day was out, Citibank joined all of the other banks in purchasing one-fourth of our investment, but they weren't really at risk anyway. We weren't going to let the bank close.

It took until September to wrap up the details, but when all the papers were signed the FDIC owned 80% of Continental and would pick up more at the end of five years unless the return from sale of bad assets was spectacularly successful. It wasn't.

The FDIC still holds $900 million book value in assets, and it will take years to complete the disposition. (In the San Francisco National case, the last asset was sold more than 20 years after the failure.)

Hunky-Dory for Continental

Meanwhile, Continental was a sure winner. It was highly capitalized, and the books were clean. The FDIC held all its junk.

Our plan from day one was to return the bank to private hands. This could not be completed for at least five years while we waited for final accounting on the asset loss. This occurred just nine months ago, and the FDIC picked up an additional 10 million shares at that time. Under the contract provisions, we expected it might take a few years after that for an orderly sale of our remaining stock.

Meanwhile, periodic sales were made: 12.5 million shares in November 1986 for $247 million; 13.8 million shares in December 1988 for $ 277 million; and nine million common and 12.9 preferred shares in August 1989 for $490 million.

A Model Bailout

Roger Watson, chief of research at the FDIC, called Continental the second most successful bailout after First Pennsylvania. I was particularly proud of the First Pennsylvania deal that I negotiated as FDIC chairman. We kept the bank open, made a modest profit in the process, and had a test run on how to conduct a successful rescue.

While on the subject of big bank bailouts, let me remind you of the grievous injustice in the FDIC assessment rules that give the handful of "too big to fail" banks a free ride at the expense of the thousands of community banks that pay full assessments and thus in effect are subsidizing the giants. The issue, of course, is payment of assessment on foreign deposits and depositlike instruments that are fully protected in a bailout. ☐

Consumer Group Says Bank Services Too Costly

Continued from *page* **2**

One banker said assertions made by the consumer advocates and the banking association may not be entirely inconsistent.

"They are probably both right," said P. Andrew Will, manager of consumer products for Minneapolis-based Norwest Corp.

Many low-income people do not keep deposits with banks, Mr. Will said, but "a high percentage don't hold accounts for reasons other than price." Mr. Will cited a study by the Minnesota Bankers Association that showed a majority of consumers who lack checking accounts prefer keeping cash, said bank locations are convenient, or simply do not like banks.

Since 1983, the federation said, costs for NOW accounts have risen 62.3% and regular checking accounts have risen 28%.

Lifeline at Norwest

Norwest affiliates in the Midwest offer an account with no minimum balance, no fees, up to eight free checks per month, and free ATM transactions, Mr. Will said. "If we are any indication, free or low-cost banking services are readily available," he said.

Deregulation has increased prices but also has provided consumers with wider choices, suggested Cynthia Glassman, director of research for the financial services consulting firm Furash & Co. "Before, when people thought they were getting something for free, they were really being subsidized by the interest ceilings," Ms. Glassman said.

Sen. Howard Metzenbaum, D-Ohio, is promoting a bill to require banks to extend services to the poor and other noncustomers by cashing government checks on demand and offering low-cost basic banking services.

Mr. Gerhardstein writes for the Medill News Service.

U.S. Savings Bonds
The Great American Investment

Here's a hint:
It's not IBM.

C0175-1

80

AMERICAN R

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ~ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 134 Wednesday, July 11, 1990 155th year

OTS' Easing Of Loan Limit Seen as Feeble

By ROBERT M. GARSSON

WASHINGTON — For savings and loan executives looking for temporary relief from tough new limits on loans to one borrower, the regulation issued last week by the Office of Thrift Supervision came as a disappointment.

"It's like attacking homelessness by expanding the IRA program," said Palmer Hamilton, a Mobile, Ala., lawyer. "It just doesn't have much effect."

ANALYSIS: *Follow-up on the news*

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 imposed national bank standards on the thrift industry, limiting most loans to no more than 15% of an institution's capital. An exception was made for loans for residential housing development, which could run as high as 30% of capital. Previously, thrifts had been able to lend the equivalent of 100% of capital to any one borrower.

In a speech to the U.S. League of Savings Institutions on June 25, T. Timothy Ryan Jr., director of the Office of Thrift Supervision, announced that the Treasury Department had agreed to a transition rule that would give well-capitalized institutions until 1992 to meet the new standards.

Qualifiers Are Few

That was little enough: With much of the industry struggling to meet the new capital requirements, only 1,100 institutions qualify under the rule, according to OTS.

But the regulation made public last week gave a good deal less than that.

The transition rule comes down to this:

- For loans backing the development of domestic residential housing, thrifts that already meet capital requirements taking effect in 1995 get a break: between now and the end of the year, they can lend up to 60% of capital to a single borrower. Next year, such loans will be limited to 30% of an institution's capital, the amount specified in the bailout law.
- For commercial loans, there is no transition period: Credit is limited to 15% of capital.

Little Benefit Seen

"I don't know what good this will do anyone," said David Danovitch, regulatory counsel to the National Council of Savings Institutions. Mr. Danovitch expressed surprise that the transition rule did not cover assets other than loans for residential

See **THRIFT** *page* **20**

INSIDE NEWS

INTERNATIONAL

A REALTY RECESSION that is starting to plague Britain also threatens to mire U.S. and other bank lenders. *Page 18*

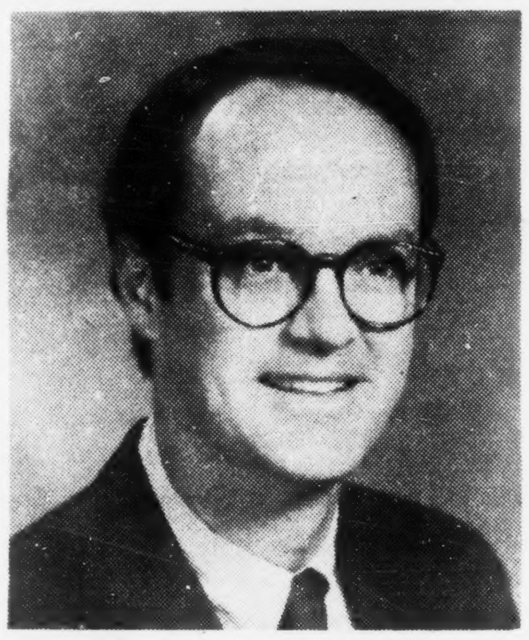
FINANCE

WHAT SOURED the 1987 merger of First Fidelity with Fidelcor Inc.? Though analysts gave the combination rave reviews, chief executive officer Harold Pote was forced to resign just 16 months later. *Page 25*

CONSUMER

PRESCREENING mailing lists of credit prospects has proven controversial. Opponents cite loss of privacy, but advocates say credit opportunities are enhanced. *Page 8*

TECHNOLOGY



MARSHALL N. CARTER of Chase Manhattan says U.S. banks are coming to view the Pacific Basin as a hotbed for securities processing services, as foreign investors pour more funds into the region. *Page 10*

DESPITE BIG INCREASES in use of automated tellers to get cash, banks are not realizing the volume increases on their proprietary networks that would save money, Speer & Associates has found. *Page 3*

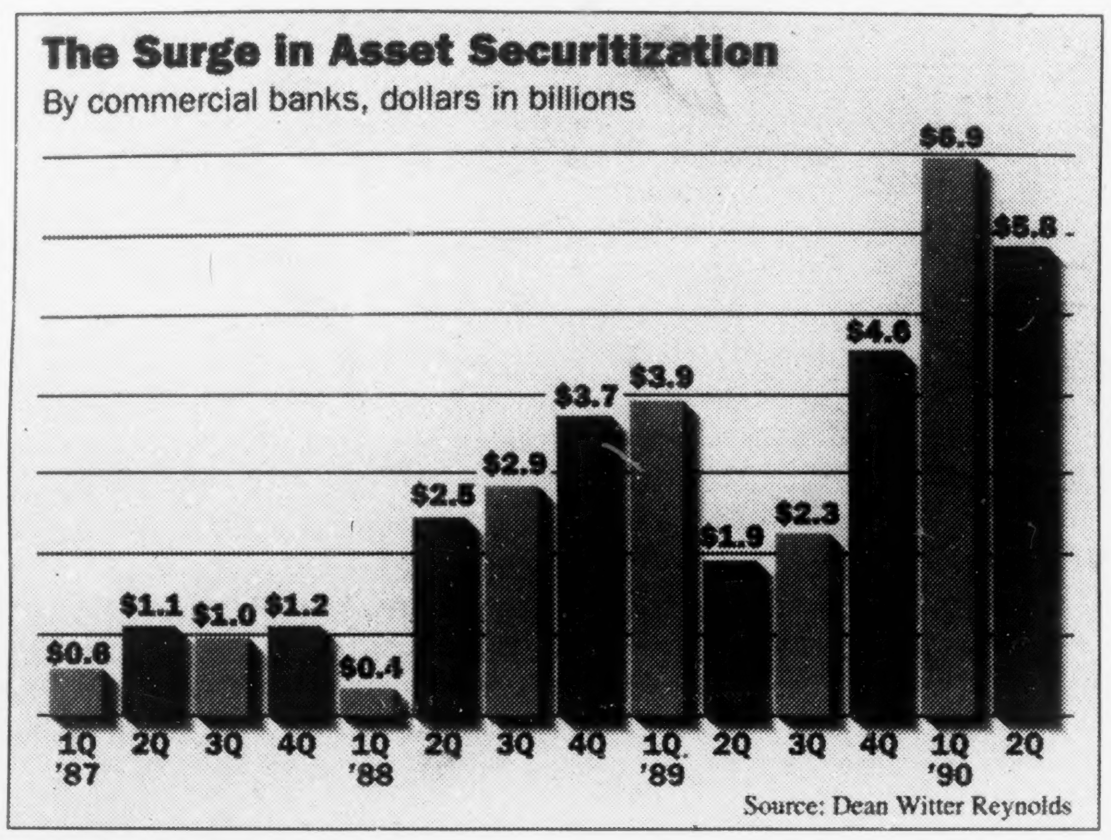
PEOPLE

BEING TOP COP of the Justice Department's special task force on bank and thrift fraud has thrust James G. Richmond into the spotlight of national outrage over the savings and loan crisis, which was partly caused by fraud. *Page 2*

INDEX

Company Index 2
Grapevine 4
Required Reading 12
Executive Changes 22
Classified Advertising 28
Bank and Thrift Stocks 31

The Surge in Asset Securitization
By commercial banks, dollars in billions



Source: Dean Witter Reynolds

Banks Rushing to Securitize Assets, But Analysts Fear Long-Term Harm

By KELLEY HOLLAND

If a bank asset isn't nailed down these days, it may well be on the way to being securitized.

A market created five years ago when auto loans were first securitized has exploded as banks rush to issue securities backed by assets ranging from credit card receivables to recreational vehicle loans.

In the first half of this year, banks securitized $12.8 billion of their assets, compared with $5.9 billion during the first six months of last year.

Banks Are Big Players

Banks have issued 48.1% of the $82 billion in nonmortgage assets securitized in recent years and are increasingly finding willing buyers among pension funds and mutual funds holding corporate bonds.

Behind the rush by banks to this growing market is their need to pump up capital ratios. Securitizing takes the assets off their books, immediately increasing banks' financial ratios and reducing their need for capital.

But longer-term, analysts and capital markets specialists say, securitization may make it harder for banks to raise capital to fund the less-desirable assets they will have left on their books.

"Banks are securitizing their best assets," said one analyst.

See **CAPITAL** *page* **32**

OTS to Seek Bids Before Seizing Sick Institutions

By DEBRA COPE

WASHINGTON — Moving ahead with a plan to sell troubled thrifts before they become unattractive to potential acquirers, the Resolution Trust Corp. board on Tuesday authorized the Office of Thrift Supervision to line up buyers before seizing the institutions.

OTS officials said they will select eight to 12 institutions for a 90-day test of the accelerated resolution program. If the procedure succeeds, up to 70% of 299 thrifts with $193 billion in assets that the OTS has identified as most likely to fail could be sold without being placed in RTC conservatorship, according to William Roelle, director of RTC's resolutions and operations division.

3-4 Months for Results

"At the end of three or four months, we should know definitively if this program will work," OTS Director T. Timothy Ryan Jr. said in an interview. "We're all enthusiastic about the prospects for success."

Mr. Ryan, who sits on the RTC board, said he envisions

See **RTC** *page* **21**

Norwest, United Of Colorado Talking Merger

Norwest Corp. and United Banks of Colorado Inc. announced late Thursday afternoon that they were discussing a possible merger.

"There is no definitive agreement, and there is no assurance that any such agreement will be reached," according to the two-sentence statement.

Company Would Be in Top 20

A merger between the two holding companies would be one of the biggest ever in banking, creating the nation's 20th-largest.

Norwest, an eight-state superregional based in Minneapolis, now ranks 30th, with $24.33 billion in assets. Denver-based United Banks is Colorado's largest holding company and the 81st-largest in the United States. It owns 40 banks in Colorado and has $6.08 billion in assets.

The announcement came after the stock market closed. Nor-

See **NORWEST** *page* **20**

Insiders Are Snapping Up Bank Stocks
Second quarter purchases by officers and directors

Company	Shares purchased	Buyers	Average price	Price at 3 p.m. Tuesday
First Bank System Minneapolis	43,590	10	$15.25	$14.75
SouthTrust Birmingham	26,230	5	$17.00	$17.375
CoreStates Financial Philadelphia	6,500	3	$37.375	$40.25
Comerica Detroit	4,180	10	$43.00	$45.25
First Interstate Los Angeles	4,000	3	$37.375	$39.375

Source: Invest/Net

Though Bank Shares Are Down, Insiders Are Buying Vigorously

By GORDON MATTHEWS

NEW YORK — With most investors running away from bank stocks these days, it sometimes seems that the only buyers willing to step forward are the banks' own officers and directors. And they have been active buyers, indeed.

In June, for instance, 10 insiders at First Bank System, including the new chief executive officer, John F. Grundhofer, spent nearly $665,000 to acquire 43,590 shares of its stock.

In May, five insiders of Southtrust Corp., Birmingham, Ala., acquired 26,230 shares for $445,910. The largest buyer, director Raymond J. Harbert, purchased 15,000 shares.

Stocks Have Plunged

Also in May, 10 officers and directors of Comerica Inc., bought 4,180 shares for $161,250. Insider buying at the

See **STOCKS** *page* **32**

COMMENT/ *By Charles H. Nobs and Eleni Istavridis*

Cost Leadership Gives Competitive Edge

While New York City may not always be an accurate barometer for the state of the national economy, today's city conditions pose an interesting metaphor for the banking industry.

Manhattan employment is down in both manufacturing and service sectors. Real estate markets are in a slump. Opportunities to raise tax revenues are evaporating, and embedded costs are uncompetitively high.

This is particularly relevant to financial firms based in new York, where the health of the city and the financial-services sector are so closely related. Cities and industries alike can be ripe candidates for restructuring.

Forecast for the '90s

Certainly, the 1980s showed that cost leadership is key to success in any restructured setting. Whether the restructured corporate environment is steel, electronics, automobiles, airlines, computers, or telecommunications, market leadership is invariably associated today with those firms that managed their cost profiles with the greatest finesse and foresight.

Just as these industries underwent a sea change in the past decade, so too will a combined banking and securities industry be restructured in the 1990s.

Stratification trends in returns to shareholders, market valuations, and market share are predestining the fortunes of most banks. Analysis by IDC Financial Publishing shows that banks with better credit quality and better cost control over the 1984-89 time frame achieved stronger investment returns than those institutions with less favorable credit and cost performance.

Market Capitalization

Research by First Manhattan Consulting Group shows that banks with "strong" expense performance have stock prices that are 60% or more higher than if they had "average" performance. Studies by McKinsey & Co. show that superregional banks increased their average market capitalization almost seven times during 1982-88.

This far outdistanced multinationals, who increased their capitalization less than two times. Regionals also increased their market share of total bank deposits, according to McKinsey, while money-center and community banks lost ground.

> **"Market leadership is invariably associated today with those firms that managed their cost profiles with the greatest finesse and foresight."**

Thus the gap between the "strong" and "less so" is well established and growing. A fundamental reshaping of the banking industry has already begun and will accelerate. To exert cost leadership, knowledge about the relevant competitive universe must be gained and details about relevant competitors' costs must be learned.

Factors such as the growing strength of superregionals and availability of foreign capital will eventually affect most aspects of retail and wholesale banking. These considerations will alter scale economies, pricing latitude, and technology strategies for many financial products, rendering them fundamentally unattractive for all but those bank providers whose size and business mix have been rationalized along the new competitive lines.

Expense or Investment?

Part of this rationalization process involves a strong differentiation between expense and investment. Since expense is most often defined by the existing, rather than future, culture, it must be rigorously questioned. Moreover, expense must be made variable to the greatest practical degree, thereby allowing changes in business and transaction volume to be met with expense growth or decline.

Examples include incentive-based compensation across various job classifications, use of contract and temporary workers where feasible, flexible benefits programs, profit sharing rather than guaranteed savings plans, and outsourcing a broad range of bank service activities.

The contracting-out of nonstrategic bank services, often

See **COST** *page* **9**

Mr. Nobs is senior vice president and department head for corporate operating services at Bankers Trust Co. Ms. Istavridis is senior vice president for corporate services control and administration at Bankers Trust.

GRAPEVINE/ *By Jed Horowitz*

Ties that Bind. Money-center bank executives these days are quick to speak about the theoretical benefits of mergers, but few have spoken of actual combinations or hard numbers.

One who has not shied away from getting specific, however, is Manufacturers Hanover Corp.'s president, Thomas Johnson.

At a meeting with institutional investors, he said that a combination of any two of the following New York branch-system banks could lead to incremental annual earnings of between $400 million and $700 million for the merged institution: Chemical Banking Corp., Chase Manhattan Corp., Bank of New York Co., and Hanover.

Mr. Johnson's company, meanwhile, may try to "unlock hidden values" on its own, a Merrill Lynch & Co. analyst, Judah Kraushaar, wrote in a recent report. Manny Hanny may eventually unload its Park Avenue headquarters building, which the company values at between $500 million and $750 million, and it is likely to sell entire business lines overseas.

* * *

Chasing the Reorganization. Chase Manhattan Corp. has reassigned a number of executives after dissolving its tripartite global-individual-institutional structure. The most dramatic shift is of Hughlyn F. Fierce, believed to be Chase's highest ranking black executive. Mr. Fierce, who was head of the Asia-Pacific corporate finance unit, is now to run a unit that markets retail bank products to municipal and state governments in New York City, Westchester County north of the city, and Long Island.

Mr. Fierce's former domain has been combined with the Japanese corporate finance unit under Timothy McGinnis, head of the Japan unit.

Chase also bestowed new responsibility on Michael F. Dacey, head of North American corporate finance. With the transfer of vice chairmen Richard Boyle and Robert Douglas to nonline duties, Mr. Dacey has full responsibility for Chase Securities, Chase Municipal Securities, Chase Leasing, and domestic institutional banking services.

Robert D. Hunter added Chase Home Mortgage Corp. to his national financial services empire. Donald Boudreau, head of the metropolitan community bank, also now oversees Chase's regional bank franchise.

* * *

The Fizz Is Gone. It's not just money-center banks that are curtailing their corporate finance and investment banking ambitions. The sharp downturn in corporate finance activity also is affecting regional banks.

With each passing month, the membership rolls of the Bankers Association for Corporate Finance – a group of regional bankers who aspired to be on the cutting edge in mergers and acquisitions, private placements, and other investment banking areas – are dwindling. The group was founded a few years ago by about 30 bankers who meet twice a year to share ideas and plans.

Recent Refugees

Among the most recent refugees from the group are bankers at First Fidelity Bankcorp's Fidelity Bank and NCNB Corp.'s North Carolina bank.

The three principals of Fidelity's investment banking group – Mark DeNino, Leslie Brun, and Jai Bowers – left recently to join CMS Cos., a Philadelphia-based personal investment banking firm. Mr. DeNino, who would not comment on the departure, said the trio continues to offer M&A and private-placement services to middle-market customers.

Investment Banking Mandates

A First Fidelity spokesman said that Stephen H. Clark, who heads the bank's asset sales units, has picked up the group's investment banking mandates.

At NCNB, veteran banker J.G. Richards Roddey – who has run the bank's corporate finance activities for over 10 years – moved last month to London.

"Either congratulations or condolences are in order," joked Mr. Roddey, 53, an NCNB managing director and founding member of the Bankers Association group. In London, he is overseeing NCNB Corp.'s two British-based branches and coordinating activities with NCNB's British merchant bank and its broker-dealer, Panmure Gordon & Co.

His U.S. domain is being split between managing directors Richard Gross, who will run corporate finance activities, and Richard Robb, who will be in charge of domestic mergers and acquisitions.

* * *

Guten Morgan. When J.P. Morgan & Co. set up a group to develop government and business contacts in eastern Europe in May, it targeted privatization and debt restructuring for the nascent democratic governments in the region as an initial goal for the group. Debt restructuring was a natural since the group reports to Rodney Wagner, Morgan's veteran negotiator on Third World debt.

It turns out that Morgan also has an ace in the hole when it comes to privatization. Detlev Rohwedder, a member of the advisory board of its German bank subsidiary – J.P. Morgan GmbH – has just been named chairman of Treuhandanstalt, a trust that Morgan says owns most of East Germany's industrial companies and is charged with privatizing them. Herr Rohwedder also is chairman of Hoesch, the West German steel and engineering conglomerate.

* * *

Hong Kong Bound. State Street Bank and Trust Co. won permission from the Federal Reserve Board late last month to convert a Hong Kong-based depository trust subsidiary to a full branch.

An official at the Boston-based bank company said the conversion will allow the State Street Boston Corp. unit to expand its foreign-exchange trading activities, since the branch can tap the capital of its parent company. The conversion still awaits approval from Hong Kong authorities.

Although many foreign companies are fretting about the return of the British territory to China in 1997, State Street sees Hong Kong – where it employs about 100 people – as a vital part of its expansion into the Far East. Earlier this year, it announced plans to buy Wells Fargo & Co.'s Tokyo branch. The $10 billion-asset State Street specializes in securities custody and asset management. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

STOCKS

Though Bank Shares Are Down, Insiders Are Buying Vigorously

Continued from *page* **1**

Detroit banking company has been high for several months.

Banks and thrift institutions, whose stocks have plunged since last fall on fears of loan problems and lower profits, lead all groups of publicly traded companies in insider stock acquisitions during the past year, according to Robert Gabele, president of Invest/Net, a Miami firm that tracks such activity.

"The buying has continued all the way down," Mr. Gabele said on Tuesday. "The fact that they're still buying at the lower levels has to be seen as a vote of confidence for the industry.

Buying Despite Uncertainties

"There are a lot of uncertainties out there for the bank, but you have to say that there are people at the banks stepping up to plate," he noted.

The trend goes beyond bank stocks that have been heavily sold by regular investors, and includes some that are well-liked on Wall Street and have fallen far less than others in the industry.

At Corestates Financial Corp., Philadelphia, a favorite of many banking analysts, three directors recently purchased 6,500 shares for $178,750.

Thrift Stocks Favorites

Thrift stocks, shunned by many, are also insider favorites. Mr. Gabele said that Dime Savings Bank of New York; Greater New York Savings Bank; Coast Savings Financial Corp., Los Angeles; and Conservative Savings Bank, Omaha, Neb., have been among the leaders in inside buying in the past six months.

At First Bank System, the heavy buying activity — 43,590 shares at an average cost of $15.25 per share — is viewed as a sign that top managers at the Minneapolis company feel restructuring at the long-troubled company is complete and that they believe the stock will appreciate significantly in the future.

Analysts Neutral

But most Wall Street analysts are decidedly neutral of the stock, noting that it already trades at a premium to other regional banks. The stock was off 12 cents to $14.875 in midday trading on Tuesday.

Analysts take a wait-and-see attitude on First Bank System's revised business strategy and anticipate up to 10% dilution of earnings per share through next year, after the company's recent recapitalization with a $175 million private placement of common stock.

"In general, turnarounds in 1990 may be more difficult to engineer than those of the early 1980s," Kristina E. Andersson, a bank analyst at Kidder, Peabody & Co., noted in a recent report on the company.

Some analysts said the large amount of insider buying may have been a show of faith in the company following the private placement, which was taken by Corporate Partners, an investment group, and the State Board Administration of Florida.

A spokeswoman at First Bank System declined to comment on that possibility.

A leading inside buyer at the company last month was Mr. Grundhofer, the new chairman and chief executive officer. He purchased 10,000 shares.

Mr. Grundhofer, who joined the company on Jan. 30 after a career in California at Wells Fargo & Co. and Union Bank, made his purchase on a single day, June 21. He paid $14.50 per share for a total investment of $145,000.

The June acquisitions were substantial enough to increase by 11.5% the amount of stock owned by officers and directors of the banking company, as reported last Feb. 1.

Selling Drives Stocks Down

Late afternoon selling drove bank stocks sharply lower Tuesday. One analyst said there were late rumors that another analyst would issue a report that he was more bearish about banks than he had been previously. However, most said they were at a loss to explain the late drop beyond that banks followed the overall market, which turned sharply lower late in the day.

Bankers Trust New York Corp. lead money center banks, falling $1.125 to $39.75. Manufacturers Hanover Corp. was off 87.5 cents to $32.625. Chemical Banking Corp. was off 75 cents to $24.75. Bank of New York, Chase Manhattan Corp. and Citicorp were also lower, although not as severely.

The Dow Jones Industrial average, after being off about 13, fell 10 points in the last 30 minutes of trading to end the day at 2890.84, down 23.27. □

CAPITAL

Banks Rushing to Securitize Their Assets

Continued from *page* **1**

"Isn't that eventually going to make it harder for banks to sell stock and debt?"

In a single week in June, banks issued $2.8 billion in securities backed by credit card receivables. And Norwest Corp. securitized $95 million in manufactured home loans.

"The asset-backed market is really developing into the fourth leg of a chair: governments, corporates, mortgages and now asset-backeds," said Stephen A. Candland, senior vice president at Dean Witter Reynolds Inc.

Deals Marketed Globally

Recently, the market has spread beyond the United States. Citicorp has taken the lead, issuing billions of dollars in securities backed by credit cards from subsidiaries called global credit card trusts.

European banks are also starting to securitize assets. Swiss Bank Corp. recently issued $500 million in securities backed by automobile loans, for example.

By taking the assets off their books, banks raise their equity-to-assets ratios and their return on assets. Equally important, they continue to earn the difference between the yield on the asset and the cost of funding it, and they are able to take the tax deduction for the interest expense associated with the securitization.

Raising return on assets makes a bank appear more profitable, and more appealing to current and potential investors, according to Jack J. Ross, a director at Merrill Lynch Capital Markets.

"They have improved their risk profile by securitizing those assets," he said. Banks "still retain the earnings benefit of those assets, even though they're off balance sheet."

As for investors, portfolio managers of trust accounts and corporate bond funds are eager for high-grade securities, such as asset-backeds, with yields above Treasuries, according to Alan F. Bembenek, an analyst at Fidelity Management and Research Co.

"I think you're going to see a continuation of large issues coming to market," he said.

But some capital markets specialists and analysts question the long-term implications. If a bank transfers all its best assets off its balance sheet, investors in that bank's debt and equity may balk at the notion of financing only that bank's lower-quality assets, they say.

"For a bank with problems in other areas of its loan portfolio, securitization would affect the receptiveness of investors to its securities," William King, a bank bond analyst at Merrill Lynch Capital Markets. "For less than top-quality banks, securitizing leaves their real estate loan portfolios looming larger and larger."

Mr. Bembenek agreed. "Once those assets are removed from the balance sheet, what's left is relatively unattractive," he said.

Several banks have been particularly aggressive in securitizing assets. Citicorp has been the biggest issuer, but MNC Financial Inc., First Chicago Corp., Chemical Banking Corp., Security Pacific Corp., BankAmerica Corp., and Hongkong & Shanghai Banking Corp.'s subsidiary Marine Midland Bank have all been major players in the asset backed securities market.

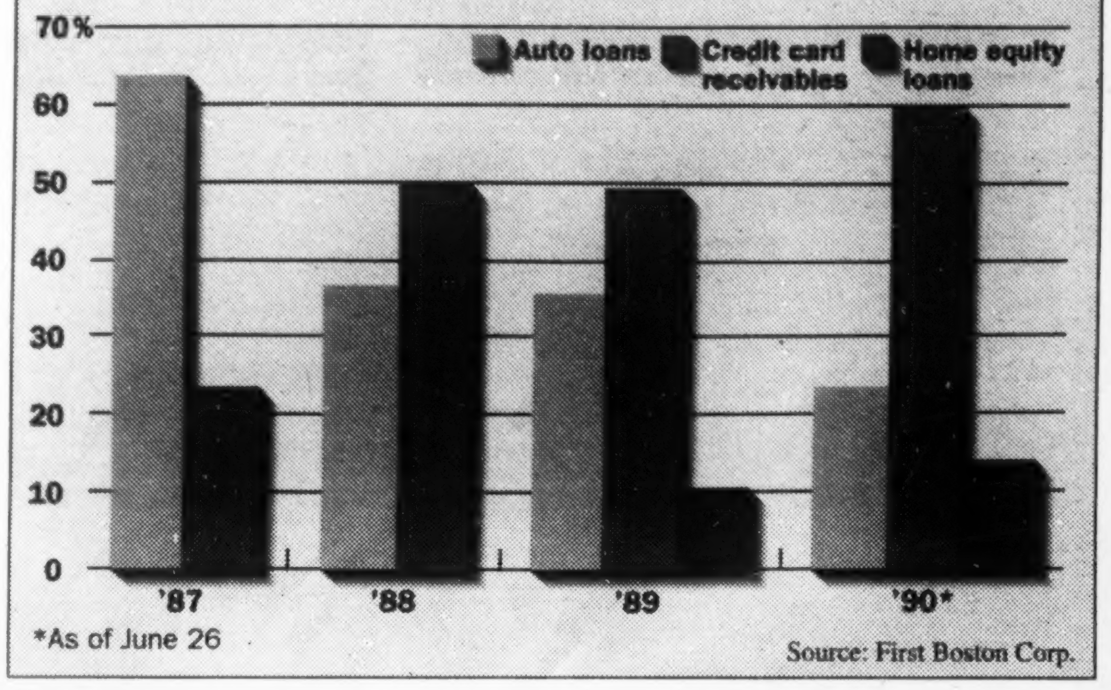
And banks are having to pay less in fees to underwriters as competition heats up for the business and underwriting presence in asset-backeds shifts. First Boston dominated the market in its early years.

But Merrill Lynch Capital Markets is making inroads. In 1990, Merrill has underwritten 20% of the asset-backed issuance, compared with First Boston's 26%.

Automobile loans and equipment leases were the collateral used most often in the market's early years. But credit card receivables began to be used in 1987, and they now back 42% of the asset-backed securities in the market. Home equity loans, boat loans, time-share loans, and recreational vehicle loans have all been used for collateral, and securities backed by other assets, such as commercial loans, are reportedly in the offing. □

A Bigger Role for Credit Cards

Changing mix in the asset securitization market, as a percentage of the total paper issued



*As of June 26

Source: First Boston Corp.

ADVERTISEMENT

FINANCIAL TECHNOLOGY UPDATE

NCR in the '90s: helping you manage change

The fiercely competitive decade which lies ahead will bring unprecedented challenges to the banking industry, and therefore unprecedented technology, designed to meet those challenges.

In an era when banks must reduce the cost of delivery while increasing its quality, managing information technology has become the single most powerful factor for success in banking. In retail banking for example, service, sales and office automation must be integrated into a single retail delivery system that can accommodate the inevitable changes of technology.

NCR has evolved a long-term strategy to enable its customers to take full advantage of these changes. It's called "Open, Cooperative Computing. The Strategy For Managing Change." It means providing customers with a vendor-neutral computing environment based on open industry standards, allowing information resources to interoperate enterprise-wide as one integrated system, and in a way that is easy to use.

Simply put, NCR's delivery systems will seamlessly integrate customers' systems, networks and software from multiple vendors into a single, flexible solution.

This long-term strategy, which began in 1981 with a commitment to open systems, has positioned NCR as the only company with the products, global presence and financial clout to deliver its advantages to the end-users.

For example, Integrated Retail Delivery Systems (IRDS) will allow customers to deliver new products in new ways. Self-Service Automation will continue to help the branch to focus on cost reduction while freeing up branch personnel for cross-selling efforts. New NCR Image solutions will help create new productivity in document management, item processing and office information systems.

NCR will bring its leading-edge technology together with that of other niche technology providers in an architecture designed to facilitate change and deliver superior solutions to critical business problems. This commitment will help financial institutions manage change now and throughout the evolution of their retail delivery strategies.

NCR

Open, Cooperative Computing.
The Strategy For Managing Change.

©Copyright 1990, NCR Corporation

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 32

800

C0175-1

AMERICAN BANKER

NEWSPAPER
1553890000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 135 | Thursday, July 12, 1990 | 155th year

Utah Has Opened Door to Interstate Branch Banking

By SAM ZUCKERMAN

SAN FRANCISCO — In a little-noticed decision that further erodes prohibitions against interstate branch banking, Utah authorities have allowed BankAmerica Corp. to operate a Salt Lake City office as a unit of its Arizona-chartered bank.

BankAmerica has obtained full banking privileges in Utah and may open more branches if it wishes. Previous interstate branching decisions have limited the number or location of offices.

"This is the first effective creation of a multistate bank since the Civil War," said Michael Roster, a lawyer with Morrison & Foerster, Los Angeles, who worked for BankAmerica to obtain regulatory approval.

ANALYSIS: *Follow-up on the news*

Lawyers and banking regulators familiar with the case said the ruling sets a precedent that could ease the way for further interstate branching by state-chartered banks. "It's a harbinger of things to come," said James B. Watt, president and chief executive of the Conference of State Bank Supervisors.

Utah Office Purchased

BankAmerica acquired the Utah office as part of its $81 million purchase of some Western Savings and Loan Association assets and liabilities from the Resolution Trust Corp. at the end of May. Western had 61 offices in Arizona and a lone branch in neighboring Utah.

On acquiring Western, BankAmerica immediately converted it from a thrift to a state-chartered commercial bank.

As part of the package of regulatory approvals needed for the deal to go ahead, Utah's top banking official formally allowed BankAmerica to operate the Salt Lake City branch as a full-service office using the Arizona charter.

Bowing to the Inevitable

George R. Sutton, the Utah commissioner of financial institutions, said he permitted BankAmerica to operate with an out-of-state charter not because of special circumstances but because he believes that states must accommodate interstate branching.

Congress is considering legislation that would permit nationally chartered banks to branch across state lines. That is a signal, Mr. Sutton said, that states must get on the bandwagon.

"If states do not go along with

See **UTAH** page 14

INSIDE NEWS

MANAGEMENT

MANY AIRLINES, hotels, and car rental firms are offering price breaks to banks that can guarantee some flow of travel dollars. *Page 8*

CONSUMER

CITICORP is promoting travel packages for the first time, sparking speculation about its long-term goals in the travel business. *Page 6*

INTERNATIONAL

AMSTERDAM-ROTTERDAM Bank cut its last links with Belgium's Generale Bank, paving the way for Amro's merger with another Dutch bank, Algemene Bank Nederland. *Page 12*

TECHNOLOGY

MELLON BANK CORP. is establishing common products and systems for retail operations in an attempt to cut operating expenses and adopt a uniform marketing approach. *Page 3*

WASHINGTON

RICHARD BREEDEN, chairman of the Securities and Exchange Commission, called for radical reforms in banking laws, including a dismantling of the barrier separating banking from commerce. *Page 2*

FINANCE

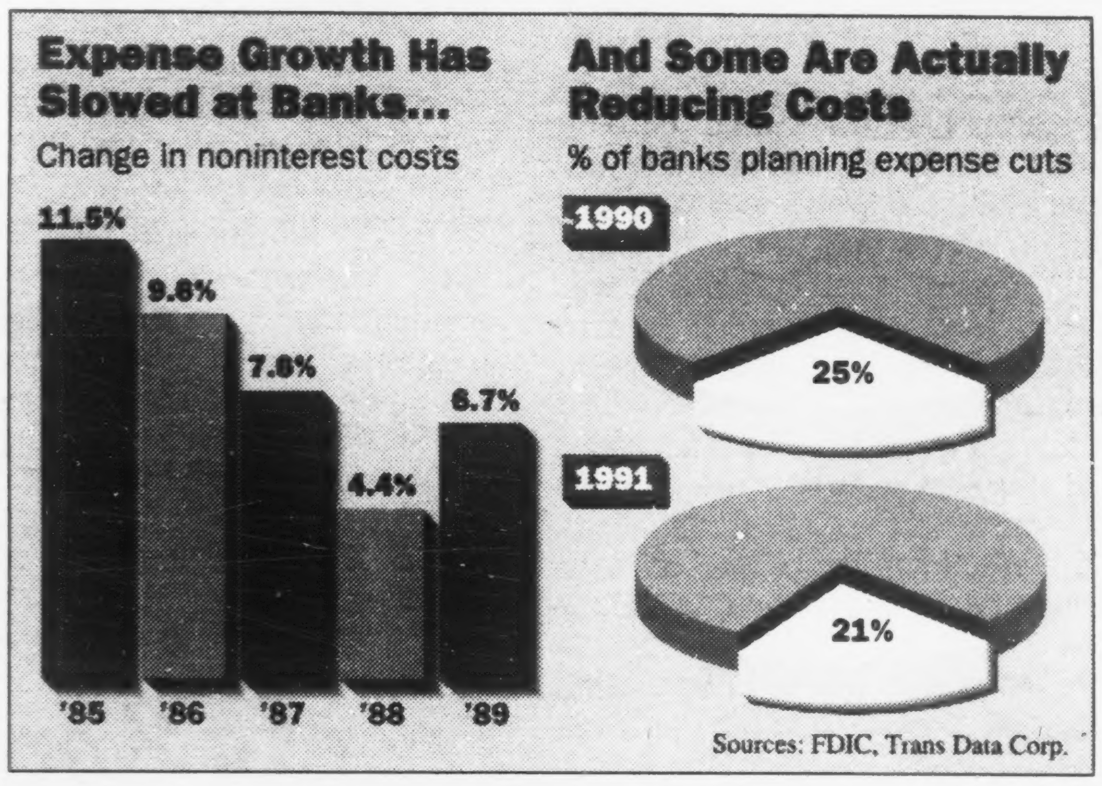
CITYTRUST BANCORP shares have been rising in a down market for bank stocks, and analysts are hard pressed to explain the strength. *Page 20*

COMMENT

MARKETING COSTS can be rationalized on the basis of analysis of the economic value of various loan products, writes Sanford Rose. *Page 4*

INDEX

Company Index 2
The Lobbyists 4
Classified Advertising 16
Bank and Thrift Stocks 19



Sources: FDIC, Trans Data Corp.

Cost Cutting Gains Momentum As Sources of Revenue Dry Up

By PHIL ROOSEVELT

NEW YORK — Commercial banks' cost-control drive, increasingly visible in recent weeks, has only just begun.

Faced with weak earnings and sluggish loan growth, banks across the country have been moving aggressively to cut their noninterest expenses, such as personnel, branches, and back-office systems.

Bankers and analysts said the increased austerity will shape banks' 1991 budgets, which are now in preliminary planning stages.

"We are looking at 1991 as another year in which we will be giving a lot of attention to cost control," said J. Robert Lee, chief financial officer of First Union Corp., Charlotte, N.C. He hopes to cap cost increases to 3%, despite an expected inflation rate of 4% to 5% and hefty increases in postal rates and deposit insurance premiums.

Out-and-Out Reductions

Many banks have striven in recent years to better control the annual growth of their noninterest expenses. But now, a significant portion of the industry appears to be going a step further and actually reducing the expenses.

A recent survey of 32 banks by Trans Data Corp., an affiliate of the *American Banker*, found that 25% were cutting costs this year, by magnitudes ranging from 3.5% to 15% from 1988 levels. The greatest reductions were reported by larger banks.

Moreover, 21% of those surveyed already have plans to cut costs in 1991.

Such reductions were far more rare just two years ago, consultants and analysts said. They

See **REVENUES** page 8

U.S. Files 500 Suits Against Former Bank, S&L Officials

By DEBRA COPE
and BILL ATKINSON

WASHINGTON — In a dragnet that could eventually snare the son of President George Bush, federal investigators have filed more than 500 lawsuits against former directors and officers of failed banks and thrifts.

The Federal Deposit Insurance Corp. chairman, L. William Seidman, disclosed the number of legal actions in a House subcommittee hearing on Wednesday. He did not discuss the case of Neil Bush, the President's 35-year-old son, a former director of a failed thrift in Colorado.

Substantial Penalties Sought

Probes of 550 banks and 350 thrifts under the FDIC's control and 400 thrifts in the Resolution Trust Corp.'s caseload have led to the professional liability suits seeking civil penalties ranging from $1 million to $1 billion, Mr. Seidman, who is also chairman of the RTC, told the House Judiciary subcommittee on criminal justice.

Neil Bush fits in the category of those targeted by investigators sifting through the ruins of failed institutions. The younger Mr. Bush was a director of the defunct Silverado Banking, Sav-

See **500 SUITS** page 11

U.S. Orders 20% Writedown on Latin Lending

By JAMES R. KRAUS

NEW YORK — Regulators ordered U.S. banks on Wednesday to write down their medium- and long-term loans to Argentina and Brazil by 20% in the third quarter.

The writedowns will have no immediate impact on earnings, since banks will use existing reserves against loan losses to cover them, bankers and analysts said. However, the move may force some banks with low reserves – including Citicorp and Chase Manhattan Corp. – to replenish them later.

Total of Lending

U.S. banks had outstanding loans of $16.3 billion to Brazil at yearend, of which nearly $10 billion are medium and long term. Loans to Argentina totaled $4.5 billion, of which $3.4 billion are

See **ORDERS** page 12

U.S. Banks Increase Dominance In Global Syndication of Loans

By JOHN EVANS

LONDON — U.S. banks are tightening their grip on the international loan-syndication market this year, a British magazine survey shows.

Nine of the top 10 global loan syndicators in the first half of 1990 were U.S. banks, according to *International Financing Review*, an *American Banker* affiliate. U.S. banks took six of the top 10 positions in the first six months of 1989.

The U.S. dominance of the global syndication business came despite a 30% drop in corporate borrowing at home, to $68 billion from $97 billion in the same period a year earlier. European funding expanded 13.5% to $46.3 billion from $40.8 billion.

Total syndicated lending in the first half dropped 18% to a total of $136.8 billion from $167.4 billion a year ago, the

See **U.S.** page 12

The Global Leaders

International loan syndications for the first half of 1990

Bank	Volume (in billions of dollars)	Number of loans
Citicorp	$31.1	42
Chemical	15.4	24
National Westminster	14.7	33
J.P. Morgan	14.6	13
First Chicago	16.6	22
Bank of America	12.5	24
Manufacturers Hanover	10.0	45
Bankers Trust	9.9	21
Chase Manhattan	9.7	35
Continental Bank	8.8	12

Source: International Financing Review

COMMENT/*By Sanford Rose*

Determining Loan Values And Marketing Outlays

How much money should a bank spend to market a given type of loan? At most banks marketing expenditures depend more on educated guesses than on scientific evaluations. Yet it is possible to rationalize marketing costs based on an analysis of the economic value of various loan products. Such an analysis will reveal the amount of money that can be allocated to product sourcing or marketing while still preserving an acceptable level of loan profitability.

To determine the appropriate level of marketing expenditures, banks must do a capital-budgeting analysis of loan types, taking into consideration their size, term to maturity, interest rate, the expenses involved in booking and servicing, expected losses, and the cost of both the internal and external funds used to finance them.

As pointed out by Michael Lenora, vice president for marketing at The Walter Latham Co., a direct-marketing agency specializing in financial services and domiciled in Broadview, Ill., determining the economic value of a loan is conceptually similar to determining the value of the lender. Both values depend on discounting a complete set of future cash flows by the appropriate cost of capital.

Determining Discount Rates

The value of a loan is determined by comparing the discounted present worth of the cash flows it will generate in the future with the current cost of making the loan. The trick, of course, is to choose appropriate discount rates.

Since a lender assembles funds from both outside creditors and shareholders, he must discount future cash flows at rates that provide acceptable returns to each class of funds provider. The rate of return demanded by outside creditors is the rate of interest at which they lend. The return demanded by equity holders is determined by the opportunity cost of equity – the return that could have been earned had the shareholders put their money in other equity investments of comparable risk.

Thus the appropriate discount rate is a composite number, reflecting both the cost of debt and the usually much higher cost of the equity component of investable funds. If the discount rate is properly computed, it already incorporates the return required by debtholders and that which is minimally acceptable to shareholders.

Generating Excess Returns

Hence the lender is justified in making the loan if the discounted present worth of its net cash flows (future revenues minus initial and future expenses) is just equal to the loan size. If the present value of the net cash flows exceeds the loan size, the lender is generating excess returns, which can be retained, serving to boost stock values, or else earmarked to appropriate marketing expenditures. Thus, the level of permissible marketing outflows emerges as a byproduct of a careful discounted cash-flow analysis.

Mr. Lenora of The Walter Latham Co. has analyzed the excess returns, or permissible marketing costs, available from installment loans of various types and terms. He finds, for example, that for installment loans of $10,000 made at an 18% rate of interest for 48 months, the excess value, assuming 4% losses, $50 initial booking expense, and $12 monthly maintenance, amounts to about $445.

In other words, $445 is the

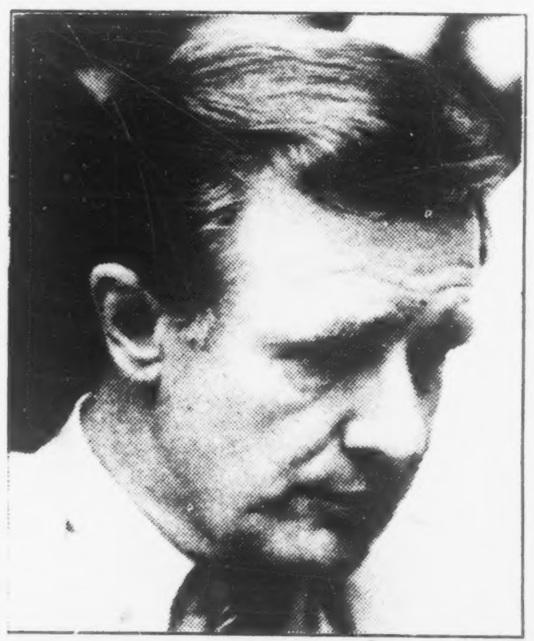
See **COMMENT** *page* **5**

THE LOBBYISTS

Common Cause Lists The D.C. Recipients Of Columbia Largess

California's **Columbia Savings** and Loan, the once high-flying Beverly Hills thrift now under scrutiny by authorities, was uncommonly generous in its political contributions, according to a study by **Common Cause,** the self-proclaimed "citizens lobby."

In the nine-year period ended in April, Columbia executives and their spouses gave a total of $284,900 to congressional candidates and political party committees, the study found.



Louise Krafft

Rep. Donald W. Riegle
Michigan Democrat

The top recipient was Senate Banking Committee Chairman Donald W. Riegle, D-Mich., who also received large contributions from individuals associated with the failed Lincoln Savings and Loan, Irvine, Calif.

Mr. Riegle received $29,000 from Columbia executives and spouses, beating out Sen. Jake Garn, R-Utah, who received $25,200 during the period under study. Mr. Garn is the committee's ranking Republican and was its chairman.

The Common Cause disclosure comes after the Office of Thrift Supervision filed civil action against Columbia and former chairman Thomas Spiegel. The OTS wants to collect $24 million that it alleges Mr. Spiegel squandered on corporate jets, lavish bonuses, vacation condominiums, and other extravagances.

While Mr. Spiegel and his associates paid closest attention to the Senate Banking Committee chairman and ranking Republican, other members were treated well.

Next in line were Sen. Timothy E. Wirth, D-Colo., with $17,500; Sen. Bob Packwood, R-Ore., $17,000; Sen. Pete Wilson, R-Calif., $15,500; Sen. Alan Cranston, D-Calif., $13,500; Sen. Howard M. Metzenbaum, D-Ohio, $11,000; and Sen. Alfonse M. D'Amato, R-N.Y., $7,000. Mr. Wirth, Mr. Cranston, and Mr. D'Amato are members of the banking committee.

House members made the list too. Rep. Howard L. Berman, D-Calif., received $5,000, while Rep. Lee H. Hamilton, D-Ind., and Rep. Carroll Hubbard Jr., D-Ky., both got $4,000.

Former Rep. Fernand J. St Germain, D-R.I., the chairman of the House Banking Committee until his defeat in 1988, received $15,700.

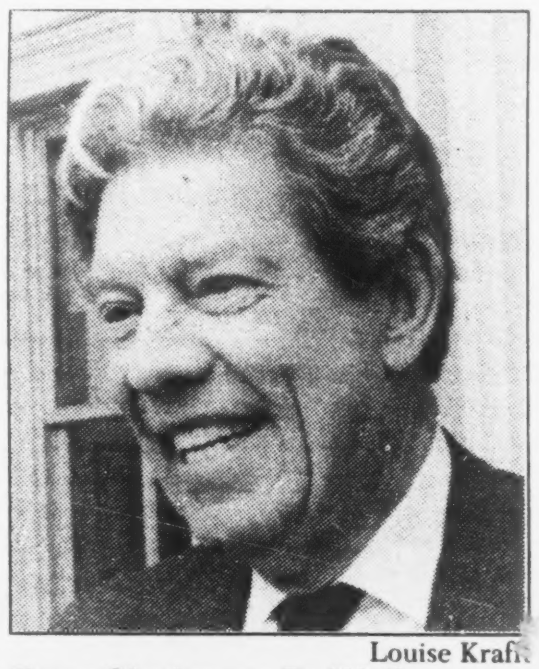
The Democratic party fared even better. The Democratic National Committee and the two Democratic campaign committees received a total of $66,850, Common Cause said. The Republican National Committee received $1,000. But lest anyone feel sorry for the Republicans, Common Cause said Mr. Spiegel made a soft-money contribution of $100,000 to President Bush's 1988 campaign.

* * *

Bank Directors Take Aim at Crime Bill

A fledgling trade group representing bank directors has charged that a crime bill sponsored by Chalmers P. Wylie, R-Ohio, could drive away directors from serving on boards of banks and savings and loans.

The **American Association of Bank Directors** is taking issue with several provisions in the Financial Crimes Punishment and Prevention Act of 1990, backed by such heavyweights as House Banking Committee Chairman Henry B. Gonzalez, D-Tex.; Frank Annunzio, D-Ill.; and Doug Barnard Jr., D-Ga.



Louise Krafft

Rep. Chalmers P. Wylie
Ohio Republican

In short, the legislation cracks down on bank and S&L executives who commit financial crimes.

Although it agrees with the spirit of the law, the association charges that the legislation is drafted so broadly that unwitting directors who sit on the board of a failed institution could have their assets frozen as well as tax returns released to banking agencies.

"It [the legislation] is overly broad," said David H. Baris, executive director of the Washington-based trade association. "Those directors who read it carefully will be scared."

Mr. Baris said the association believes that freezing assets may be unconstitutional. Mr. Baris said the group has about 200 members, but he would release only the names of the association's advisory committee, which includes Alfred M. Pollard, director of federal government relations, **Security Pacific** Corp.; Dana H. Cook, partner and national director of financial institution capital markets, **KPMG Peat Marwick;** and William Resnik, senior counsel of Seattle-based **Seafirst** Bank.

The association also takes issue with with an amendment made to the legislation on June 28 that increased the financial risk to directors. The House Banking financial institutions subcommittee took the action without holding a hearing.

According to the association, the amendment permits a banking agency to have a court issue a restraining order prohibiting any party subject to a civil cease and desist order or other actions from withdrawing, transferring, or disposing of assets.

The association has requested a hearing.

* * *

Laundering Bill Gets Thumbs-Up from ABA

The banking community is generally pleased with the Senate version of money-laundering legislation that will be considered by the Senate Banking Committee on July 17. In particular, the **American Bankers Association** is pleased with a new provision that shields a company from liability if it acquires an institution that violated money-laundering laws.

However, the trade group listed a number of concerns in a June 26 letter to Sen. Donald W. Riegle, D-Mich., the banking committee chairman. For example, the bill's removal provisions may be too harsh, the ABA said.

"While removal authority is justified for individuals who violate money-laundering laws, removal for record-keeping violations of the Bank Secrecy Act may be in the majority of cases inappropriate and in our opinion should be addressed through civil penalties," the letter said.

— Robert M. Garsson and Bill Atkinson

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Amro Cuts a Merger Link To Clear Way for Another

By JOHN EVANS

LONDON — Amsterdam-Rotterdam Bank cut its last links with Belgium's Generale Bank on Wednesday, paving the way for merger with Amsterdam-Rotterdam's fellow Dutch bank, Algemene Bank Nederland.

Amro said that its chairman, Roelof Nelissen, had resigned from Generale Bank's supervisory board. Also, Generale's chairman, Paul Janssen, has left the Dutch bank's board.

The Last Remaining Links

The seats on the respective boards were the only links that remained after merger plans were abandoned in August 1989. The two banks had planned to merge to compete better when the European Community becomes a single market in 1992. But their plans were scuttled because of legal, tax, and supervisory problems.

"We're back to where we started – good friends, that's all," said an Amro spokesman.

The proposed Dutch merger, first announced in March, will create Europe's seventh-biggest bank, with $170 billion in assets, and one of the world's top 30 banking companies.

> **Amro's deal with Alegemene Bank Nederland is intended to strengthen its position at home and abroad.**

Amsterdam-Rotterdam and Algemene Bank Nederland have made it clear that their merger is aimed not only at speeding their banks' ability to expand abroad but also at strengthening their combined position in their own domestic market.

Strong capitalization is required "if you want to be a global player from a small market like the Dutch," said ABN chairman Robert Hazelhoff. "A merger would put us among the top banks and allow us to expand rapidly." □

THE WORLD'S TOP BANKS

TOP 500 WORLD BANKS
BY ASSETS
July 26, 1990
Special International Banking Feature:
Japanese Banking

TOP 1000 WORLD BANKS
BY DEPOSITS
July 27, 1990
Special International Banking Feature:
Global Demographics

The Most Important International Banking Statistical Feature Editions of the Year.

American Banker's annual two-issue statistical picture of the World's Top Banks is the most important international banking statistical publishing event of the year...two issues that automatically command the interest and attention of every senior manager in the banking industry.

And because these issues are invariably retained for reference throughout the year, your advertising is virtually guaranteed "repeat performance" selling power...reaching and influencing senior bank executives and their key associates again and again.

There's still time to make sure you are represented in these essential issues of American Banker. But you must act now. Call your American Banker sales representative today.

Advertising closing dates for both issues:
Space Reservations: July 18
Ad Materials Due: July 20

AMERICAN BANKER
Get the highest interest.
800-221-1910

SPECIAL "BOTH ISSUES" DISCOUNT
Buy both World's Top Banks issues and get 25% off your second ad!

U.S. Orders Writedown on Latin Loans

Continued from *page* **1**

medium and long term.

Regulators ordered banks to write down their loans to Argentina by 40% last year after the country suspended interest payments. The latest writedowns mean regulators do not expect banks to collect more than 40 cents on the dollar of their loans to the Latin American country.

Argentina resumed nominal interest payments of $40 million a month in June. Brazil has not paid any interest on its foreign commercial bank debt since March 1989.

Wednesday's action by the Interagency Country Exposure Review Committee was the first time banks have been ordered to write down Brazilian loans. The regulatory agency comprises nine representatives from the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corp.

"Argentina is an anticipated continuous writedown, but Brazil is a new name in the equation," said James J. McDermott, executive vice president with Keefe, Bruyette & Woods Inc. in New York.

The level of reserves against losses on Third World loans varies widely. J.P. Morgan & Co., for example, is reserved for 100% of its loans.

Citicorp, however, is reserved for only 38% of its medium- and long-term loans, Manufacturers Hanover Corp. for 35%, BankAmerica Corp. for 41%, and Chase Manhattan Corp. for 45%, according to Keefe Bruyette.

> **"Argentina is an anticipated continuous writedown, but Brazil is a new name in the equation."**
>
> **James J. McDermott**
> *Keefe, Bruyette & Woods Inc.*

Citicorp will not be affected by the latest Argentine writedown since it wrote off 60% of its loans to the country last March, on its own initiative.

The reserves of Citicorp and other major banks will be seriously depleted by the Brazilian writedown.

At yearend, Brazil owed Citicorp $3.9 billion, BankAmerica Corp.$2.65 billion, Chase Manhattan Corp. $2.3 billion, Manufacturers Hanover Trust Co. $2 billion, and Chemical Banking Corp. $1.5 billion.

Argentina owed Citicorp $900 million, Manufacturers Hanover $888 million, Chase $580 million, J.P. Morgan $400 million, and BankAmerica $380 million.

Although banks stand to gain tax deductions from the writedowns, they will be of little benefit due to lackluster earnings.

"Profits are at depressed levels and tax deductions are about the last thing banks need now," said J. Richard Harvey Jr., a partner with Price Waterhouse.

The writedown order apparently took bankers by surprise. Few of them expected the U.S. government agency to order additional writedowns because both Argentina and Brazil were moving to open talks with their banks. □

U.S. Banks Build Dominance in Global Syndication

Continued from *page* **1**

magazine reported.

U.S. banks are "learning earlier than most banks" to adjust to the tougher lending climate, said Rudiger Eisenhart-Rhote, a managing director at Chase Manhattan Corp. "Necessity is a very forceful innovator."

Guidelines issued by the Bank For International Settlements require banks to back their loans with more capital. International loan syndications have become increasingly attractive because they pool risk among a group of banks, requiring participating banks to put up smaller amounts of capital.

And the big banks that arrange syndications also welcome the much-needed fees that they collect for their efforts.

While money-center banks such as Citicorp have historically been major forces in loan syndications, they have rarely dominated to the extent seen this year, bankers said.

For example, Chemical Banking Corp., ranked 19th in first-half 1989 lending, jumped to second place this year. Continental Bank Corp., ranked 17th a year ago, is now in 10th position. The only non-American to figure in the top 10 is Britain's National Westminster Bank PLC, standing in third place.

Successes in Europe

Europe's banks were not unduly favored by the surge in corporate borrowing in their home market. Citicorp has won the key coordinator role in a $1 billion loan currently being sought by Enimont, an Italian industrial concern.

J.P. Morgan & Co. won prestigious deals like the $1.4 billion loan facility for Bayerische Motorenwerke (BMW), the German automaker. Morgan has also received the mandate to raise $1 billion for West German industrial group Thyssen AG, acting together with Deutsche Bank AG as colead manager.

"U.S. banks, including ourselves are having some notable successes in capturing European loan business which formerly would have undoubtedly gone to European relationship banks, a move definitely helping our rankings this year," said Morgan's Hugh Payton, vice president and loan-syndications head.

Citicorp: Most Active

Citicorp was by far the most active arranger in volume terms, syndicating just over $31 billion or almost double that of its nearest rival, Chemical Bank, with $15.4 billion.

Only two Japanese banks figure among the 20 leading lenders, a big reversal over previous years when Tokyo banks were among the main sources of global loan financing. But U.S. bankers said much of this past clout hinged more on the ability of Japanese lenders to book assets easily than their skills as loan arrangers.

"The Japanese have really pulled back and this has caused big changes in the [loans] market. They now closely scrutinize every loan for profitability, Mr. Payton said. □

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	7/11	7/10	7/03	7/11	7/10	7/03	7/11	7/10	7/03	7/11	7/10	7/03	7/11	7/10	7/03
United States	8.37	8.43	8.31	8.37	8.37	8.31	8.43	8.43	8.37	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.31	7.25	7.50	7.65	7.65	7.65	7.67	7.71	7.68	5.25	5.25	5.25	7.13	7.13	7.13
Canada	14.12	13.37	13.37	13.62	13.50	13.50	13.37	13.25	13.25	[illegible].73	13.73	13.83	14.75	14.75	14.75
U.K.	15.00	14.87	15.00	15.00	14.93	14.93	14.93	14.87	14.87	14.33	14.33	14.32	15.00	15.00	15.00
West Germany	8.31	8.31	8.12	8.37	8.37	8.25	8.56	8.56	8.50	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.00	9.37	9.31	9.06	9.25	9.06	8.87	9.06	8.93	6.00	6.00	6.00	11.38	10.38	10.88
France	10.12	10.00	10.06	10.18	10.12	10.12	10.31	10.25	10.25	9.50	9.50	9.50	10.50	10.50	10.50
Italy	11.62	10.62	12.00	11.25	11.25	11.37	11.37	11.37	11.50	12.50	12.50	12.50	13.00	13.00	13.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.31	14.44	8.56	8.57	7.64
6 to 12 months	8.41	13.64	8.82	7.94	7.59
12 to 24 months	8.98	12.85	9.02	7.35	7.25

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York

800

C0175-1

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

TOP 100 MORTGAGE COMPANIES
Tables on pages 9, 10

AMERICAN BANKER

VOL. CLV NO. 136 *Friday, July 13, 1990* *155th year*

This Is Friday, So Expect Tales Of Big Seizure

By TOM LEANDER

NEW YORK — Boston has become the banking industry's rumor hub.

Every Friday – the day the Federal Deposit Insurance Corp. usually seizes troubled financial institutions – whispers abound in Boston that Bank of New England may be targeted for takeover.

The FDIC has declined to comment. And Bank of New England officials said they have reassurances from the agency that such a move is not imminent.

Nevertheless, the rumors fly. They first circulated when the bank announced a $1.1 billion fourth-quarter loss because of massive real estate loan problems. And several recent developments have fed the rumor mill.

ANALYSIS: *Follow-up on the news*

- Two weeks ago, a senior FDIC official predicted that the bank insurance fund could decline by as much as $2 billion this year if real estate problems persist and any large bank fails. Since the FDIC typically takes in $4 billion a year, that would imply losses of about $6 billion. Such a loss could only be produced by the failure of a bank the size of Bank of New England.

- In late June, a horde of FDIC examiners suddenly checked into Boston hotels, registering as employees of a mysterious concern, the Who Co. No one – including the FDIC – has produced an exact number of examiners. Reports have said 100. Some analysts said the total may have reached 300, then declined. At any rate, most agree that too many examiners are on hand for just the takeover of a string of smaller banks.

- Last month, two investment bankers advising major bondholders claimed that a Bank of New England Corp. vice chairman told them "one or more" subsidiary banks were in danger of failing within months. R.T. McNamar has denied he made that statement or that the conversation even took place. Some observers believe the report, however.

Bank of New England Corp. has four subsidiary banks. The obvious target for a seizure would be the flagship Bank of New England unit in Boston, analysts said. It has $15 billion in assets.

Other Subsidiaries Vulnerable

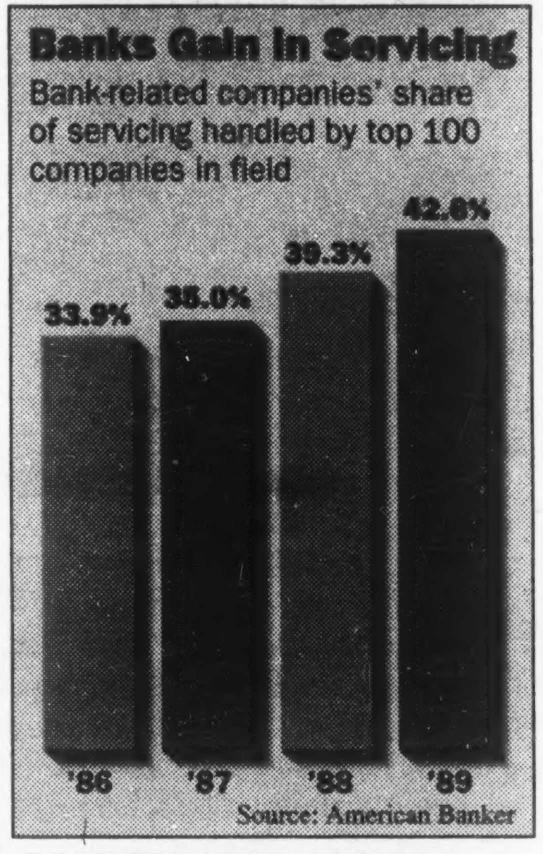
And some have suggested that, simultaneous with a Bank of New England seizure, regulators might take over the $9 bil-

See **ANALYSTS** *page* **16**

INSIDE NEWS

MORTGAGES

Banks Gain In Servicing
Bank-related companies' share of servicing handled by top 100 companies in field



Source: American Banker

COMMERCIAL BANKS, as part of their broad push in home mortgage finance, have been posting big gains in the business of servicing mortgages for investors, an American Banker survey shows. *Page 8*

FINANCE

MERITOR SAVINGS Bank, continuing a drive to shrink assets and improve capital ratios, announced a series of moves that will result in a second-quarter loss of $138 million and a substantial increase in primary capital. *Page 20*

INTERNATIONAL

U.S. BANKS are unlikely to replenish soon reserves depleted by mandated writedowns on their Brazilian and Argentine loans. *Page 12*

CONSUMER

CLOSE SCRUTINY of small businesses, with judicious use of data bases, can help lenders choose the best prospective customers. *Page 6*

TECHNOLOGY

RECENT COURT RULINGS indicate that banks may be unable to collect operating fees when acting as trustee for a corporation that enters bankruptcy proceedings. *Page 3*

COMMENT

NEW AVENUES have opened to banks seeking enhanced revenues and customer relationships through insurance products and services, writes Philip S. Corwin. *Page 4*

INDEX

Company Index 2
Funny Money 4
Classified Advertising 14
Bank and Thrift Stocks 19

ATM Derby: Diebold, IBM Join Forces

By RICHARD LAYNE

NEW YORK — In a bid to lead the global market for automated teller machines, Diebold Inc. and International Business Machines Corp. have agreed to form a joint company to manufacture and market self-service banking devices worldwide.

The joint venture gives Diebold a substantial marketing presence in the hot European market and access to IBM's research and development, placing the company on at least equal footing with its computer company rivals.

NCR Is the Leader

IBM and Diebold plan to develop a new generation of self-service machines, using advanced technologies that will allow the machines to grant loans and accept bank documents.

Together, the two companies still trail NCR Corp., the worldwide market leader. According to *The Nilson Report*, an industry newsletter, NCR shipped 15,800 units last year, more than double Diebold's 7,301. IBM shipped 2,955 machines. If the joint venture can overtake NCR in the European market, it could

See **DIEBOLD** *page* **3**

Fed Set to Go Beyond Capital Rules of 1992

By ROBERT M. GARSSON

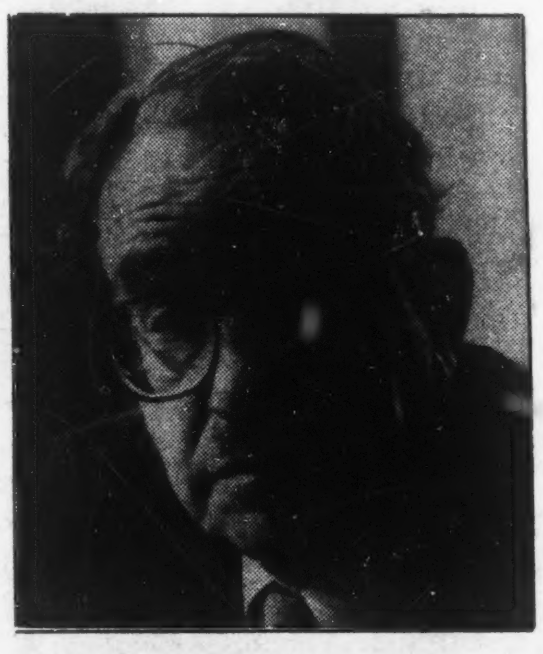
WASHINGTON — The Federal Reserve Board is working on a proposal to require increases in bank capital levels well above the risk-based standards that regulators are phasing in over the next two years, Fed Chairman Alan Greenspan said on Thursday.

In a wide-ranging policy statement before the Senate Banking Committee, Mr. Greenspan did not give specifics on the increase in capital requirements but said they would be "not insignificant" over an extended period.

The minimum would go higher than the 8% ratio of total capital to risk-based assets that the United States and other major countries have agreed to impose by the end of 1992. About 90 of the 100 largest U.S. banks had already hit the 8% level by year-end 1989.

Limits on Expansion

Banks falling short of capital requirements should not be permitted to expand into new lines of business, Mr. Greenspan added, because insufficient capital could threaten the "federal safety net." He said arguments that higher capital standards would place U.S. banks at a disadvantage against international competitors are "short-sighted."



Alan Greenspan
Federal Reserve chairman

"Too many banking organizations, in our judgment, have traveled too far down the road of operating with modest capital levels," he said.

Bank Stocks Driven Down

Mr. Greenspan's threat, made in remarks Thursday morning, to increase the capital burden helped drive down money-center bank stock prices. Chase Manhattan Corp. and Manufacturers Hanover Corp. were off $1 much of the day. Chemical Banking Corp. fell 75 cents to $24.125 in late trading, and Bank of New York fell 62.5 cents to $30.625. (See market report

See **FED** *page* **11**

Visa, Paying a Fee of $20 Million, Sees Gold in Olympic Sponsorship

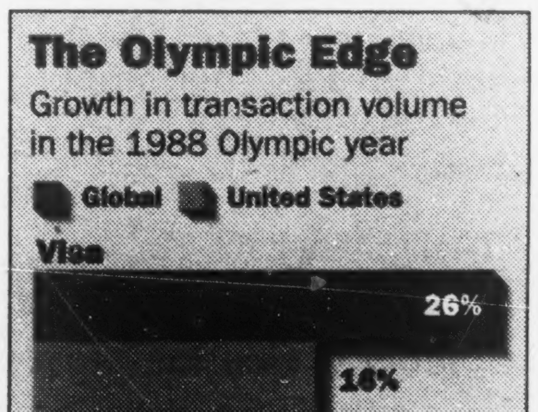
By YVETTE D. KANTROW

NEW YORK – Visa is renewing its corporate sponsorship of the Olympic Games – a strategy that in 1988 proved to be one of the most successful in its history.

The San Mateo, Calif.-based card association plans to sign a pact today making Visa the official card and travelers check for the Games. Visa is paying an estimated $20 million for that privilege and will gain the right to use the Olympics' logo of five-interlocking rings in promotions worldwide.

In addition to the sponsorship fee, Visa International is expected to spend $50 million to $60 million on related advertising and marketing campaigns by the time the 1992 events are completed in Albertville, France, and Barcelona, Spain. Advertising will include television, radio, and print efforts with an Olympics theme, and a number of special promotions.

The Olympic Edge
Growth in transaction volume in the 1988 Olympic year



Source: Company reports; American Express domestic data not available

A Cause-Related Drive

As it did for the last Olympics, Visa will sponsor a major cause-related marketing campaign under which it will make a small contribution to the U.S. team each time one of its payment products is used.

"No one gets the value out of the sponsorship fee that we do," said John H. Bennett, a Visa senior vice president who has been instrumental in aligning the card company with various sports

See **VISA** *page* **6**

MNC Foresees Quarterly Loss Of $75 Million

By FRED VOGELSTEIN

Adding to investor fears about the Middle Atlantic commercial real estate market, MNC Financial Inc. announced Thursday that its problem loans would more than double and that it would report a $75 million loss for the second quarter.

The bank said in a press statement revealing preliminary results for the quarter that nonperforming assets rose to $750 million from $359 million and its loss would equal 90 cents a share. It said the loss was primarily due to problem loans for commercial real estate.

Largest in Capital Area

The increase raises the bank's ratio of nonperforming loans to loans outstanding to 5.35%, substantially more than the 2% to 3% that analysts have been considering normal recently. With $25 billion in assets, MNC is the largest banking company in the Baltimore-Washington area.

Analysts and an investor said

See **MNC** *page* **20**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 12

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 8-10, 13

PEOPLE *in the news*

Innovator or Outlaw? Focus Is on Utah's Chief Regulator

By TERESA CARSON

LOS ANGELES — Normally, the commissioner of financial institutions for Utah does not spend a lot of time in the national spotlight. But George R. Sutton is grabbing attention because the Office of Thrift Supervision is suing him and because he is breaking ground on interstate banking.

Despite this, the 43-year-old Mr. Sutton is not considered a radical. "He is a fair and innovative regulator. He is not reckless or on the fringe," said David Adams, president and chief executive of the Utah League of Credit Unions, Salt Lake City.

The OTS is suing Mr. Sutton for allowing a thrift to switch to a bank charter without the agency's approval. It accused Mr. Sutton of defying an OTS order to seize Home Savings Bank, Salt Lake City, and instead encouraging the thrift to convert to a commercial bank.

In another case with national implications, Mr. Sutton allowed BankAmerica Corp., San Francisco, to branch into Utah using an Arizona bank charter. This eliminated the need for a separate Utah bank charter and is considered a major step toward interstate branch banking.

George R. Sutton

"I'm not trying to stir the waters," said Mr. Sutton, a native of Salt Lake City who studied philosophy at the University of Utah. But he admitted, "I'm willing to look at the regulatory framework a little differently."

Sutton Has Been a Utah Regulator for 7 Years

Mr. Sutton was appointed to his current post three years ago, after being deputy commissioner for four years. Before becoming a regulator, he worked for two small Salt Lake City law firms, where he specialized in real estate and small business.

As commissioner, Mr. Sutton oversees about 185 financial institutions – banks, thrifts, and credit unions – with about $7.5 billion in assets.

Lawry Alder, executive vice president of the Utah Bankers Association described Mr. Sutton as an accessible regulator. "You might have problems with one regulator trying to regulate several industries," he said. "But George tries to be fair."

Resolving Collapse of Thrift and Loan Industry

Mr. Sutton got a trial by fire as a regulator. When he came to the department in 1983, he said, "the thrift and loan industry and its insurance fund was in a general state of collapse." He and the former commissioner eventually closed six of the state's seven thrift and loans.

Mr. Sutton said he tries to balance his concern for safety and soundness with how financial institutions must respond to changing markets. "The health of a financial institution depends on its ability to operate successfully," he said. "They must compete with less regulated businesses, or we doom them to fail." □

NEWS *briefs*

Torell Is Named Chairman Of Fortune Financial Group

CLEARWATER, Fla. — John R. Torell 3d, a former president of Manufacturers Hanover Corp. and chairman of CalFed Inc., was named chairman of Fortune Financial Group, parent of the $3 billion-asset Fortune Savings Bank.

Mr. Torell, 50, succeeds John A. Moran, who is chairman of Dyson-Kissner Moran Corp., New York. The latter company owns 9.97% of Fortune Financial's stock and has applied to the Office of Thrift Supervision for permission to buy up to 20%. The OTS required Mr. Moran to relinquish his Fortune post as a condition of the stock purchase.

Hove Appointment to FDIC Clears Senate Panel, 19-0

WASHINGTON — The Senate Banking Committee voted 19-0 to recommend that the Senate confirm the nomination of Andrew Hove to the Federal Deposit Insurance Corp. board.

Mr. Hove would fill a seat on the five-member board.

Northeast's Shareholders Approve of Restructuring

HARTFORD, Conn. — Shareholders of Northeast Savings have approved the formation of a holding company, Northeast Federal Corp. The Office of Thrift Supervision supported the move in April as part of a reorganization and capital-raising plan.

MCorp Signs Deal to Sell Waco Bank to Investors

DALLAS — MCorp said it has executed a definitive agreement to sell its interest in MBank Waco to a private investor group led by Gerald J. Ford, an owner of several Texas financial institutions.

MCorp, which is in bankruptcy, owns 100% of MBank Waco, which had $333 million in assets and $329 million in deposits March 31. □

Treasury Fears Home Loan Exits

Sees Threat To Funding Of Bailout

By DEBRA COPE

WASHINGTON — A senior Treasury Department official warned this week that an exodus of thrifts from the Federal Home Loan Bank System could impair the system's ability to contribute to the costs of the thrift bailout.

The warning led the Federal Deposit Insurance Corp. board to postpone a discussion at its meeting Tuesday on whether to permit a Wisconsin thrift to retain FDIC insurance after its planned departure from the Federal Home Loan Bank of Chicago.

State-chartered thrifts have traditionally been members of the Home Loan Bank System, but it is not clear whether membership is required for deposit insurance coverage.

Temptation to Cash In

Membership in the system gives thrifts access to liquidity and other operating services. But with the system's earnings lagging, several thrifts have served notice to regional home loan banks that they wish to cash in their shareholdings and reinvest the money elsewhere.

In a Tuesday letter to FDIC Chairman L. William Seidman, Deputy Treasury Secretary John Robson urged the insurance agency to delay a decision on whether to let Wauwatosa Savings and Loan Association keep FDIC coverage after leaving the Home Loan Bank System.

The $352 million-asset thrift was the first to decide to leave the bank system and is the only one to have formally applied for a dispensation from the FDIC.

Taking Extra Time

Mr. Seidman's top aide, John Bovenzi, said Thursday that the

See **HOME LOAN** *page* **13**

The Thrifts that Want Out

Applicants to leave the Federal Home Loan Bank System, as of June 25

Institution	Home loan district	Assets (dollars in millions)	Value of FHLB stock (dollars in thousands)
Security Savings & Loan Milwaukee	Chicago	$2,100	$14,000
Republic Capital Bank Milwaukee	Chicago	636	3,600
Kenosha S&L Association Kenosha, Wis.	Chicago	380	2,800
Wauwatosa Savings & Loan Wauwatosa, Wis.	Chicago	352	3,000
Home Savings Bank Appleton, Wis.	Chicago	152	1,100
First S&L Association Mt Vernon, Mo.	Des Moines	147	800
La Jolla Savings Bank La Jolla, Calif.	San Francisco	144	880
American Home S&L St Louis	Des Moines	81	500

Sources: Federal Housing Finance Board and American Banker

First Union and Wachovia Increase Profits

By KENNETH CLINE

ATLANTA — First Union Corp. reported its profits rose 5.7% in the second quarter, and First Wachovia Corp. announced an 11% increase.

Meanwhile, NBD Bancorp Inc. reported that second quarter earnings rose 2.9% to $68 million.

First Union, Charlotte, N.C., and Wachovia, Winston-Salem, did not take any special loan loss provisions related to exams by the Office of the Comptroller of the Currency, which have caused serious problems at some other Southeastern banks.

First Union's nonperforming assets rose 23%, to $616 million. The company's results incorporated for the first time the full effects of its January acquisition of Jacksonville-based Florida National Banks of Florida Inc.

Gerard J. O'Meara, an analyst with the Atlanta-based brokerage firm Robinson-Humphrey Co., estimated that 45% of First Union's nonperforming assets derived from Florida National's portfolio.

James M. Rosenberg, an analyst with Shearson Lehman Hutton Inc. in New York, said First Union's nonperformers were "a little higher than expected," but expressed overall approval of the second-quarter numbers.

"First Union has been stalled for several years," Mr. Rosenberg said. "These numbers are beginning to show they're generating a little bit of steam after a long period in the station."

In the first half of the year, First Union earned $149 million, compared with a $146 million in the period a year earlier. The year-ago period included after-tax gains of $6 million, primarily from the sale of mortgage servicing rights.

First Wachovia, long considered one of the Southeast's best-run banks, continued its stellar earnings record despite its OCC exam.

"As expected, the impact [of

See **FIRST** *page* **18**

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Alex Brown & Sons............ 1,20
American Bankers Assn..........3
American Express 1

B
Banc One 1
Bank of New England 1,4
Bank of New York 20
BankAmerica 2,4,12
Bankers Trust 3
Barna Research 1
Brown Brothers Harriman 12

C
Chase Manhattan 8,12
Chemical Banking 12
Citicorp.............................8,12
Columbia Savings...................4
Computer Sciences 1
Connecticut Bank................... 1
Continental Illinois.................. 1
Crossland Savings..................8

D
Daiwa Bank 12
Dean Witter 1
Diebold 1
Dun & Bradstreet....................6
Dyson-Kissner Moran 2

E - F
First Chicago........................ 18
First Union.......................2,6,8
First Wachovia 2
Fleet/Norstar 8,20
Florida National......................2
Fortune Financial 2
Fuji Bank 12
Furash....................................6

G - L
Hasbro 18
Home Savings 2
IBCA 12
Kidder Peabody.................... 18

M - O
Maine National Bank 1
Manufacturers Hanover 3,12
MasterCard............................ 1
Mattel 18
McDonald.............................. 1
MCorp 2
Mellon..................................20
Meritor Savings....................20
MNC Financial........................ 1
Mortg. Bankers Assn. of N.J....8
National Assn. of Realtors 8
National Westminster 17
NBD Bancorp 2
Nikko Securities 12
Nomura Securities 12
Northeast Federal 2

P - Q
Pennsylvania Mortgage
  Bankers Assn. 8

R
RJR Nabisco 18
Robinson-Humphrey 2

S
Sears Roebuck....................... 1
Shawmut National 17
Shearson Lehman Hutton.......2
Standard & Poor's........... 18,20

T - Z
Tokai Bank 12
Tonka................................... 18
TRW.......................................6
Utah Bankers Assn. 2
Utah League of Credit Unions..2
Visa 1
Wauwatosa Savings 2
Wheat First Securities 20
Wheat Investment Advisors 1
Yasuda Trust 4

COMMENT/*By Philip S. Corwin*

Insurance Powers Arrived In Bits, Pieces over a Decade

The struggle in the past decade to expand insurance opportunities for commercial banks has been arduous. In Congress, particularly, it's been a cliffhanger.

In 1982, Title VI of the Garn-St Germain Act permanently restricted the Federal Reserve's power to permit new insurance activities by bank holding companies. In 1984, the Senate passed the Dodd amendment, which would have barred insurance activities by the two-thirds of state banks in bank holding companies. The measure died, but a one-year moratorium in 1987 froze federal regulatory action on the issue. In 1988, insurance provisions in the Proxmire bill would have both reaffirmed and restricted states' rights. It died, too.

Openings in Present Laws

The role of the American Bankers Association in the turbulent 1980s was to resist anticompetitive legislation while pushing for financial restructuring.

And while no federal law on the subject has been enacted since 1982, the ABA has explored opportunities available under existing law. It has helped individual banks seeking regulatory approval, state banking associations advancing state initiatives, and participants in critical litigation.

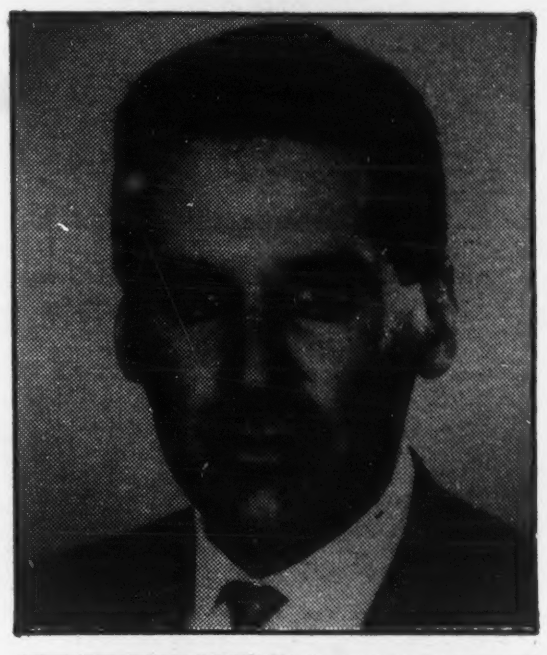
After simmering for years, the insurance powers pot has suddenly boiled over. New avenues have opened to banks seeking enhanced revenues and customer relationships through insurance products and services.

The remainder of this article reviews these new options.

Fixed Annuities Power

Feb. 12, the Office of the Comptroller of the Currency advised Goodhue County National Bank of Red Wing, Minn., that it could sell fixed annuities under the general authority of national banks to broker financial investment instruments.

Though generally marketed as a species of insurance, annuities are not insurance under the National Bank Act because they lack the basic characteristic of indemnification against risk.



The ABA has explored opportunities available under existing law.

An April 1985 ruling by the OCC had allowed national banks to sell variable annuity contracts as securities that may be traded for the account of customers under authority of the Glass-Steagall Act. If the interpretation on fixed annuities withstands legal challenge, national banks will be able to market the full spectrum of annuity products – quite an opening, given that annuities generate about half of all life insurance company premiums.

Publicizing a Distinction

While judging as minimal the risk that customers may confuse annuities with Federal Deposit Insurance Corp.-insured accounts, the OCC nonetheless required full disclosure of this distinction.

Further, before an annuity sale, the bank must obtain a signed customer statement of understanding that the annuity is an obligation of the issuing insurance company and is not FDIC-insured. Also, banks are instructed to determine and fully comply with state laws governing annuity sales.

However, in March 1989, the OCC held that the National Bank Act preempts not only Tennessee's law prohibiting national banks from selling variable-rate annuities but also its statute requiring national bank employees to obtain a state license for such sales.

Hence, it is not clear that the OCC's advice to "fully comply" with applicable state law would include licensing requirements – although variable annuities are securities under federal law and therefore distinguishable from fixed annuities issued by an insurance underwriter.

Small-Town Insurance Offices

May 8, U.S. District Court for the District of Columbia upheld

See **INSURANCE** *page* **17**

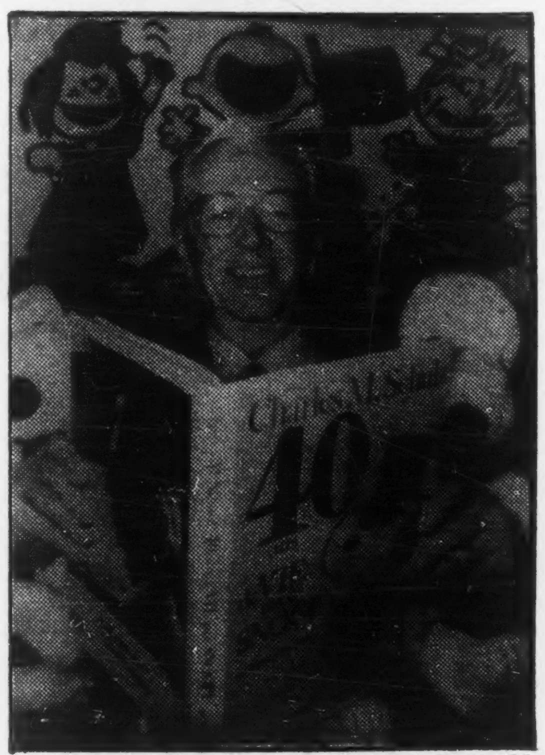
Mr. Corwin is director and counsel for operations and retail banking at the American Bankers Association in Washington.

FUNNY MONEY/*By Tom Leander*

Unfunny Papers

A $174,000 lawsuit ain't "Peanuts," even when the defendant is famed cartoonist Charles M. Schulz.

It turns out that the creator of the "Peanuts" comic strip borrowed $174,000 from the ill-starred Penn Square Bank a decade ago – and the bank that took over the loan claims he never made a payment.



AP/Wide World

GOOD GRIEF! A bank is suing cartoonist Charles M. Schulz.

Details of the suit against Mr. Schulz and a dozen other investors were reported late last week by Robin Robinson, writing in the Oklahoma City *Journal Record Press*. According to Ms. Robinson, the investors' group borrowed nearly $1.7 million to participate in a drilling fund, the Copeland Energy 1980 Deep Program Ltd.

The notes were originally due March 1, 1985, but the borrowers apparently renewed them until March 1 of this year. Except for one borrower, who sent $98, they have yet to make any payments of principal or interest on the notes, the Oklahoma newspaper reported.

Penn Square, located in a shopping center in Oklahoma City, collapsed noisily on July 5, 1982. In August 1983 the Federal Deposit Insurance Corp. assigned the notes signed by Mr. Schulz and his coinvestors to Seattle First National Bank, a unit of BankAmerica Corp., which filed suit against Mr. Schulz and the others.

* * *

Chopping Overhead

Yasuda Trust & Banking Co. has found an imaginative way to cut costs, reduce trash, and save trees – all in one stroke.

Yasuda management announced this week that the company cafeteria will switch Aug. 1 to reusable plastic chopsticks.

The firm said it has been going through disposable wooden chopsticks at the rate of 650,000 pairs a year, generating three tons of garbage in the process.

A Yasuda spokesman said a cleaning system will be installed at the cafeteria to wash the new chopsticks at a cost of $6,600 per year. The current size of the bank's chopstick budget was not disclosed.

* * *

Guten Appetit!

East Germans have shown a lusty appetite for capitalist investment vehicles in the few short days since they merged their economy with West Germany through adoption of the western mark as the single currency for both sides.

Citizens of the new, free-market East Germany have invested the equivalent of several million dollars in bonds since July 1. So far, observers say, they have completely shunned the stock market.

Hundreds of financial advisers from East and West Germany are competing to attract business with their investment tips. Along with their appetite for bonds, East Germans are flocking to take advantage of banks that are paying 7.5% on deposits, double the rate paid under the communist regime.

Total East German deposits are estimated at the equivalent of $60 billion. The heavy rate of savings largely reflects the shortage of consumer goods under communism, leavings consumers with little choice but to put their cash in the bank.

— **John Evans**

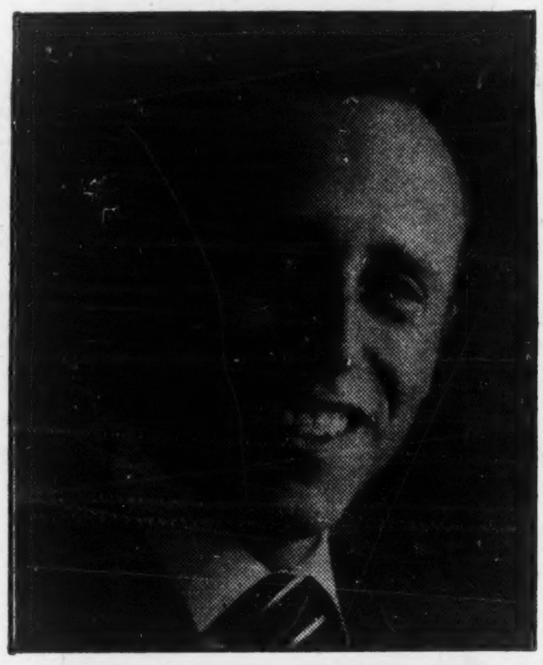
* * *

Mistaken Identity

NBC-TV had some egg on its lens the other night when it broadcast a news item about the Office of Thrift Supervision's civil charges against Thomas Spiegel, flamboyant former chairman of Columbia Savings and Loan Association in California.

The network's "Nightly News" program predictably showed a photograph while anchorman Tom Brokaw ran through the OTS charges against Mr. Spiegel: The thrift regulator claimed Mr. Spiegel took an unauthorized bonus and objected to his alleged use of funds from the junk-bond-laden thrift in Beverly Hills; Calif., to pay for personal travel and tickets to a Michael Jackson concert.

But someone at NBC blundered. Instead of showing Mr. Spiegel's photograph, the network flashed a picture of Lawrence K. Fish, former Spiegel associate and ex-president of Columbia Savings.



GOOF: NBC showed Lawrence Fish, not Thomas Spiegel

Mr. Fish, of course, is now lashed to the tiller at Bank of New England Corp., one of the nation's most troubled institutions.

Mr. Fish's institution spotted the error and was able to get it corrected for that night's NBC newscasts to the Rocky Mountain and Pacific time zones. Mr. Brokaw acknowledged the error nationally and set matters straight on July 6.

* * *

A Tiresome Subject

Cost-cutting may be one of the hottest trends in banking, but some executives clearly are not turned on by the subject.

Asked in a recent survey by Trans Data Corp. – a research subsidiary of the *American Banker* – for the most interesting cost-cutting measure that his institution has implemented, one banker responded: "They were all dull."

— **Phil Roosevelt**

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Wendy Grover, Yvette D. Kantrow, Ellen Memmelaar
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Banks Gain Momentum in Servicing

Survey Finds Shrinking Share for Thrifts' Servicers

By PHIL ROOSEVELT

NEW YORK — Commercial banks, as part of their broad push in home-mortgage finance, have been posting big gains in the business of servicing mortgages for investors.

An *American Banker* survey has found that bank-affiliated companies accounted for 43% of the servicing handled by the top 100 servicing companies last year, up from 35% just two years earlier. And some of the leading banking concerns in the field continue to post big gains this year.

Thrift-related servicing companies, meanwhile, saw their share drop to 20% from 29% in 1987, reflecting efforts to comply with the capital requirements of the thrift bailout law. Other mortgage companies, including independents and units of industrial concerns, saw their share rise slightly, to 37%.

Top 100 Servicing Companies

A ranking of the top 100 servicing companies, along with a description of their ownership, appears on the following two pages. This annual ranking focuses on mortgage companies and thus excludes a number of thrifts that perform servicing directly rather than through mortgage company subsidiaries.

Mortgage servicing, long the most profitable part of mortgage banking, entails funneling monthly payments from borrowers to investors, handling property tax and insurance payments, and initiating foreclosure proceedings.

The rise of commercial banks in the field, which follows a slide in the mid-1980s, underscores banks' increased role in virtually all areas of mortgage finance.

Rise in Bank Originations

As part of overall strategies to boost consumer banking, many banks have sharply increased their originations of mortgages in the past two years. In June 1989, banks surpassed savings and loans in originations for the first time, as insolvent and capital-short thrifts pulled back.

The ranking excludes thrifts that service directly.

The industry has also posted big increases in its holdings of mortgage-backed securities, encouraged by risk-based capital rules.

Some industry observers say banks' growth in servicing could be slowed by a pending rule to restrict the amount of purchased servicing rights that banks and thrifts can count toward capital.

Opportunity for Nonbanks

The proposal, if enacted, could well cause the mortgage units of nondepository institutions to gain ground. But some leading bank-related companies are still loading up on servicing, both by purchases and through their own originations.

Chase Home Mortgage Corp., for example, expects to be servicing more than $23 billion of mortgages by yearend, up from $14 billion at the end of 1989 and $10.7 billion at the end of 1988. The unit of Chase Manhattan Corp. is a big buyer and recently purchased a $2 billion portfolio from a unit of capital-strapped Crossland Savings.

First Union Mortgage Corp. increased its servicing portfolio to $15.3 billion last year from $10.6 billion. The portfolio should hit around $19 billion by the end of this year, said James Abbott, chief executive of the the First Union Corp. subsidiary.

Megaservicer in the Making

"It has been recognized by our holding-company management that we have the capabilities . . . to be a megaservicer," Mr. Abbott said.

The two mortgage units of Fleet Norstar Financial Group boosted their combined portfolio by 53% last year, to $41.3 billion. By the end of this year, that could hit $50 billion, Fleet officials have indicated. ☐

Top 100 Servicing Companies

A look at market share of banks, thrifts, and all others

Number of Companies

Year	Bank-Related	Thrift-Related	All Other
1989	37	30	33
1988	40	29	31
1987	34	35	31
1986	35	31	34
1985	37	27	36
1984	41	25	34
1983	45	20	35
1982	46	12	42

Servicing Total ($ Billion)

Year	Bank-Related	Thrift-Related	All Other	Total
1989	$300.7	$143.1	$261.8	$705.6
1988‡	248.0	160.6	222.9	631.5
1987	198.6	167.1	201.9	567.6
1986	156.2	125.4	179.6	461.2
1985	149.8	103.6	144.4	397.8
1984	157.8	82.6	100.9	341.3
1983	145.4	60.5	95.0	300.9
1982	116.9	29.6	96.6	243.1

Percent of Total Servicing

Year	Bank-Related	Thrift-Related	All Other
1989	42.6%	20.3%	37.1%
1988‡	39.3	25.4	35.3
1987	35.0	29.4	35.6
1986	33.9	27.2	38.9
1985	37.7	26.0	36.3
1984	46.2	24.2	29.6
1983	48.3	20.1	31.6
1982	48.1	12.2	39.7

TALKING *markets*

Realty Brokers Face Cap on Loan Fees

By PHIL ROOSEVELT

Pennsylvania is poised to become the first state to impose a limit on the fees that real estate brokers may charge for helping homebuyers obtain mortgages.

The Pennsylvania Real Estate Commission last month proposed to limit such fees to $100, unless the realty broker holds a license to act as either a mortgage broker or mortgage banker.

The proposal, though still subject to a lengthy review process, has drawn cheers from mortgage banking trade groups in Pennsylvania and elsewhere. These groups have long argued that real estate brokers have a conflict of interest when they take mortgage fees from buyers while earning commissions from sellers.

Cap Called Too Low

But the National Association of Realtors and some lenders said the $100 cap was arbitrary and low.

The proposal "is of tremendous significance," said E. Robert Levy, executive director of the Mortgage Bankers Association of New Jersey and a consultant to the Pennsylvania Mortgage Bankers Association. He said it could give new momentum to efforts to limit the fees on a nationwide basis.

While some states, such as Connecticut, have passed laws requiring that realty brokers' mortgage fees be commensurate with services rendered, several experts said they knew of no other state that has set a cap.

The $100 cap is lower than many observers had expected and well below the fees realty brokers earn under the programs of many lenders. The programs often allow brokers to charge homebuyers a feed of about 1%.

A spokeswoman for Citicorp Mortgage Inc., Citicorp's main mortgage unit, said her company had no objections to the idea of limiting mortgages fees for realty brokers who are neither mortgage brokers or mortgage bankers. But $100 "seems artificially low," she said.

Sally Sciacca, director of mortgage planning and outreach for the National Association of Realtors, echoed that sentiment.

Realty brokers who wish to become mortgage brokers in Pennsylvania must pay an initial fee of $500 and become subject to examinations by the state. If they wish to collect mortgage fees before transactions close, they must post a $100,000 bond or obtain insurance in that amount, a state official said. ☐

Key Interest Rates

	Week ended 7/06/90	Week earlier 6/29/90	Year earlier 7/07/89
30-year fixed-rate mortgage	10.13	10.20	10.17
1-year adjustable-rate mortgage	8.38	8.38	8.88

Rates are based on a weekly survey of 2,000 lending institutions nationwide. The averages reflect rates for a range of loan sizes.

Source: HSH Associates, Butler, N.J.

Secondary Market

	Price 7/11	Week's change	Yield	Week's change	Treasury spread	Week's change
Ginnie Mae 9½%	99-06	-0-19	9.77	+0.11	+120	-5
Fannie Mae 9½%	99-25	-0-24	9.81	+0.15	+124	-1
Freddie Mac 9½%	98-09	-0-24	9.80	+0.15	+123	-1

Yield: bond equivalent yield based on mortgage prepayment rates projected by Merrill Lynch. **Treasury spread:** the mortgage security yield minus yield on the current 10-year Treasury bond in basis points. (*)— Current coupon changed since last week.

Source: Merrill Lynch Mortgage Capital, New York

MBA Membership Makes Sense

To more than 2,600 mortgage lenders, servicers, investors and others in the real estate finance industry, membership in the Mortgage Bankers Association of America makes sense. As commercial banks come to the fore in mortgage lending, membership in MBA makes sense for you, too.

MBA provides its members with a voice in Congress and with federal regulators, as well as educational, communications and other business services that help its members manage their businesses more efficiently and more profitably.

MBA is the one organization that offers the real estate finance industry all these benefits and more!

For more information call: Membership Department, Mortgage Bankers Association of America, 202/861-6588.

Top 100 Firms in Mortgage Servicing for Investors

Among mortgage companies and commercial banks, based on permanent mortgages serviced for investors on Dec. 31, 1989

Rank 1989	Name of Firm and Headquarters City	Dollar Volume of Mortgages Serviced 12/31/89	12/31/88	Rank 1988	Gain in Rank	Number of Mortgages Serviced 12/31/89	12/31/88	Number of Investors Excluding Pools 12/31/89	12/31/88	Number of Pools 12/31/89	12/31/88	Year Opened
1	Citicorp Mortgage, Inc., St. Louis	60,600,000,000	52,200,000,000	1		696,800	639,000	322	448	11,831	4,103	1987
2	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	29,706,093,000	22,763,630,647	3	+1	512,314	443,820	483	480	21,311	12,305	1946
3	GMAC Mortgage Co., Elkins Park, Pa.	29,670,723,399	25,658,375,090	2		418,907	382,923	845	1,114	4,492	5,039	1985
4	Fleet Mortgage Corp., Milwaukee, Wis.	22,097,752,480	16,190,709,109	5	+1	487,086	407,596	497	567	6,681	4,826	1921
5	Lomas Mortgage USA, Dallas	21,001,026,000	21,751,283,373	4		532,575	564,211	N.A.	862	5,876	5,583	1894
6	Fleet Real Estate Funding Corp., Florence, S.C.	19,181,461,035	10,797,709,941	14	+8	321,633	207,232	756	616	9,489	5,470	1930
7	Metmor Financial, Inc., Overland Park, Kan.	16,984,149,000	....	...		303,653	....	793	...	6,352	.....	1989
8	First Union Mortgage Corp., Charlotte, N.C.	15,297,957,000	10,604,341,000	16	+8	228,099	181,154	340	340	2,156	1,873	1946
9	BancBoston Mortgage Companies, Inc., Jacksonville, Fla.	14,387,000,000	13,235,142,525	7		298,675	279,385	716	750	6,722	4,725	1908
10	Chase Home Mortgage Corp., Tampa, Fla.	14,040,617,586	10,648,900,000	15	+5	185,943	145,247	203	300	6,179	4,454	1980
11	Shearson Lehman Mortgage Corp., Irvine, Calif.	13,685,878,488	14,129,131,000	6		191,032	184,941	218	250	3,946	3,334	1946
12	Goldome Realty Credit Corp., Buffalo, N.Y.	12,237,400,000	12,956,137,884	9		198,076	217,575	501	325	8,428	4,352	1983
13	Chemical Mortgage Corp., Columbus, Ohio	12,187,641,000	9,559,826,000	20	+7	134,176	108,288	226	208	2,723	2,157	1946
14	Countrywide Funding Corp., Inc., Pasadena, Calif.	11,762,629,000	11,054,513,460	12		159,465	153,173	89	61	4,278	16,968	1969
15	Weyerhaeuser Mortgage Co., Los Angeles	11,572,623,000	10,842,085,000	13		159,839	159,018	393	460	3,369	4,104	1955
16	Marine Midland Bank NA, Buffalo, N.Y.	11,033,000,000	5,576,000,000	36	+ 20	134,223	78,431	111	116	1,005	8,450	1976
17	Travelers Mortgage Services, Inc., Cherry Hill, N.J.	11,001,811,018	6,715,447,823	29	+ 12	117,963	73,688	60	45	7,164	5,404	1945
18	BancPlus Mortgage Corp., San Antonio, Tex.	10,774,407,000	12,062,920,000	11		199,090	220,473	192	198	7,053	6,816	1985
19	Bowest Corp., La Jolla, Calif.	10,182,118,292	3,324,354,011	65	+ 46	205,689	81,426	204	234	6,481	750	1971
20	Commonwealth Mortgage of America, L.P., Houston	9,790,278,091	12,117,306,000	10		228,202	249,425	522	602	4,413	4,511	1955
21	First Interstate Mortgage Co., Pasadena, Calif.	9,473,000,000	9,741,000,000	19		91,636	93,576	0	589	0	2,227	1971
22	Empire of America Realty Credit Corp., Buffalo, N.Y.	9,340,569,326	7,438,470,592	27	+5	148,492	130,308	133	352	4,598	2,429	1984
23	USGI, Inc., Norwalk, Conn.	9,332,399,000	....	...		4,062	....	247	...	482	.....	1979
24	Knutson Mortgage Corp., Bloomington, Minn.	9,287,775,807	10,077,502,000	18		163,726	152,939	362	256	5,371	5,379	1954
25	Independence One Mortgage Corp., Southfield, Mich.	9,250,936,188	8,506,014,045	22		165,372	161,792	207	270	5,058	3,860	1970
26	Sovran Mortgage Corp., Richmond	8,755,587,000	7,657,000,000	25		160,574	153,801	285	303	3,957	3,184	1983
27	Southeast Mortgage Co., Miami	8,602,600,000	5,786,600,000	35	+8	106,821	69,405	463	302	2,430	920	1970
28	Foster Mortgage Corp., Fort Worth, Tex.	8,183,922,922	6,031,755,102	33	+5	106,337	77,881	276	262	7,472	3,896	1938
29	Barnett Mortgage Company, Jacksonville, Fla.	7,929,454,149	6,653,382,234	30	+1	129,622	115,586	172	148	38,905	1,166	1948
30	Waterfield Mortgage Co., Inc., Fort Wayne, Ind.	7,342,000,000	6,378,000,000	31	+1	161,150	150,100	219	225	2,257	2,018	1928
31	National Mortgage Co., Memphis, Tenn.	7,034,457,365	3,346,938,396	63	+ 32	172,072	107,282	100	102	3,250	0	1951
32	Barclays American/Mortgage Corp., Charlotte, N.C.	6,608,373,741	2,756,805,000	78	+ 46	116,805	61,698	106	102	4,410	2,404	1984
33	Imco Realty Services Inc., Santa Rosa, Calif.	6,549,610,000	7,499,635,000	26		95,500	118,529	655	450	2,358	0	1973
34	Midland Mortgage Co., Oklahoma City	6,289,165,050	4,733,000,000	42	+8	106,508	80,113	272	245	4,242	1,920	1950
35	Anchor Mortgage Services, Inc., Wayne, N.J.	6,229,065,291	6,849,479,511	28		109,663	124,499	0	192	686	819	1973
36	Sears Mortgage Corp., Riverwoods, Ill.	6,089,695,702	9,200,754,337	21		79,623	139,638	250	150	430	1,977	1962
37	Bank of America NT&SA, San Francisco	5,800,000,000	4,200,000,000	47	+ 10	120,395	90,385	324	222	1,684	406	1904
38	Associated National Mortgage Corp., Irving, Tex.	5,390,669,000	5,151,075,000	38		69,011	68,166	24	21	9,174	2,158	1984
39	CrossLand Mortgage Corp., Salt Lake City	5,359,000,000	4,098,353,602	48	+9	52,000	40,962	181	190	7,139	935	1892
40	Troy & Nichols, Inc., Monroe, La.	5,145,085,000	4,267,172,000	45	+5	128,172	116,023	373	0	2,549	1,849	1947
41	J.I. Kislak Mortgage Service Corp., Miami	5,075,132,217	4,065,342,850	49	+8	132,222	126,085	0	287	2,994	2,184	1953
42	Sunbelt National Mortgage Corp., Dallas	5,036,932,560	1,936,405,904	104	+ 62	98,998	27,141	372	147	6,767	2,737	1974
43	Dorman & Wilson, Inc., White Plains, N.Y.	4,875,731,000	3,956,327,000	53	+ 10	699	867	12	12	0	0	1937
44	ARCS Mortgage, Inc., Calabasas, Calif.	4,836,809,000	3,424,221,545	60	+ 16	59,450	48,803	71	104	781	3,296	1971
45	Talman Home Mortgage Corp., Chicago	4,835,150,000	4,841,710,000	41		113,786	119,286	164	200	2,141	1,983	1981
46	Alliance Mortgage Co., Jacksonville, Fla.	4,694,408,185	5,317,564,949	37		91,259	101,527	225	190	3,826	2,396	1960
47	Banc One Mortgage Corp., Indianapolis	4,649,867,730	2,846,860,000	75	+ 28	95,148	66,423	266	243	4,927	2,947	1987
48	Paine Webber Mortgage Finance, Inc., Columbia, Md.	4,627,692,968	4,272,000,000	44		33,664	32,713	61	70	1,207	1,250	1939
49	National City Mortgage Co., Miamisburg, Ohio	4,535,572,291	2,715,105,349	81	+ 32	91,264	57,219	0	95	4,199	600	1955
50	U.S. Bancorp Mortgage Co., Portland, Ore.	4,493,637,366	4,014,241,423	51	+1	74,394	71,888	202	201	2,889	2,329	1967
51	Coldwell Banker Comm'l Mtge Bkg Services, El Segundo, Calif.	4,472,499,993	3,828,675,265	55	+4	4,195	3,668	16	15	0	0	1972
52	Lincoln Service Corp., Owensboro, Ky.	4,253,841,019	4,236,155,120	46		60,692	62,086	122	114	1,229	1,146	1976
53	SunTrust Mortgage, Inc., Atlanta	4,235,643,000	3,687,789,301	56	+3	74,352	66,539	264	280	1,415	1,235	1927
54	BancNewEngland Mortgage Co., Inc., East Providence, R.I.	4,168,300,000	4,000,000,000	52		66,200	70,000	230	300	2,653	2,000	1986
55	Commonwealth Mortgage Co., Wellesley Hills, Mass.	4,028,411,233	2,733,418,197	80	+ 25	46,636	36,599	113	105	1,792	1,278	N.A.
56	Security Pacific National Bank, Los Angeles	3,937,532,496	3,397,668,736	61	+5	50,373	54,104	154	163	418	458	1871
57	Shawmut Mortgage Co., West Hartford, Conn.	3,929,327,000	4,400,000,000	43		55,085	65,000	240	250	1,458	2,480	1985
58	Dominion Bankshares Mortgage Corp., Fairfax, Va.	3,749,417,000	2,527,197,000	85	+ 27	55,081	41,344	55	62	3,475	1,158	1960
59	Commercial Federal Mortgage Corp., Omaha, Neb.	3,559,225,764	3,161,638,257	67	+8	75,631	63,647	234	223	1,098	1,306	1983
60	Metropolitan Financial Mortgage Corp., St. Paul, Minn.	3,547,094,387	3,929,377,000	54		69,718	77,759	478	325	601	1,034	1885
61	Murray Mortgage Co., Dallas	3,490,000,000	3,121,550,337	70	+9	52,320	48,249	250	140	2,864	850	1908
62	CitFed Mortgage Corp. of America, Dayton, Ohio	3,383,701,276	2,965,097,026	71	+9	52,873	44,111	48	45	2,667	639	1986
63	American Home Funding, Inc., Richmond	3,291,425,302	2,613,432,000	83	+ 20	64,560	38,082	79	48	2,744	2,628	N.A.
64	First Wachovia Mortgage Co., Winston-Salem, N.C.	3,280,569,435	2,864,589,799	74	+ 10	63,563	56,510	125	135	1,403	925	1968
65	United Mortgage Corp., Minneapolis	3,266,723,877	2,766,005,464	77	+ 12	49,873	42,029	65	70	1,351	1,229	1975
66	C&S Real Estate Services, Inc., Tucker, Ga.	3,229,216,493	3,455,559,000	58		64,632	69,130	374	467	1,053	903	1973
67	York Associates, Inc., Bethesda, Md.	3,217,187,003	2,879,500,000	73	+6	557	576	0	N.A.	557	N.A.	1980
68	M-West Mortgage Corp., Orange, Calif.	3,207,991,525	3,359,600,000	62		44,180	47,415	124	100	2,438	762	1984
69	Altus Mortgage Corp., Mobile, Ala.	3,168,416,282	....	...		60,999	......	120	...	4,599	.....	1983
70	Real Estate Financing, Inc., Montgomery	3,157,612,000	2,573,383,944	84	+ 14	74,777	68,099	227	225	1,425	1,169	1946
71	NBD Mortgage Co., Troy, Mich.	3,140,869,985	2,769,910,739	76	+5	75,135	71,003	195	127	1,727	108	1973
72	AmSouth Mortgage Co., Inc., Birmingham, Ala.	3,126,234,288	3,326,862,091	64		92,401	98,483	212	129	1,554	1,485	1946
73	Meridian Mortgage Corp., Wayne, Pa.	3,124,476,419	1,994,304,989	100	+27	45,069	36,603	80	60	2,045	974	1983
74	First California Mortgage Co., San Rafael, Calif.	3,100,000,000	1,950,000,000	102	+ 28	28,150	20,245	131	0	296	0	1953
75	Lumbermen's Investment Corp., Austin, Tex.	3,097,088,425	3,136,490,000	68		82,162	83,972	252	186	1,476	1,392	1954
76	Heitman Financial Services Ltd., Chicago	3,036,635,000	....	...		928	......	5	...	0	...	1913
77	America's Mortgage Servicing, Inc., Lisle, Ill.	2,915,638,169	3,520,333,000	57		48,099	69,390	25	150	1,278	3,074	1978
78	America's Mortgage Co., Springfield, Ill.	2,915,638,169	1,160,000,000	155	+ 77	48,088	21,889	25	27	1,278	533	1925
79	Latimer & Buck, Inc., Philadelphia	2,900,000,000	2,702,477,000	82	+3	790	798	36	18	0	0	1952
80	Crestar Mortgage Corp., Richmond	2,812,951,172	2,009,809,183	99	+ 19	57,468	46,580	293	273	2,739	1,636	1927
81	Victoria Mortgage Co., San Antonio, Tex.	2,779,896,039	2,960,160,418	72		54,086	58,364	174	230	2,321	2,392	1951
82	SCG Mortgage Corp., Hollywood, Fla.	2,776,846,908	....	...		33,940	......	25	...	1,482	.....	1987
83	PHH US Mortgage Corp., Cherry Hill, N.J.	2,759,314,000	1,551,343,000	127	+ 44	27,792	18,547	25	15	189	471	1977
84	Huntington Mortgage Co., Columbus, Ohio	2,723,600,000	1,086,742,000	160	+ 76	40,155	22,819	75	1	692	316	1976
85	NVR Mortgage, L.P., Pittsburgh	2,713,445,630	2,470,933,907	87	+2	38,790	40,181	103	92	2,309	2,097	1970
86	Citizens Fidelity Bank & Trust Co., Louisville, Ky. (d)	2,698,000,000	1,865,947,000	108	+ 22	49,650	35,352	81	87	2,060	411	1858
87	FBS Mortgage Corp., St. Paul, Minn.	2,635,849,000	2,352,234,000	91	+4	31,126	32,447	179	187	928	907	1968
88	Bailey Mortgage Co., Jackson, Miss.	2,551,308,410	1,642,653,520	118	+ 30	64,339	45,963	180	100	1,119	1,274	1954
89	Loan America Financial Corp., Miami Lakes, Fla.	2,546,471,398	2,016,502,916	98	+9	26,321	24,413	78	80	1,383	1,413	1980
90	Cal-Bay Mortgage Group, San Rafael, Calif.	2,539,292,000	....	...		24,902	......	N.A.	...	N.A.	.....	1983
91	Western Mortgage Loan Corp., Salt Lake City	2,513,232,821	1,937,689,000	103	+ 12	44,020	31,489	0	46	1,573	1,036	1951
92	WeSav Mortgage Corp., Gilbert, Ariz.	2,464,955,929	1,358,530,735	135	+ 43	48,533	24,732	90	8	1,940	150	1971
93	Margaretten & Company, Inc., Perth Amboy, N.J.	2,404,000,000	2,278,631,223	94	+1	39,531	38,310	61	64	951	881	1909
94	National State Bank, Elizabeth, N.J.	2,336,639,449	1,743,000,000	113	+ 19	36,888	29,215	74	50	4,367	2,453	1865
95	Interwest Mortgage Corp., Ponca City, Okla.	2,332,487,000	....	...		27,848	......	25	...	5,698	.....	1987
96	CenTrust Mortgage Corp., Deerfield Beach, Fla.	2,306,341,000	2,335,240,000	92		26,564	31,393	123	200	546	562	1975
97	NCNB Mortgage Corp., Charlotte, N.C.	2,227,900,262	....	...		31,498	......	69	...	361	.....	1986
98	Colonial Mortgage Co., Montgomery, Ala.	2,185,277,190	2,383,330,256	89		53,255	58,120	75	118	1,134	1,157	1966
99	TCF Mortgage Corp., Minneapolis	2,179,326,508	1,984,644,000	101	+2	53,616	52,690	30	28	774	646	1982
100	Directors Mortgage Loan Corp., Riverside, Calif.	2,172,080,867	1,785,679,692	110	+ 10	24,111	21,503	34	32	2,139	1,530	1964

Data Source: American Banker questionnaire to the top 200 mortgage companies and commercial banks in mortgage servicing. **Description of table:** A ranking of individual mortgage companies and commercial banks based on the dollar volume of mortgages serviced for investors. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** This is the sum of GNMA pools, FNMA pools, and FHLMC pools.

Compiled by American Banker, Copyright 1990.

Ownership of the Top 100 Firms in Mortgage Servicing

The name of parent company as of Dec. 31, 1989, and recent developments

Rank 12/89	Name of Mortgage Servicer	Name of Parent Company	Recent Developments
1	**Citicorp Mortgage, Inc., St. Louis**	Citicorp, New York	
2	**Fireman's Fund Mortgage Corp., Farmington Hills, Mich.**	Fireman's Fund Corp., Novato, Calif.	
3	**GMAC Mortgage Co., Elkins Park, Pa.**	General Motors Acceptance Corp., Detroit	Acquired $5.6 billion in servicing rights during 1989.
4	**Fleet Mortgage Corp., Milwaukee, Wis.**	Fleet/Norstar Financial Group, Inc., Providence, R.I.	
5	**Lomas Mortgage USA, Dallas**	None, independent.	Acquired $3.5 billion in servicing from Bright Mortgage Co.
6	**Fleet Real Estate Funding Corp., Florence, S.C.**	Fleet/Norstar Financial Group, Inc., Providence, R.I.	Acquired Norstar Mortgage Corp.
7	**Metmor Financial, Inc., Overland Park, Kan.**	Metropolitan Life Insurance Co., New York	
8	**First Union Mortgage Corp., Charlotte, N.C.**	First Union Corp., Charlotte, N.C.	
9	**BancBoston Mortgage Companies, Inc., Jacksonville, Fla.**	Bank of Boston Corp.	
10	**Chase Home Mortgage Corp., Tampa, Fla.**	Chase Manhattan Corp., New York	
11	**Shearson Lehman Mortgage Corp., Irvine, Calif.**	Shearson Lehman Hutton, Inc., New York	
12	**Goldome Realty Credit Corp., Buffalo, N.Y.**	Goldome, Buffalo, N.Y.	
13	**Chemical Mortgage Corp., Columbus, Ohio**	Chemical Banking Corp., New York	
14	**Countrywide Funding Corp., Inc., Pasadena, Calif.**	Countrywide Credit Industries, Inc., Pasadena, Calif.	
15	**Weyerhaeuser Mortgage Co., Los Angeles**	Weyerhaeuser Co., Tacoma, Wash.	
16	**Marine Midland Bank NA, Buffalo, N.Y.**	Marine Midland Banks, Inc., Buffalo, N.Y.	Acquired $1 billion in servicing in 1988.
17	**Travelers Mortgage Services, Inc., Cherry Hill, N.J.**	Travelers Corp., Hartford, Conn.	In May, agreed to sell $12 bil. in servicing to GE Mortgage Capital. On 6/28, TMSI reached an agreement to sell its retail production operations to Meridian Mortgage Corp. and to Margaretten & Co.
18	**BancPlus Mortgage Corp., San Antonio, Tex.**	BancPlus Savings Assn., Pasadena, Tex.	
19	**Bowest Corp., La Jolla, Calif.**	Bowest Holding Co., San Diego, Calif.	Acquired $7 bil. portfolio of New York Guardian Mortgagee Corp.
20	**Commonwealth Mortgage of America, L.P., Houston**	Commonwealth Federal Savings Assn., Houston	Parent is in RTC conservatorship. On 4/30/90, Commonwealth sold $1.8 billion of servicing to Houston-based United Savings Association of Texas, the thrift led by mortgage-securities pioneer Lewis S. Ranieri. On 6/21, released plan to unitholders to liquidate and dissolve company.
21	**First Interstate Mortgage Co., Pasadena, Calif.**	First Interstate Bancorp., Los Angeles	
22	**Empire of America Realty Credit Corp., Buffalo, N.Y.**	Empire of America Fed. Savings Bank, Buffalo, N.Y.	
23	**USGI, Inc., Norwalk, Conn.**	None.	Acquired Huntoon, Paige Associates for about $30 mil. on 10/24/89.
24	**Knutson Mortgage Corp., Bloomington, Minn.**	Home Owners Savings Bank, Boston	Acquired $2.6 billion in servicing last year.
25	**Independence One Mortgage Corp., Southfield, Mich.**	Michigan National Corp., Farmington Hills	
26	**Sovran Mortgage Corp., Richmond**	Sovran Financial Corp., Norfolk, Va.	
27	**Southeast Mortgage Co., Miami**	Southeast Banking Corp., Miami	Selling $6.4 bil. in servicing to 36th-ranked Sears Mortgage.
28	**Foster Mortgage Corp., Fort Worth, Tex.**	Benjamin Franklin Savings Assn., Houston	Negotiations are under way for the acquisition of the company.
29	**Barnett Mortgage Company, Jacksonville, Fla.**	Barnett Banks, Inc., Jacksonville	
30	**Waterfield Mortgage Co., Inc., Fort Wayne, Ind.**	None, independent.	
31	**National Mortgage Co., Memphis, Tenn.**	None, independent.	
32	**Barclays American/Mortgage Corp., Charlotte, N.C.**	Barclays American Corp., Charlotte, N.C.	Acquired over $2 billion in servicing rights over the last half of 1989.
33	**Imco Realty Services Inc., Santa Rosa, Calif.**	Owned by a limited partnership.	
34	**Midland Mortgage Co., Oklahoma City**	Midland Financial Co., Oklahoma City	
35	**Anchor Mortgage Services, Inc., Wayne, N.J.**	Anchor Savings Bank FSB, Northport, N.Y.	
36	**Sears Mortgage Corp., Riverwoods, Ill.**	Sears Roebuck & Co., Chicago	Agrred to but $6.4 bil. portfolio from 27th-ranked Southeast Mortgage.
37	**Bank of America NT&SA, San Francisco**	BankAmerica Corp., San Francisco	
38	**Associated National Mortgage Corp., Irving, Tex.**	Ford Motor Co., Dearborn, Mich.	Gulf + Western, Inc. sold company to Ford in Oct. 1989. Immediate parent company is Associated Real Estate Financial Services Co., Inc.
39	**CrossLand Mortgage Corp., Salt Lake City**	CrossLand Savings FSB, Brooklyn, New York	
40	**Troy & Nichols, Inc., Monroe, La.**	Southwest Savings Assn., Dallas	
41	**J.I. Kislak Mortgage Service Corp., Miami**	J.I. Kislak, Inc., Miami	Acquired $788 million in servicing last year.
42	**Sunbelt National Mortgage Corp., Dallas**	Sunbelt Savings FSB, Dallas	
43	**Dorman & Wilson, Inc., White Plains, N.Y.**	None, independent.	
44	**ARCS Mortgage, Inc., Canoga Park, Calif.**	Bank of New York Co., Inc.	
45	**Talman Home Mortgage Corp., Chicago**	Talman Home Federal Savings & Loan Assn., Chicago	
46	**Alliance Mortgage Co., Jacksonville, Fla.**	Bridges, Minchew & Wheeler, Savannah, Ga.	Company was sold by Owens-Illinois, Inc., Toledo, Ohio.
47	**Banc One Mortgage Corp., Indianapolis**	Banc One Corp., Columbus, Ohio	Acquired servicing portfolio of Weaver Brothers, Chevy Chase, Md., 10/89.
48	**Paine Webber Mortgage Finance, Inc., Columbia, Md.**	PaineWebber, Inc., New York	
49	**National City Mortgage Co., Miamisburg, Ohio**	National City Corp., Cleveland	Formerly Shawmut Mortgage Corp. Merged BancOhio Mortgage Co., a sister company with $728 million in servicing (16,800 loans) 12/1/89. And it purchased $989 million (17,000 loans) from First National Bank, Louisville, another affiliate 10/1/89.
50	**U.S. Bancorp Mortgage Co., Portland, Ore.**	U.S. Bancorp., Inc., Portland, Ore.	
51	**Coldwell Banker Real Estate Fin. Ser., El Segundo, Calif.**	Sears Roebuck & Co., Chicago	Acquired Sears Savings Bank's commercial loan serviciing portfolio.
52	**Lincoln Service Corp., Owensboro, Ky.**	Great Financial Federal Savings & Loan Assn., Louisville	
53	**SunTrust Mortgage, Inc., Atlanta**	SunTrust Banks, Inc., Atlanta	
54	**BancNewEngland Mortgage Co., Inc., East Providence, R.I.**	Bank of New England Corp., Boston	Formerly known as BNE Mortgage Corp.
55	**Commonwealth Mortgage Co., Wellesley Hills, Mass.**	None, independent.	
56	**Security Pacific National Bank, Los Angeles**	Security Pacific Corp., Los Angeles	
57	**Shawmut Mortgage Co., West Hartford, Conn.**	Shawmut National Corp., Hartford, Conn.	Acquired Shawmut Bank's $942 million servicing portfolio.
58	**Dominion Bankshares Mortgage Corp., Fairfax, Va.**	Dominion Bankshares Corp., Roanoke, Va.	
59	**Commercial Federal Mortgage Corp., Omaha, Neb.**	Commercial Federal Savings & Loan Assn., Omaha, Neb.	Acquired $469 million in servicing last year (10,426 loans).
60	**Metropolitan Financial Mortgage Corp., St. Paul, Minn.**	Metropolitan Federal Bank, Fargo, N.D.	Formerly known as Rothschild Financial Corp.
61	**Murray Mortgage Co., Dallas**	Murray Savings Assn., Dallas	
62	**CitFed Mortgage Corp. of America, Dayton, Ohio**	Citizens Federal S & L Assn. of Dayton, Ohio	
63	**American Home Funding, Inc., Richmond**	Rochester Community Savings Bank, N.Y.	
64	**First Wachovia Mortgage Co., Winston-Salem, N.C.**	First Wachovia Corp., Winston-Salem, N.C.	
65	**United Mortgage Corp., Minneapolis**	Midwest Savings Assn. FA, Minneapolis	Parent is in RTC conservatorship, and United is in the process of being sold.
66	**C&S Real Estate Services, Inc., Tucker, Ga.**	Citizens & Southern Corp., Atlanta	
67	**York Associates Inc., Bethesda, Md.**	None, independent.	
68	**M-West Mortgage Corp., Orange, Calif.**	None, independent.	Formerly known as Meritor Mortgage Corp.-West.
69	**Altus Mortgage Corp., Mobile, Ala.**	Altus Bank FSB, Mobile, Ala.	
70	**Real Estate Financing, Inc., Montgomery**	First Alabama Bancshares, Inc., Montgomery	
71	**NBD Mortgage Co., Troy, Mich.**	NBD Bancorp, Inc., Detroit	Net servicing additions totaled $333 million (7,506 loans).
72	**AmSouth Mortgage Co., Inc., Birmingham, Ala.**	AmSouth Bancorporation, Birmingham, Ala.	
73	**Meridian Mortgage Corp., Wayne, Pa.**	Meridian Bancorp, Reading, Pa.	Acquiring 16 branches from Travelers Mortgage Services.
74	**First California Mortgage Co., San Rafael, Calif.**	None, independent.	
75	**Lumbermen's Investment Corp., Austin, Tex.**	Kilgore Federal S&L Assn., Tex.	Formerly owned by Temple-Inland, Inc., Diboll, Tex.
76	**Heitman Financial Services Ltd., Chicago**	Heitman Financial Ltd., Chicago	
77	**America's Mortgage Servicing, Inc., Lisle, Ill.**	Standard Federal Savings Bank, Gaithersburg, Md.	
78	**America's Mortgage Co., Springfield, Ill.**	Standard Federal Savings Bank, Gaithersburg, Md.	
79	**Latimer & Buck, Inc., Philadelphia**	First Fidelity Bancorporation, Newark, N.J.	
80	**Crestar Mortgage Corp., Richmond**	Crestar Financial Corp., Richmond	
81	**Victoria Mortgage Co., San Antonio, Tex.**	Victoria Savings Assn., Tex.	
82	**SCG Mortgage Corp., Hollywood, Fla.**	Suncoast Savings & Loan Assn., Hollywood, Fla.	
83	**PHH US Mortgage Corp., Cherry Hill, N.J.**	PHH Group, Inc., Baltimore	
84	**Huntington Mortgage Co., Columbus, Ohio**	Huntington Bancshares, Inc., Columbus, Ohio	Acquired $882 million in servicing rights (11,000 loan) in 1989
85	**NVR Mortgage, L.P., Pittsburgh**	NVR L.P., McLean, Va.	Acquired over $200 million in servicing rights last year.
86	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	PNC Financial Corp., Pittsburgh	
87	**FBS Mortgage Corp., St. Paul, Minn.**	First Bank System, Inc., Minneapolis	
88	**Bailey Mortgage Co., Jackson, Miss.**	Security Savings & Loan Assn., Jackson, Miss.	
89	**Loan America Financial Corp., Miami Lakes, Fla.**	None, independent.	
90	**Cal-Bay Mortgage Group, San Rafael, Calif.**	None, independent.	
91	**Western Mortgage Loan Corp., Salt Lake City**	United Savings Bank, Salt Lake City	
92	**WeSav Mortgage Corp., Gilbert, Ariz.**	Western Savings & Loan FA, Phoenix	Parent recently was seized by federal regulators.
93	**Margaretten & Company, Inc., Perth Amboy, N.J.**	Marco Holdings, Inc., Perth Amboy	Acquiring four offices of Travelers Mortgage Services in the third quarter.
94	**National State Bank, Elizabeth, N.J.**	Constellation Bancorp., Elizabeth, N.J.	
95	**Interwest Mortgage Corp., Ponca City, Okla.**	Heartland Federal Savings & Loan. Assn., Ponca City	
96	**CenTrust Mortgage Corp., Deerfield Beach, Fla.**	CenTrust Bank SSB, Miami	Currently there are negotiations for sale of company.
97	**NCNB Mortgage Corp., Charlotte, N.C.**	NCNB Corp., Charlotte, N.C.	
98	**Colonial Mortgage Co., Montgomery, Ala.**	Colonial Company, Montgomery	
99	**TCF Mortgage Corp., Minneapolis**	TCF Bank Savings FSB, Minneapolis	
100	**Directors Mortgage Loan Corp., Riverside, Calif.**	None, independent.	

Home Loan Exits Feared as Threat to Bailout Funding

Continued from *page* **2**

FDIC board intends to address the Wauwatosa application in two to three weeks.

"Because there's such interest and concern about this issue, the board is just taking the opportunity to hear more views," he said.

He added that the review focuses on legal issues and whether exits pose any threat to the safety and soundness of the banking system.

Mr. Robson said departures could impair the Home Loan banks' ability to pay interest expenses on bonds issued by the Resolution Funding Corp. to finance the bailout. Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the 12 Home Loan banks may be tapped for up to $300 million per year to cover those interest costs.

Arthur Siddon, a Treasury spokesman, said Mr. Robson suggested that exits should be limited during a transition period. Mr. Siddon, who confirmed the contents of the letter to Mr. Seidman, did not elaborate. Mr. Robson was unavailable for comment.

Eight Petitions to Quit

Wauwatosa's exit application, filed last September and made public in March, was followed by several others in the Chicago, Des Moines, and San Francisco Home Loan bank districts. By June 25, eight state-chartered thrifts insured by the FDIC's Savings Association Insurance Fund had petitioned to leave, asserting that they have no legal obligation to remain in the system.

The controversy has forced the FDIC to become the reluctant arbiter in a public policy debate that may reshape the Federal Home Loan Bank System.

"It's an emotionally charged policy issue," said the FDIC deputy general counsel, Douglas Jones.

While the FDIC studies the implications, the Home Loan banks face mounting pressure on earnings because of shrinking membership and slack demand for advances.

1,085 Departures Feared

If the FDIC permits departing state-chartered thrifts to continue their insurance, the doors could open for as many as 1,085 thrifts to leave, taking with them 19% of the bank system's capital, the Federal Housing Finance Board has told the FDIC. The board is the overseer of the home loan banks.

Federally chartered thrifts are clearly required to belong to the bank system, but the Housing Finance Board has raised the prospect that these institutions could convert to state charters to escape.

> **"If a little Midwestern savings and loan can destroy the system, then the system ought to be destroyed."**
>
> **Raymond J. Perry**
> *Wauwatosa Savings and Loan Association*

Worries Called Exaggerated

Wauwatosa's president and chief executive said concerns about wholesale exits from the bank system are exaggerated. "If more people were inclined to go, they would be in line by now," said Raymond J. Perry.

He said Wauwatosa wants to quit the system because it does not borrow from the advance window and could reinvest its $3 million stock subscription more profitably in loans to the community.

"I think there's a place for the system," Mr. Perry added. "But if [the withdrawal of] a little Midwestern savings and loan can destroy the system, then the system ought to be destroyed as a useless appendage of government."

But a Housing Finance Board official, speaking on background, said it is possible that more thrifts will petition to leave. "The question is how quickly the line will form if the FDIC lets them out," this official said.

The House Banking Committee chairman, Rep. Henry B. Gonzalez, opposes the exit bids. "The overriding thing in last year's bailout bill was that the S&L industry would have to pay as much of the cost as possible," said Jake Lewis, an aide to the Texas Democrat. "No one was going to escape this obligation to help bail themselves out." ☐

Chase in Deal To Service Loans

NEW YORK — A unit of Chase Manhattan Corp. has purchased the rights to service about $2 billion of home loans from a subsidiary of capital-strapped Crossland Savings.

Officials at Chase and Crossland confirmed rumors of the deal, but information on terms was not immediately available.

Market sources pointed to the transaction as a prime example of how banks are gaining ground in all aspects of mortgage finance as the thrift industry struggles to meet the requirements of the 1989 bailout law.

Chase Home Mortgage Corp., based in Tampa, Fla., is one of the nation's 10 largest servicing companies. At the end of 1989, it was servicing about $14 billion of loans for investors.

A spokesman for New York-based Crossland said the thrift's mortgage unit routinely sells some servicing rights. He said the sale to Chase was not designed to help the thrift meet new capital rules "but it certainly helps." ☐

Get clear direction on how to make returned check imaging succeed.

Can digitized imaging of checks contribute as much to your bank's profitability as to back office productivity?

Trans Data has investigated the technology top to bottom. Consumer receptivity. How fees can generate income. How depositors' concerns can be overcome. When and how other banks will offer this service. Then, in a second phase, we took a hard look at how imaging can boost the quality of your service and increase back office profitability.

Now you can look at the answers before you put your bank to the test.

Make a cool analysis of a hot topic.

When digital images replace returned checks, you ask customers to accept a radically new way of doing business with your bank.

Trans Data's recently completed studies outline what the impact will be on consumers and your relationship with them. There's no clearer or faster way to understand all the marketing implications.

We've learned how willing customers are to pay for the service...and how much. They've told us how this technology may affect your image. And whether they'll switch their business to a bank that implements the technology before you do.

The savings begin immediately.

Mounting your own studies of technology and consumer attitudes could cost tens of thousands of dollars and valuable months of lead time.

But Trans Data, backed by a decade of rigorous experience in banking research, has anticipated your needs. Our already prepared studies are available immediately. So call now.

We'll point you in the direction of the best returns from returned check imaging.

For a prospectus, mail the coupon below or FAX to (301) 546-3836. Or call toll-free
1-800-456-3282

☑ **YES.** We want to increase productivity and profits with returned check imaging

- ☐ Please have a Trans Data Account Representative phone me.
- ☐ Please send a prospectus for Trans Data's Returned Check Imaging Studies

Name
Title
Company
Address
City State Zip
( )
Telephone Best time to call

Complete and mail this coupon to: Trans Data Corporation, 2322 "C" Goddard Parkway, Salisbury MD 21801. Or FAX to (301) 546-3836.

TRANS DATA
Research Division, American Banker • Bond Buyer

800

00175-1

TOP 100 BANKS RANKED BY TRUST ASSETS
Tables begin on page 8

AMERICAN R

NEWSPAPER
15538Y000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ~ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 140 *Thursday, July 19, 1990* *155th year*

Illinois Opening Leaves Acquirers Unenthusiastic

By NANINE ALEXANDER

CHICAGO — Illinois will open its doors to full interstate banking on Dec. 1, but so far no acquirers are waiting in line.

As the trigger date nears, banks from outside the Midwest have yet to stake any claims in the Land of Lincoln. Stocks of Illinois-based banks are rallying less than expected in anticipation of potential acquisitions.

Analysts attributed the lack of activity mainly to the high price expectations of Illinois bankers and the preoccupations of potential buyers with their own asset quality and battered share prices.

Illinois banks "all have this notion of selling for three times book," said Stuart I. Greenbaum, banking professor at Northwestern University's Kellogg Graduate School of Management. "They all need a reality transplant," Mr. Greenbaum said.

ANALYSIS: *Follow-up on the news*

"Either premiums are going to come down or there's going to be a lot less activity than anticipated," said Henry C. Dickson of McDonald & Company Securities, Cleveland.

Regulatory Inhibitions

Price are not the only factors keeping merger activity dormant, said Joseph F. LaManna, bank analyst for William Biair & Co., Chicago. The current regulatory climate has made acquirers reluctant to buy anything that has not been throughly scrutinized by bank examiners.

The thrift alternative may also be discouraging some potential bank mergers, said David D. Olson, senior vice president and an investment banker for Donaldson, Lufkin & Jenrette Inc., based in Chicago. Banks that already have a presence in Illinois and wish to expand may find it more attractive to acquire a thrift with federal assistance, gaining clean assets, market share, and deposits for a modest premium.

Sooner or later, though, banking companies with nationwide aspirations are expected to enter the Illinois market – particularly Chicago.

"If you're going to have a national franchise, you can't ignore Chicago," said Michael Milunovich, analyst with Robert W. Baird & Co., Milwaukee.

Easy Market to Enter

Illinois is a relatively easy market to enter. No banking

See **ILLINOIS** *page* **7**

INSIDE NEWS

MANAGMENT

EDWARD FURASH, head of a Washington consulting firm, says bankers should return to "Camelot:" capital, assets, management, earnings, and liquidity. *Page 14*

EARNINGS

FIRST INTERSTATE Bancorp profits fell 8% in the second quarter from a year ago. PNC Financial's fell 13%, Fleet/Norstar's 33%. Continental Bank Corp. lost $57 million. *Page 2*

CONSUMER

COVERDELL & CO., Atlanta, has developed a program that will allow Delaware banks to market their own insurance products without heavy back-office investment. *Page 6*

TECHNOLOGY

SOME VICTORIES against planned postal increases are forecast by the American Bankers Association. *Page 3*

FINANCE

LEAD BANKS on a $1.75 billion loan for Lin Broadcasting's cellular phone operations have syndicated almost all the credit ahead of deadline by offering rich up-front fees. *Page 30*

INTERNATIONAL

CITICORP, Creditanstalt Bankverein of Austria, and Barclays Bank and Midland Bank of Britain won initial approval for full-fledged banking operations in Poland. *Page 20*

COMMENT

THE FED'S recent easing represents no lessening of its effort to limit inflation, writes Stephen H. Axilrod. *Page 4*

INDEX

Company Index **2**
The Lobbyists **4**
Classified Advertising **28**
Bank and Thrift Stocks **31**

House Chiefs Ask Stiff S&L Crime Terms

By ROBERT M. GARSSON

WASHINGTON — The House Democratic leadership rallied Wednesday behind legislation that would stiffen penalties for bank-related crimes and establish a national commission to investigate what caused the savings and loan crisis.

The legislation, sponsored by Rep. Charles E. Schumer, D-N.Y., was to be offered late Wednesday or early today as an amendment to the crime bill now before the House Judiciary Committee. The bill could be on the House floor as early as next week.

Foley, Gephardt Backing

Mr. Schumer's package gained the backing of House Speaker Thomas S. Foley, D-Wash., and Majority Leader Richard Gephardt, D-Mo., who appeared at a press conference to demonstrate Democratic solidarity. The initiative is the party's effort to recapture the moral high ground as Congress and the Republican administration jockey over who is doing the most to resolve the S&L crisis.

Recently, President Bush held what amounted to a pep talk for U.S. attorneys and pledged new resources to prosecute crimes against S&Ls. The Senate followed last week with legislation that would permit life sentences for the worst offenders, the so-called S&L kingpins.

Mr. Schumer said the 30-year prison terms mandated in his bill are "plenty tough."

In a thinly veiled criticism of the Senate provision, Mr.

See **STIFF** *page* **18**

Greenspan Hints Fed May Cut Rates Again

By LINDA CORMAN

WASHINGTON — The tightening of bank credit that prompted the Federal Reserve to reduce short-term interest rates last week is likely to continue, and may lead to further easing by the central bank, Fed Chairman Alan Greenspan said Wednesday.

In his most detailed assessment of the purported credit crunch and the recent effort to counteract it in monetary policy, Mr. Greenspan said the drop in the overnight fed funds rate may not have been sufficient to overcome the perception of tight credit.

More 'Scrutiny' Ahead

"The process of credit restraint may not have reached completion, and some of its effects may not yet have been

See **GREENSPAN** *page* **26**

Greenspan's Main Points

- ☞ Banks in recent weeks may have "slipped over the line" to overly restrictive lending standards
- ☞ Bank lending may get tighter before easing
- ☞ There is "no real basis" to expect a repeat of the S&L crisis in commercial banking
- ☞ Economic slowdown remains unlikely, but there has been "a shade tilt toward a recession"

Yields Rise on Bank Debt

By KELLEY HOLLAND

NEW YORK — A spate of disappointing second-quarter earnings figures sent the yields on bank debt rising in recent days, continuing their upward trend of the past two weeks.

The increase in yields could mean a rise in cost of funds for many large banks, a looming problem at a time when regulatory pressure could warrant additional capital requirements beyond the 1992 risk-based capital guidelines.

"As things stand now, the risk for all banks is that getting capital is going to be increasingly expensive going forward," said Andrew J. Cooley, a managing director at Merrill Lynch Capital Markets. "As loan quality suffers, so do bond prices in the marketplace."

Market May Be Unfriendly

Admittedly, the change has no immediate effect on banks' funding costs. But in light of Federal Reserve Chairman Alan Greenspan's comments last week and again on Wednesday in which he advocated higher capital requirements, banks may be forced to step back into a po-

See **POOR** *back page*

Trust Areas Gained Some Glitter in '89

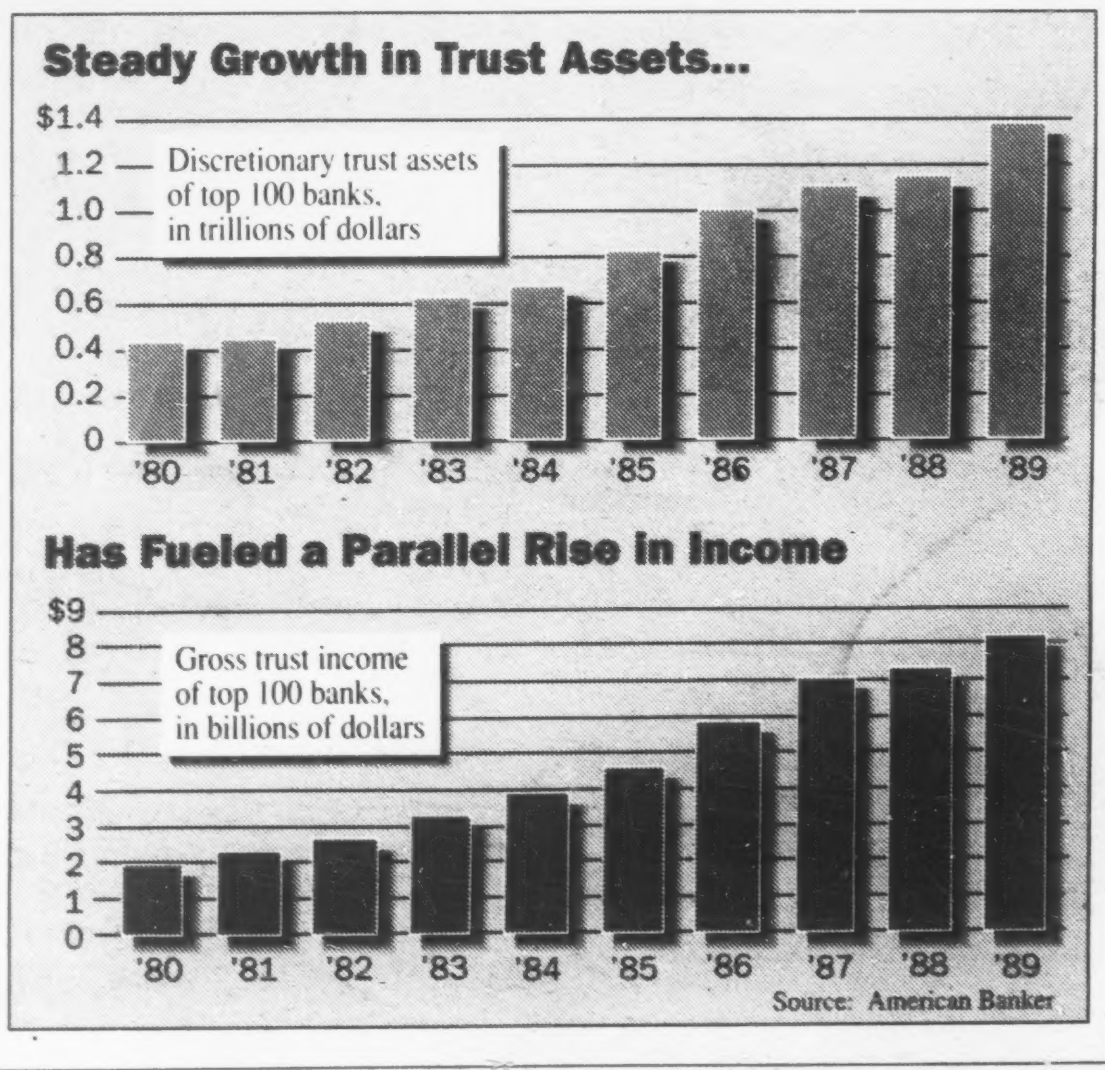
By RICHARD LAYNE

NEW YORK — Growth in large U.S. banks' trust income and assets bounced back last year after sputtering in 1988, indicating that the leading institutions are succeeding in their search for profits from the once sleepy function.

The 1989 increases – 12.4% in income and 19.3% in discretionary assets at the 100 largest trust banks – marked a return to the growth rates of the mid-1980s, according to the *American Banker*'s annual trust survey. The industry recovered from 1988 growth rates of about 4% for both assets and income that occurred in the aftermath of the 1987 stock market crash.

Growth in the market value of trust assets was 30% or more at

See **TRUST** *page* **9**



Source: American Banker

COMMENT/*By Stephen H. Axilrod*

Fed, Despite Recent Easing, Keeps Brakes on Inflation

The Federal Reserve Board has eased monetary policy a notch in an effort to offset credit tightening at banks and other depository institutions. That was the clear implication of Fed Chairman Alan Greenspan's testimony last week at the Senate Banking Committee hearing on bank capital, confirmed at Wednesday's monetary policy hearing.

As indicated in last month's column, the weakness of money supply over the past few months suggested that the Fed might in practice – given the change in institutional lending attitudes – have restrained the bank reserve base, and hence the money supply, more than it intended. In that case, it would be quite natural to provide more reserves and let the money market ease a bit further.

The expected result would be more accommodative market conditions and more liquidity in the hands of the public, helping to offset the reduced accommodation and greater desire for liquidity at banks.

The recent easing does not represent any lessening in the Fed's continuing effort to constrain inflation. So long as the money supply (particularly the M2 version) is not running high in the Fed's longer-run target ranges, the Fed remains on a rather restrictive course.

Elusive Money Trends

Such a statement about the money supply sounds more unequivocal than it should. Money trends in the aggregate are fiendishly difficult to interpret, as everyone knows by now. They cannot be judged without also looking at the velocity of money, which itself depends on interest rates (representing the cost of investment alternatives to money) and also on public attitudes independent of interest rates.

If velocity showed an independent tendency to rise sharply, that could indicate an increase in inflationary expectations and a flight away from money. If turnover showed an independent tendency to decline sharply, that could indicate the public wants a lot more liquidity for cautionary reasons (as occurred temporarily after the October 1987 market crash).

In current conditions – with velocity not showing unusual independent tendencies – it seems reasonable to interpret sluggish growth in money as indicating that monetary policy had become a little tighter than intended. That is by no means a reversion to the monetary targeting of the early '80s, but it does suggest that money cannot be, and is not being, entirely ignored in monetary policy operations.

This recent episode also brings up the vexing question of the relationship between regulatory and monetary policies. Ideally, they should be quite separate. That is, the economic objectives of monetary policy should not be influenced by regulatory policies to assure the soundness of individual institutions and the banking system.

But the implementation of monetary policy has to take into account how banks are responding within an existing economic and regulatory environment.

Regulatory decisions affecting the conduct of banking should be based on the nation's goals for a competitive, safe banking system – not on the needs of monetary policy. The U.S. banking system is clearly in need of more, not less, scope for operations in light of the evident globalization of finance.

I do not necessarily mean that the banks should be charging into the securities business, where competition is already fierce and profit opportunities limited. Nor do I mean that bank capital standards here are too high. Given the loan experience of the past several years, they surely are not.

U.S. banks are at a disadvantage in size. They cannot accumulate capital and deposits to compete effectively against the truly nationwide banks of other major countries.

Limitations on interstate banking here are eroding, but it would be a great help if they eroded faster, with a little congressional push. The European Community's banking directive will let banks chartered in one country operate in other countries of the community.

It should not be beyond the wit of the more culturally integrated United States, which already has national banking authority, to move more rapidly toward nationwide banking – before all the good international markets are gobbled up by the growing banks of Europe and Asia. □

Mr. Axilrod is vice chairman of Nikko Securities Co., New York.

THE LOBBYISTS

Kennedy Bill Would Tax the Wealthy To Fund S&L Bailout

The **Financial Democracy Campaign,** a loose coalition of labor, consumer, church, and organizations, begins lobbying today for a bill that would tax the wealthy to pay for the savings and loan cleanup.

The coalition formed last year in response to the mounting cost of the S&L bailout to U.S. taxpayers. Among its victories was an amendment sponsored by **Rep. Joseph P. Kennedy 2d,** D-Mass., that beefed up anti-redlining laws. Another, sponsored by **Rep. Henry B. Gonzalez,** D-Tex., created industry-financed low-income housing.

A defeat came on a separate Kennedy proposal to finance the bailout with a special tax. This year, however, the coalition believes a new effort, also led by Rep. Kennedy, has a shot at making it to the President's desk.

"The environment has really changed," said **Steve Kest,** executive director of the **Association of Community Organizations for Reform Now,** or Acorn, which took a lead in forming the Financial Democracy Campaign. "People are extremely angry over the cost of the bailout."

Rep. Kennedy was scheduled to announce his new initiative this morning, at a press conference attended by representatives of the Financial Democracy Campaign and consumer advocate **Ralph Nader.**

Acorn is known for its confrontational tactics. Earlier this week, the group demonstrated outside the Chicago headquarters of the **U.S. League of Savings Institutions.** After U.S. League president **Frederick Webber** finally invited representatives up to talk, Mr. Kest presented him with a bill for $1.4 trillion – his estimate of the cost of the bailout.

* * *

Housing Groups Fight FHA Overhaul

An omnibus housing bill advancing to the House floor as early as today has mortgage insurers and housing industry groups squaring off over a Bush administration plan to revamp the government's flagship home-ownership program.

Girding themselves for battle with the **Mortgage Insurance Companies of America,** home builders, mortgage bankers, and Realtors have lined up support for an alternative Federal Housing Administration reform proposal to be offered by **Rep. Bruce Vento,** D.-Minn., **and Rep. Thomas Ridge,** R.-Pa.

Growing losses are consuming the capital of FHA's mutual mortgage insurance fund, prompting Housing and Urban Development Secretary **Jack Kemp** to warn that the fund backing nearly $300 billion of single-family mortgages could be broke by the end of the decade. Now all the players are picking through a report by **Price-Waterhouse,** the accounting firm that examined ways to restore the FHA program to financial health, for clues on how to stop the fund's slide.

A plan was assembled by the Bush administration to levy risk-based mortgage insurance premiums and end financing of most closing costs. Approved by the Senate in late June, it would increase the FHA's current 3.8% mortgage insurance premium on principal to as much as 7.6% for borrowers who put down less than 5% on a home. The borrowers would pay supplemental annual premiums for up to 15 years.

S. Hutchinson

Mortgage insurers – still smarting over a measure enacted last year that raised the FHA single-family loan limit to $124,875 – favor the plan, saying it would ward off foreclosures. "This isn't a matter of just putting people into homes; you have to keep them there," said **Suzanne Hutchinson,** executive vice president of the mortgage insurers' group.

The **Mortgage Bankers Association,** the **National Association of Home Builders,** and the **National Association of Realtors** disagree. They say the plan would put home ownership out of reach for up to 100,000 families a year. They endorse the Vento-Ridge alternative, which drops the initial premium to 1.35% but requires all borrowers to pay an extra 0.5% annual premium.

And now **Consumers Union** has taken up their cause. "The Vento-Ridge proposal shows that we can save the program without killing the dreams of first-time homebuyers in the process," said **Michelle Meier,** government affairs counsel.

The housing industry groups asked Price Waterhouse to reassess the fund's health using cheerier assumptions. Price Waterhouse acknowledged that interest rate, unemployment, house appreciation, and inflation scenarios and policy initiatives suggested by the groups add up to a more robust FHA.

* * *

IRS Proposal Would Tax S&Ls' Bad-Debt Reserves

Healthy thrifts that back away from real estate lending or switch to commercial bank charters, beware: A tax-hungry Internal Revenue Service is eyeing your bad-debt reserves.

Mark Riedy

The **National Council of Savings Institutions** warns that some thrifts may be taxed into insolvency by an IRS ruling that could drain them of more than 30% of capital. **Mark Riedy,** the trade group's president, and **James O'Connor,** its vice president for tax, will take on the IRS position at a briefing Tuesday.

For decades, the government has stimulated mortgage lending by permitting thrifts to cushion themselves against future loan losses by deducting bad-debt reserves from income. Now the IRS is tightening the rules that trigger a recapture of the subsidy, pulling into its revenue stream the bad-debt reserves of thrifts that obtain commercial bank charters or whose residential mortgage lending drops below 60%, the National Council of Savings Institutions says.

— **Robert M. Garsson and Debra Cope**

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Ellen Memmelaar, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 100 Firms in Discretionary Trust Assets

Banks and non-deposit trust companies ranked in order of 1989 market value of assets under management

Rank 1989		Market Value of Discretionary Assets		Rank 1988	Gain in Rank	Trust Inc. Rank 1989	Asset Rank 1989
		1989	1988				
1	**Bankers Trust New York Corp. (M)**	104,300,000,000	80,600,000,000	1		3	10
2	**J.P. Morgan & Co., Inc., New York (M)**	82,200,000,000	69,400,000,000	2		2	4
3	**Wells Fargo & Co., San Francisco (O)**	80,040,628,000	67,454,107,000	3		11	12
4	**Mellon Bank Corp., Pittsburgh (M)**	67,539,000,000	58,169,000,000†	4		7	18
5	**State Street Boston Corp. (O)**	55,948,011,000	38,400,000,000	8	+3	6	60
6	**PNC Financial Corp., Pittsburgh (M)**	51,807,616,000	41,177,000,000	5		10	14
7	**Citicorp, New York (M)**	45,666,919,000	38,773,277,000	7		1	1
8	**Chase Manhattan Corp., New York (M)**	40,540,000,000	39,324,000,000	6		4	2
9	**Northern Trust Corp., Chicago (M)**	35,501,547,966	28,959,909,000	10	+1	8	55
10	**Bank of New York Co., Inc. (M,a)**	33,814,653,000	15,007,900,000	23	+ 13	5	11
11	**Chemical Banking Corp., New York (M)**	33,601,969,000	29,966,808,000	9		9	6
12	**Capital Guardian Trust Co., Los Angeles (T)**	27,428,513,000	20,908,137,000†	13‡	+1	36	...
13	**Boatmen's Bancshares Inc., St. Louis, Mo. (M)**	25,238,388,000	22,573,529,000	12		23	42
14	**First Chicago Corp. (M)**	23,691,000,000	27,354,497,000	11		15	13
15	**NCNB Corp., Charlotte, N.C. (M,b)**	23,300,000,000	7,886,614,000	43	+ 28	14	7
16	**SunTrust Banks, Inc., Atlanta (M)**	23,290,290,000	19,875,796,000	15		16	19
17	**Wilmington Trust Co., Del. (B)**	23,278,536,000	20,021,151,000	14		44	...
18	**Security Pacific Corp., Los Angeles (M)**	23,135,725,000	19,115,817,000	16		12	5
19	**First Interstate Bancorp., Los Angeles (M)**	22,452,230,000	20,176,728,000	13		19	9
20	**Fiduciary Trust International, New York (B)**	18,766,578,000	16,708,322,000	19		40	...
21	**National City Corp., Cleveland (M)**	18,703,823,000	16,137,257,000	22	+2	25	34
22	**Harris Bankcorp., Inc., Chicago (M)**	18,629,244,000	17,842,804,000	17		21	46
23	**U.S. Trust Corp., New York (O)**	18,020,629,000	17,054,000,000	18		13	145
24	**Manufacturers National Corp., Detroit (M)**	16,321,696,000	14,882,506,000	24	+1	47	58
25	**Boston Safe Deposit & Trust Co. (B)**	14,504,407,000	4,288,691,000	60	+ 36	32	...
26	**Ameritrust Corp., Cleveland (M,c)**	14,300,000,000	12,330,892,000	28	+3	30	54
27	**NBD Bancorp., Inc., Detroit (M)**	13,738,673,000	12,578,728,000	27		28	27
28	**First Bank System, Minneapolis (M)**	13,104,527,000	14,386,000,000	25		24	36
29	**Bank of New England Corp., Boston (M)**	12,897,718,000	12,198,889,000	29		20	21
30	**Continental Bank Corp., Chicago (O)**	12,448,888,000	11,797,009,000	31	+1	33	22
31	**Shawmut National Corp., Hartford, Conn. (M)**	12,318,685,000	11,501,591,000	32	+1	22	24
32	**Banc One Corp., Columbus, Ohio (M)**	11,850,002,000	10,728,126,000	33	+1	27	26
33	**First Fidelity Bancorporation, Lawrenceville, N.J. (M)**	11,700,000,000	11,801,468,000	30		29	20
34	**Manufacturers Hanover Corp., New York (M)**	11,501,700,000	7,987,276,000	41	+7	18	8
35	**Fidelity Management Trust Co., Boston (T)**	11,176,000,000	....	...		43	...
36	**Bank of Boston Corp. (M)**	10,992,000,000	13,734,700,000	26		17	15
37	**First Wachovia Corp., Winston-Salem, N.C. (M)**	10,583,182,000	9,313,716,000	35		26	31
38	**First Pennsylvania Corp., Philadelphia (O,d)**	10,567,884,000	9,091,828,000	37		56	77
39	**CoreStates Financial Corp., Philadelphia (M,d)**	10,359,587,000	9,345,111,000	34		51	39
40	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (M)**	10,352,018,000	9,234,322,000	36		34	16
41	**Norwest Corp., Minneapolis (M)**	9,139,900,000	7,846,300,000	44	+3	31	30
42	**Sovran Financial Corp., Norfolk, Va. (M)**	9,047,999,000	8,350,450,000	38		39	29
43	**Mercantile Bancorp., Inc., St. Louis, Mo. (M)**	8,891,761,000	8,117,078,000	39		61	74
44	**MNC Financial, Inc., Baltimore (M,e,f)**	8,637,000,000	7,264,820,000	46	+2	50	37
45	**First Union Corp., Charlotte, N.C. (M,g)**	8,214,158,000	7,078,327,000	47	+2	37	17
46	**Citizens & Southern Corp., Atlanta (M)**	8,150,613,000	7,659,145,000	45		41	33
47	**Firstar Corp., Milwaukee (M)**	7,378,473,000	6,091,192,000	51	+4	42	62
48	**BankAmerica Corp., San Francisco (M)**	7,263,775,000	6,953,117,000	48		35	3
49	**Trust Services of America, Inc., Los Angeles (T)**	7,242,000,000	6,162,000,000	50	+1	63	...
50	**Mercantile Bankshares Corp., Baltimore (M)**	7,201,921,000	N.A.	...		64	105
51	**Midlantic Corp., Edison, N.J. (M)**	6,925,664,000	5,502,042,000	52	+1	48	32
52	**Bessemer Group, Inc., Woodbridge, N.J. (M,h)**	6,888,798,000	....	...		45	...
53	**MCorp, Dallas (M,i)**	6,863,398,835	7,967,797,924	42		38	134
54	**Crestar Financial Corp., Richmond (M)**	6,841,076,000	6,194,043,000	49		54	53
55	**Comerica Inc., Detroit (M)**	6,070,473,000	5,473,040,000	53		53	48
56	**Fifth Third Bancorp., Cincinnati (M)**	5,761,000,000	4,365,428,000†	59	+3	65	72
57	**Marine Midland Banks, Inc., Buffalo, N.Y. (M)**	5,536,906,000	4,734,045,000†	58‡	+1	49	25
58	**Society Corp., Cleveland (M,j)**	5,514,710,000	4,922,880,000	55		55	56
59	**Trustcorp, Inc., Toledo, Ohio (M,j)**	5,431,527,000	4,855,487,000	56		79	91
60	**Glenmede Trust Co., Philadelphia (T)**	5,400,000,000	3,910,988,645	64	+4	89	...
61	**INB Financial Corp., Indianapolis (M)**	5,312,193,000	5,007,266,000	54		81	82
62	**United Missouri Bancshares Inc., Kansas City (M)**	5,152,052,000	4,492,175,000	58		69	103
63	**BanCal Tri-State Corp., San Francisco (O)**	5,089,199,000	3,786,645,000	65	+2	46	66
64	**First of America Bank Corp., Kalamazoo, Mich. (M)**	4,972,640,000	3,133,415,000	70	+6	52	44
65	**Old Kent Financial Corp., Grand Rapids, Mich. (M)**	4,931,350,000	4,305,697,000†	60‡		62	65
66	**United Banks of Colorado, Denver (M)**	4,849,714,000	4,011,929,000	62		70	81
67	**Barnett Banks, Inc., Jacksonville, Fla. (M)**	4,779,084,000	3,920,683,000	63		57	23
68	**Meridian Bancorp, Inc., Reading, Pa. (M)**	4,582,000,000	4,205,000,000	61		74	49
69	**AmSouth Bancorp., Birmingham, Ala. (M)**	4,493,044,000	4,794,992,000	57		71	63
70	**KeyCorp, Albany, N.Y. (M)**	4,295,574,000	3,171,411,677	68		68	41
71	**Marshall & Ilsley Corp., Milwaukee (M)**	4,105,944,000	3,404,922,000	67		58	71
72	**Integra Financial Corp., Pittsburgh (M)**	4,010,513,000	3,708,000,000•	67•		77	75
73	**Bancorp Hawaii, Inc., Honolulu (M)**	3,800,061,000	2,375,850,000	82	+9	76	64
74	**First City Bancorporation of Texas, Inc., Houston (M)**	3,493,462,000	2,782,804,000	74		59	43
75	**Southeast Banking Corp., Miami (M)**	3,290,000,000	3,035,751,000	71		67	40
76	**U.S. Bancorp., Portland, Ore. (M)**	3,229,036,000	3,159,645,000	69		60	38
77	**Affiliated Bankshares of Colorado, Inc., Denver (M)**	3,100,000,000	N.A.	...		117	141
78	**Riggs National Corp., Washington, D.C. (M)**	3,084,980,000	2,662,441,000	78		82	69
79	**Star Banc Corp., Cincinnati (M)**	3,013,800,000	2,759,945,000	75		73	83
80	**Valley National Corp., Phoenix, Ariz. (M)**	2,883,467,000	2,597,211,000	80		75	57
81	**Hibernia Corp., New Orleans, La. (M)**	2,855,386,000	2,609,649,000	79		109	76
82	**Merchants National Corp., Indianapolis (M)**	2,849,637,000	N.A.	...		95	87
83	**La Salle National Corp., Chicago (M)**	2,813,955,000	1,687,187,000	99	+ 16	72	116
84	**First American Corp., Nashville, Tenn. (M)**	2,656,000,000	2,686,800,000	77		94	73
85	**Commerce Bancshares Inc., Kansas City, Mo. (M)**	2,491,740,000	1,939,965,000	93	+7	90	84
86	**Banks of Mid-America, Inc., Oklahoma City (M)**	2,421,592,000	2,200,000,000	85		97	...
87	**BancOklahoma Corp., Tulsa (M)**	2,383,790,000	2,129,204,000	87		101	...
88	**First Tennessee National Corp., Memphis (M)**	2,335,380,000	1,983,270,000	91	+3	96	78
89	**Liberty National Bancorp, Inc., Louisville, Ky. (M)**	2,318,109,000	2,218,519,000	84		111	112
90	**South Carolina National Corp., Columbia (O)**	2,298,041,000	1,902,713,000	94	+4	84	80
91	**Union Bank, San Francisco (B)**	2,213,739,000	2,073,583,000	88		66	...
92	**Florida National Banks of Florida, Jacksonville (M,g)**	2,200,478,000	1,984,806,000	90		83	67
93	**Firstier Inc., Omaha, Neb. (O)**	2,166,566,000	1,962,139,000	92		92	138
94	**Cullen/Frost Bankers Inc., San Antonio (M)**	2,060,488,970	2,298,355,988	83		86	113
95	**First American Bankshares, Washington, D.C. (M)**	1,907,324,000	1,725,899,000	97	+2	87	51
96	**Valley Capital Corp., Las Vegas, Nev. (M)**	1,893,912,000	1,729,995,000	96		...	...
97	**Northeast Bancorp, Inc., New Haven, Conn. (M)**	1,892,030,000	1,661,653,000	100	+3	93	114
98	**First Security Corp., Salt Lake City, Utah (M)**	1,891,911,000	1,551,495,000	103	+5	108	85
99	**Huntington Bancshares Inc., Columbus, Ohio (M)**	1,872,942,000	1,699,640,391	98		78	50
100	**Premier Bancorp, Inc., Baton Rouge, La. (O)**	1,782,805,000	2,058,795,000	89		112	102
	TOTALS FOR THE TOP 100 FIRMS[1]	**$1,375.8 Bil.**	**$1,153.1 Bil.†**	**+19.3%**			

Data Source: American Banker survey of the largest commercial banking companies and nondeposit trust companies in the nation. **Discretionary assets:** assets of accounts over which a firm is authorized to make investment decisions. Includes assets in accounts for which the firm recommends, but does not make, investments. Also included are assets of accounts where the firm shares investment power. **Trust Inc. Rank:** The rank based on gross trust and custodian income for 1989. **Asset rank 1989:** The rank based on the total assets of the commercial holding company as of 12/31/89. **(a)**— The 1988 data do not include Irving Bank Corp., acquired 12/88. **(b)**— The 1989 data include NCNB Texas National Bank, and the 1988 data do not. NCNB Texas— which became a subsidiary of the NCNB Corp. in Aug. 1989— ranked 21st in 1988 with $16.3 billion in managed assets. **(c)**— The 1989 data does not include MVestment Corp., which was acquired from MCorp. MVestment Corp.— now called Ameritrust Texas— had $6.9 billion in managed assets last year, ranking MCorp 53d in this year's listing. Had the consolidation taken place at yearend, Ameritrust Corp. would have ranked 20th with $21.2 billion in assets. **(d)**— On March 5, CoreStates acquired First Pennsylvania. Had the merger taken place at yearend, CoreStates would have ranked 21st with $20.9 billion in assets. **(e)**— All trust activities are performed by Security Trust Co. NA, Washington, D.C. **(f)**— MNC acquired Equitable Bancorp., Baltimore, on Jan. 18. Had the merger taken place at yearend, MNC would have ranked 41st with $9.7 billion in assets. **(g)**— On Jan. 29, First Union Corp. acquired Florida National Banks of Florida. Had merger taken place on Dec. 31, First Union would rank 39th with $10.4 billion in assets. **(h)**— Became a holding company in 1989. In 1988, data for two group members were reported: Bessemer Trust Co. NA, New York ranked 72d with $3 billion in assets and Bessemer Trust Co., Woodbridge, N.J. ranked 86th with $2.1 billion in assets. **(i)**— Data are for MVestment Corp. MCorp sold MVestment Corp., its trust subsidiary, to Ameritrust Corp. for $105 million in cash and $15 million in a 5-year, interest-bearing note. **(j)**— Society Corp. acquired Trustcorp on Jan. 5. Had the merger taken place at yearend, Society would have ranked 37th with $10.95 billion in managed assets. **(†)**— Revised since publication on 6/27/89. **(‡)**— Rank firm would have had, if revised data had been received earlier. **(•)**— Data and rank are pro forma. Company was formed 1/30/89. **(1)**— The 1988 total is for the top 100 firms that year. **(B)**— Bank not contolled by a U.S. bank holding company. **(M)**— A multibank holding company. **(O)**— A one-bank holding company. **(T)**— Trust company not contolled by a U.S. bank holding company.

Compiled by American Banker, Copyright 1990.

Trust Business Emerged From Doldrums Last Year

Continued from *page* **1**

some of the top banks, reflecting a shakeout similar to that in other banking businesses such as credit cards and mortgage servicing.

According to the *American Banker* trust ranking, Bankers Trust New York Corp., the perennial leader in discretionary trust assets, remained on top, with a 29% increase to $104 billion on Dec. 31. (See tables beginning on page 8.)

Citicorp displaced J.P. Morgan & Co. as the leader in total trust income, jumping 6% to $477 million while Morgan declined 2% to $446 million.

The Bank of New York Co. and NCNB Corp. made big gains in the top 100 rankings in terms of both assets and income as they consolidated the activities of acquired banks.

At many of the largest banks, trust income is increasing as a percentage of total operating income. Meanwhile, they find themselves in an increasingly competitive market, particularly in personal trust, in which their investment management must outperform brokerage companies and insurance companies.

Some Becoming Selective

Price slashing and consolidation are causing the big to get bigger, and some banks are becoming selective by exiting some aspects of corporate trust and personal trust.

Citicorp rose to the top spot in trust income – it was seventh in assets with $45.7 billion – even though it dropped two trust businesses two years ago.

One of the beneficiaries of consolidation is Bankers Trust, which has acquired significant trust businesses in the past three years from Bank of California, European American Bank, and Wells Fargo & Co. Last year, Bankers Trust became the first bank to surpass $100 billion in the market value of discretionary assets.

"We are getting requests for proposals to acquire other businesses," said B.J. Kingdon, senior vice president at Bankers Trust. "Some of the players in this field are looking to drop out. Either you are in it in a big way or you are just another player."

"We expect that consolidation will continue, as it will in all areas of U.S. banking," said John S. Sutfin, executive vice president of Northern Trust, which ranked ninth in assets and eighth in income.

Top Tier Rule Internationally

Bankers and industry observers say there is room for competition on a regional level, but not on the national and international level where the top tier of banks dominate and where the required investment in technology is enormous.

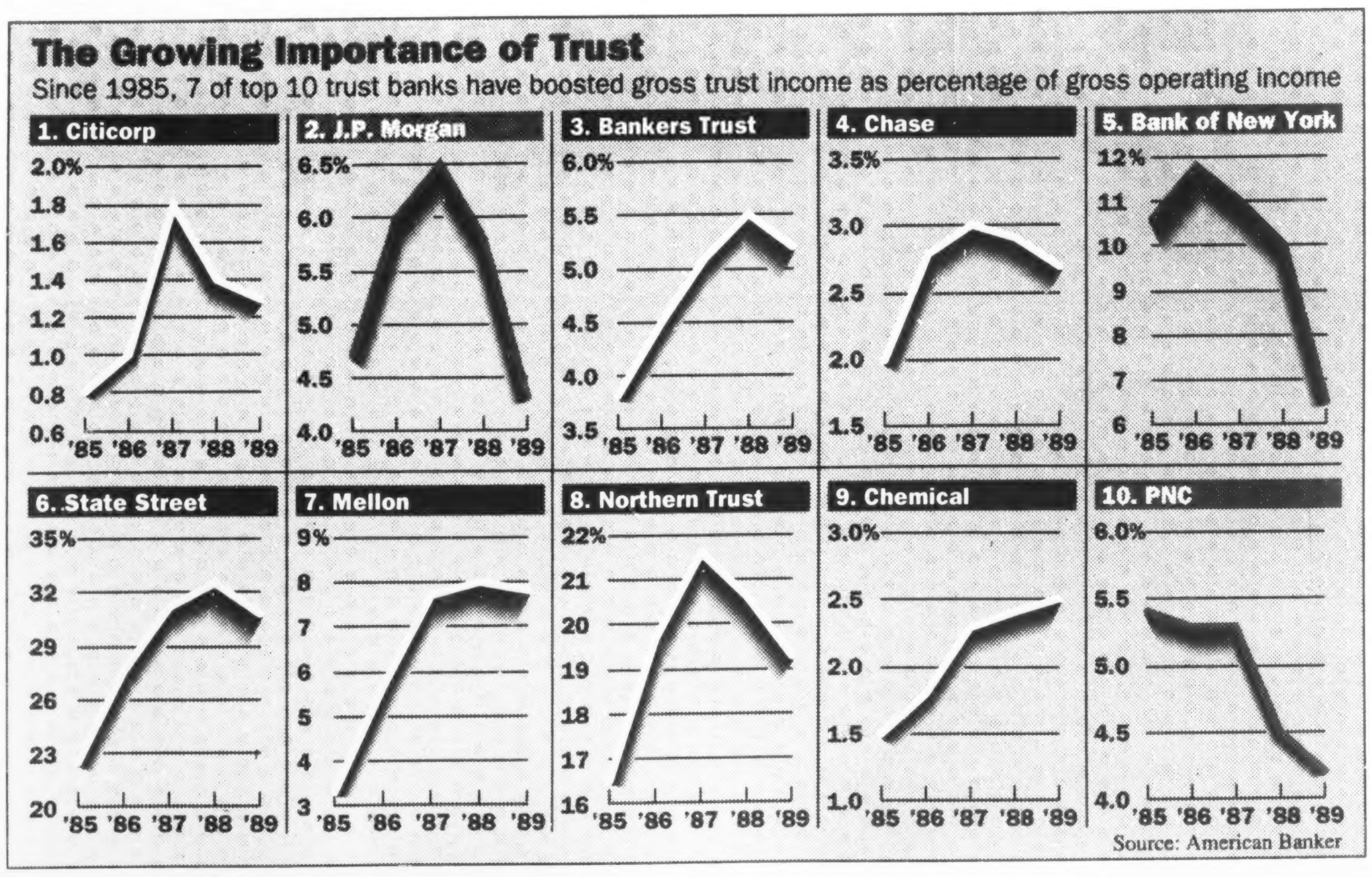
Seven of this year's top 10 trust providers earned a higher percentage of their income from trust fees in 1989 than in 1985, according the *American Banker* statistics. That growth is evidence that trust departments are meeting bankers' expectations in generating fees to offset the dwindling returns from commercial lending.

"We are seeing the resurgence of a business that in the darling days of commercial lending was yesterday's act," said Robert M. Boyles, executive vice president at Mellon Bank Corp., another of the top 10 trust banks. Behind that resurgence, bankers say, is the fundamental strength of the trust business: No capital reserves are needed, risk is low, and earnings growth is steady, although computer and communications expenditures can be substantial.

No Room at the Top

Those fundamentals may seem attractive to many banks,

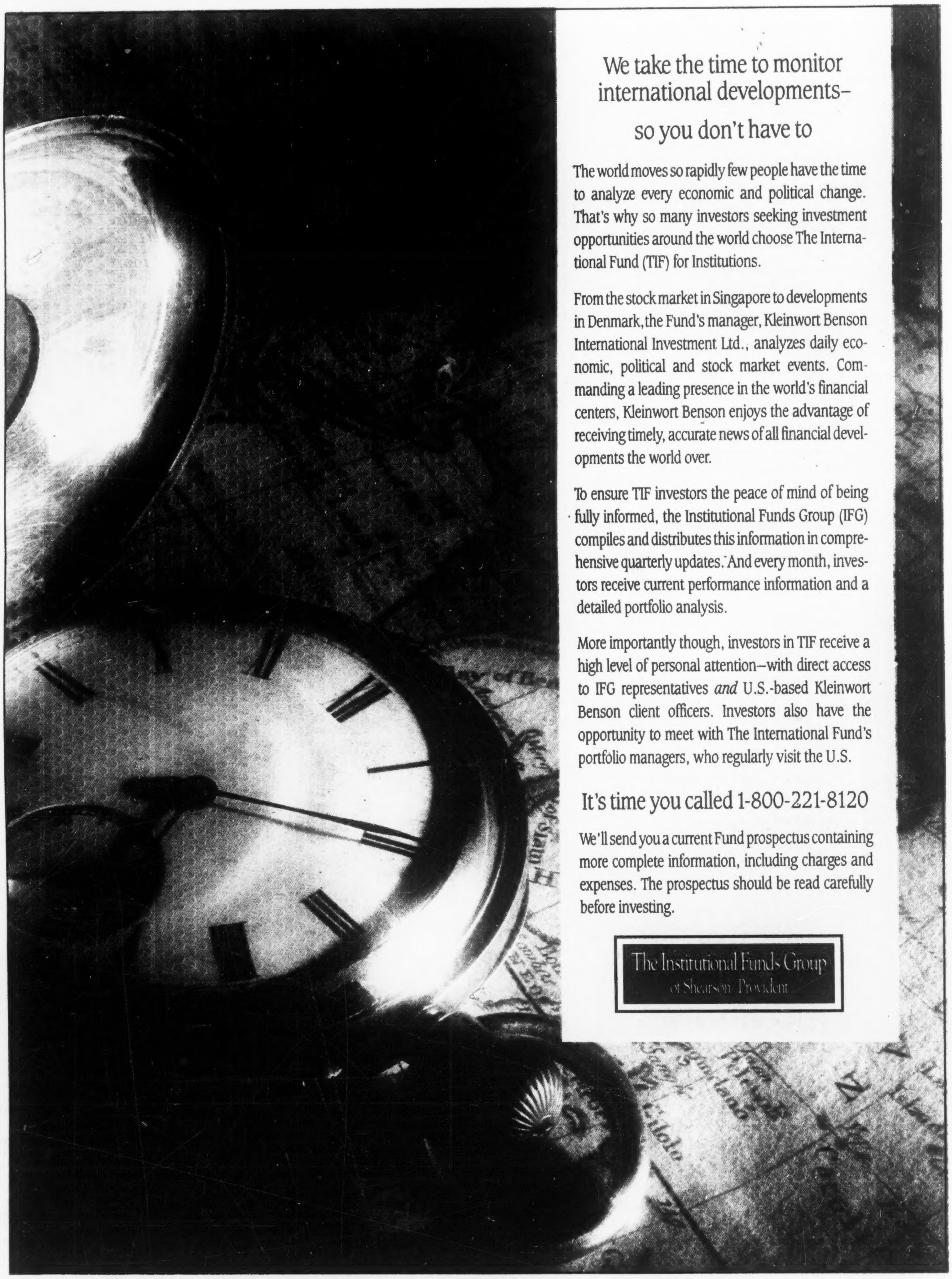
See **TRUST** *page* **11**



The Growing Importance of Trust

Since 1985, 7 of top 10 trust banks have boosted gross trust income as percentage of gross operating income

Source: American Banker



We take the time to monitor international developments–
so you don't have to

The world moves so rapidly few people have the time to analyze every economic and political change. That's why so many investors seeking investment opportunities around the world choose The International Fund (TIF) for Institutions.

From the stock market in Singapore to developments in Denmark, the Fund's manager, Kleinwort Benson International Investment Ltd., analyzes daily economic, political and stock market events. Commanding a leading presence in the world's financial centers, Kleinwort Benson enjoys the advantage of receiving timely, accurate news of all financial developments the world over.

To ensure TIF investors the peace of mind of being fully informed, the Institutional Funds Group (IFG) compiles and distributes this information in comprehensive quarterly updates. And every month, investors receive current performance information and a detailed portfolio analysis.

More importantly though, investors in TIF receive a high level of personal attention–with direct access to IFG representatives *and* U.S.-based Kleinwort Benson client officers. Investors also have the opportunity to meet with The International Fund's portfolio managers, who regularly visit the U.S.

It's time you called 1-800-221-8120

We'll send you a current Fund prospectus containing more complete information, including charges and expenses. The prospectus should be read carefully before investing.

The Institutional Funds Group
of Shearson Provident

TRUST BANKING

Top 100 Firms in Discretionary Trust Assets

Listed geographically and within states by managed trust assets on Dec. 31, 1989 (millions of dollars)

1989		Trust Assets 12/31/89	No. of Subs.	Affil. Inv. Adv. Subs.
	ALABAMA			
69	**AmSouth Bancorp., Birmingham**	4,493	1	No
	ARIZONA			
80	**Valley National Corp., Phoenix**	2,883	2	No
	CALIFORNIA			
3	**Wells Fargo & Co., San Francisco**	80,041	2	Yes
12	**Capital Guardian Trust Co., Los Angeles**	27,429	0	No
18	**Security Pacific Corp., Los Angeles**	23,136	16	Yes
19	**First Interstate Bancorp., Los Angeles**	22,452	21	No
48	**BankAmerica Corp., San Francisco**	7,264	2	No
49	**Trust Services of America, Inc., Los Angeles**	7,242	0	No
63	**BanCal Tri-State Corp., San Francisco**	5,089	1	No
91	**Union Bank, San Francisco**	2,214	0	0
	COLORADO			
66	**United Banks of Colorado, Denver**	4,850	8	No
77	**Affiliated Bankshares of Colorado, Inc., Denver**	3,100	N.A.	N.A.
	CONNECTICUT			
31	**Shawmut National Corp., Hartford**	12,319	11	Yes
97	**Northeast Bancorp., Inc., New Haven**	1,892	1	No
	DELAWARE			
17	**Wilmington Trust Co.**	23,279	0	No
	DISTRICT OF COLUMBIA			
78	**Riggs National Corp., Washington, D.C.**	3,085	4	Yes
95	**First American Bankshares, Washington, D.C.**	1,907	5	No
	FLORIDA			
67	**Barnett Banks, Inc., Jacksonville**	4,779	1	No
75	**Southeast Banking Corp., Miami**	3,290	N.A.	N.A.
92	**Florida National Banks of Florida, Jacksonville**	2,200	2	Yes
	GEORGIA			
16	**SunTrust Banks, Inc., Atlanta**	23,290	N.A.	N.A.
46	**Citizens & Southern Corp., Atlanta**	8,151	7	Yes
	HAWAII			
73	**Bancorp Hawaii, Inc., Honolulu**	3,800	1	No
	ILLINOIS			
9	**Northern Trust Corp., Chicago**	35,502	9	Yes
14	**First Chicago Corp.**	23,691	17	No[1]
22	**Harris Bankcorp., Inc., Chicago**	18,629	10	Yes
30	**Continental Bank Corp., Chicago**	12,449	3	Yes
83	**La Salle National Corp., Chicago**	2,814	1	0
	INDIANA			
61	**INB Financial Corp., Indianapolis**	5,312	3	0
82	**Merchants National Corp., Indianapolis**	2,850	N.A.	N.A.
	KENTUCKY			
89	**Liberty National Bancorp, Inc., Louisville**	2,318	N.A.	N.A.
	LOUISIANA			
81	**Hibernia Corp., New Orleans**	2,855	1	0
100	**Premier Bancorp, Inc., Baton Rouge**	1,783	1	Yes
	MARYLAND			
44	**MNC Financial, Inc., Baltimore**	8,637	5	Yes
50	**Mercantile Bankshares Corp., Baltimore**	7,202	N.A.	N.A.
	MASSACHUSETTS			
5	**State Street Boston Corp.**	55,948	1	No
25	**Boston Safe Deposit & Trust Co.**	14,504	0	No[2]
29	**Bank of New England Corp., Boston**	12,898	10	Yes
35	**Fidelity Management Trust Co., Boston**	11,176	0	No
36	**Bank of Boston Corp.**	10,992	15	No
	MICHIGAN			
24	**Manufacturers National Corp., Detroit**	16,322	4	Yes
27	**NBD Bancorp., Inc., Detroit**	13,739	N.A.	N.A.
55	**Comerica Inc., Detroit**	6,070	10	Yes
64	**First of America Bank Corp., Kalamazoo**	4,973	N.A.	N.A.
65	**Old Kent Financial Corp., Grand Rapids**	4,931	3	No
	MINNESOTA			
28	**First Bank System, Minneapolis**	13,105	10	No
41	**Norwest Corp., Minneapolis**	9,140	13	Yes
	MISSOURI			
13	**Boatmen's Bancshares Inc., St. Louis**	25,238	14	No
43	**Mercantile Bancorp., Inc., St. Louis**	8,892	10	Yes
62	**United Missouri Bancshares Inc., Kansas City**	5,152	2	No
85	**Commerce Bancshares Inc., Kansas City**	2,492	N.A.	N.A.
	NEBRASKA			
93	**Firstier Inc., Omaha**	2,167	3	No
	NEVADA			
96	**Valley Capital Corp., Las Vegas**	1,894	1	No
	NEW JERSEY			
33	**First Fidelity Bancorporation, Lawrenceville**	11,700	6	No
51	**Midlantic Corp., Edison**	6,926	9	0
52	**Bessemer Group, Inc., Woodbridge**	6,889	4	No
	NEW YORK			
1	**Bankers Trust New York Corp.**	104,300	15	Yes
2	**J.P. Morgan & Co., Inc., New York**	82,200	N.A.	N.A.
7	**Citicorp, New York**	45,667	52	Yes
8	**Chase Manhattan Corp., New York**	40,540	6	Yes
10	**Bank of New York Co., Inc.**	33,815	N.A.	N.A.
11	**Chemical Banking Corp., New York**	33,602	31	Yes
20	**Fiduciary Trust International, New York**	18,767	0	0
23	**U.S. Trust Corp., New York**	18,021	N.A.	N.A.
34	**Manufacturers Hanover Corp., New York**	11,502	11	Yes
57	**Marine Midland Banks, Inc., Buffalo**	5,537	2	Yes
70	**KeyCorp, Albany**	4 296	9	Yes
	NORTH CAROLINA			
15	**NCNB Corp., Charlotte**	23,300	4	No
37	**First Wachovia Corp., Winston-Salem**	10,583	2	No
45	**First Union Corp., Charlotte**	8,214	4	No
	OHIO			
21	**National City Corp., Cleveland**	18,704	13	No
26	**Ameritrust Corp., Cleveland**	14,000	N.A.	N.A.
32	**Banc One Corp., Columbus**	11,850	13	Yes
56	**Fifth Third Bancorp., Cincinnati**	5,761	14	Yes
58	**Society Corp., Cleveland**	5,515	4	No
59	**Trustcorp, Inc., Toledo**	5,431	N.A.	N.A.
79	**Star Banc Corp., Cincinnati**	3,014	8	No
99	**Huntington Bancshares Inc., Columbus**	1,873	5	No
	OKLAHOMA			
86	**Banks of Mid-America, Inc., Oklahoma City**	2,422	N.A.	N.A.
87	**BancOklahoma Corp., Tulsa**	2,384	2	No
	OREGON			
76	**U.S. Bancorp., Portland**	3,229	3	Yes
	PENNSYLVANIA			
4	**Mellon Bank Corp., Pittsburgh**	67,539	11	Yes
6-	**PNC Financial Corp., Pittsburgh**	51,808	16	Yes
38	**First Pennsylvania Corp., Philadelphia**	10,568	3	Yes
39	**CoreStates Financial Corp., Philadelphia**	10,360	5	Yes
60	**Glenmede Trust Co., Philadelphia**	5,400	0	No
68	**Meridian Bancorp, Inc., Reading**	4,582	2	No
72	**Integra Financial Corp., Pittsburgh**	4,011	7	No
	RHODE ISLAND			
40	**Fleet/Norstar Fin'l Group, Inc., Providence**	10,352	7	Yes
	SOUTH CAROLINA			
90	**South Carolina National Corp., Columbia**	2,298	1	Yes
	TENNESSEE			
84	**First American Corp., Nashville**	2,656	N.A.	N.A.
88	**First Tennessee National Corp., Memphis**	2,335	1	Yes
	TEXAS			
53	**MCorp, Dallas**	6,863	1	No
74	**First City Bancorporation of Texas, Inc., Houston**	3,493	13	No
94	**Cullen/Frost Bankers Inc., San Antonio**	2,060	4	No
	UTAH			
98	**First Security Corp., Salt Lake City**	1,892	2	No
	VIRGINIA			
42	**Sovran Financial Corp., Norfolk**	9,048	4	Yes
54	**Crestar Financial Corp., Richmond**	6,841	4	Yes
	WISCONSIN			
47	**Firstar Corp., Milwaukee**	7,378	9	No
71	**Marshall & Ilsley Corp., Milwaukee**	4,106	5	Yes

Data Source: American Banker survey questionnaire mailed to the largest trust firms in the nation. **Number of subsidiaries engaged in trust activity:** *American Banker* asked respondents to indicate the number of commercial bank subsidiaries, nondeposit trust companies, affiliated investment adviser subsidiaries, and all other subsidiaries engaged in trust activities in 1989. The number shown is the sum of all these subsidiaries. **Affiliated Investment Adviser Subsidiaries:** This column indicates whether or not the firm has an affiliated investment advisor subsidiary or subsidiaries. "Yes" indicates the firm has such a subsidiary and "No" indicates it does not. **N.A.**— If a firm did not respond to the *American Banker* questionnaire, it was sent a mailgram version of the survey questionnaire. The mailgram did not ask for the number of subsidiaries engaged in trust activities. Thus, for these firms, the data are not available. **(1)**— Sold First Chicago Investment Advisors in 1989. **(2)**— Its parent, the Boston Co., has four affiliated investment advisers managing $16.2 billion in trust assets.

Compiled by American Banker, Copyright 1990

The 10 Largest Gains in Trust Assets Among Top 100 Firms in Assets

		Trust Assets 1989	Trust Assets 1988	Percent Increase	Asset Rank
1	**Boston Safe Deposit & Trust Co.**	14,504,407,000	4,288,691,000	238.20	25
2	**NCNB Corp., Charlotte, N.C.**	23,300,000,000	7,886,614,000	195.44	15
3	**Bank of New York Co., Inc.**	33,814,653,000	15,007,900,000	125.31	10
4	**La Salle National Corp., Chicago**	2,813,955,000	1,687,187,000	66.78	83
5	**Bancorp Hawaii, Inc., Honolulu**	3,800,061,000	2,375,850,000	59.95	73
6	**First of America Bank Corp., Kalamazoo**	4,972,640,000	3,133,415,000	58.70	64
7	**State Street Boston Corp.**	55,948,011,000	38,400,000,000	45.70	5
8	**Manufacturers Hanover Corp., New York**	11,501,700,000	7,987,276,000	44.00	34
9	**Glenmede Trust Co., Philadelphia**	5,400,000,000	3,910,988,645	38.07	60
10	**KeyCorp, Albany, N.Y.**	4,295,574,000	3,171,411,677	35.45	70

The Largest Losses in Trust Assets

		Trust Assets 1989	Trust Assets 1988	Percent Decline	Asset Rank
1	**Bank of Boston Corp.**	10,992,000,000	13,734,700,000	19.97	36
2	**MCorp, Dallas**	6,863,398,835	7,967,797,924	13.86	53
3	**Premier Bancorp, Inc., Baton Rouge**	1,782,805,000	2,058,795,000	13.41	100
4	**First Chicago Corp.**	23,691,000,000	27,354,497,000	13.39	14
5	**Cullen/Frost Bankers Inc., San Antonio**	2,060,488,970	2,298,355,988	10.35	94

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 8-12

Consolidation Helps Big Banks Reap Profits from Trust Area

Continued from *page* **9**

but the chance of reaching the top rung of global corporate and institutional trust providers is slim. The best chances for growth are at banks that are concentrating on personal trust and on regional markets, say industry observers.

"Are we going to compete with Bankers Trust?" asked Steven D. Poole, senior vice president at NCNB. "No, instead of calling on the Fortune 500, we will drop down to the corporate 2,000."

"We see more interest [in trust] on the part of banks, but the top-tier competitors remain the same," said Mr. Sutfin of Northern Trust. The Chicago institution gets 55% of total revenues from fees, and 90% of the fees stem from its trust business. Discretionary assets rose 32% at Northern Trust in 1989.

Other major trust banks such as State Street Boston Corp., which increased assets 44% last year, and Wells Fargo, which was No. 3 on the asset list, derive most if not all of their trust income from corporate and institutional customers.

Technology Commitment

Entering and staying in the elite requires a major commitment to technology and personnel. Some trust banks are committing upward of $40 million to build new computer systems. Mellon, for example, is investing $30 million to upgrade its systems. NCNB executives have committed $22 million to build a new trust system.

Some trust banks are committing upward of $40 million for new computer systems.

A study by the consulting company Greenwich Associates found that new business is tough to come by. More than 80% of corporate pension funds use a master trust, and seven of eight winners of master trust accounts were replacing previous master trustees. In a such a mature market, banks are cutting prices to attract business from competitors.

Some banks see growth opportunity in defined contribution plans such as the 401(k), in which employers and employees contribute to open-ended accounts. According to the Employee Benefit Research Institute in Washington, defined contribution funds totaled $460 billion last year. In 1982, these were 32% of all pension funds. In 1989, they grew to 38%.

Some bankers see the personal trust business as another likely source of growth.

"The opportunities for growth through fee increases are nonexistent on the institutional side," said Mr. Boyles of Mellon. "But there are still opportunities for banks on the personal side."

In trust departments, where past efforts to garner new business largely consisted of reading obituaries, recruiting personal trust clients is now a top priority.

Bankers say that more people are wealthier at a younger age now, creating demand for investment management and a more sophisticated array of investment products. In trust departments, where past efforts to garner new business largely consisted of reading obituaries, recruiting personal trust clients is now a top priority.

Banks have hired more professional investment managers to compete with investment advisers, Wall Street companies, and insurance companies.

Focus on Personal Trust

Even the major corporate trust banks are looking to attract more personal trust customers.

"Personal trust is now more of a focus for us," said Mr. Sutfin. Northern Trust opened offices in California and Florida to pursue personal accounts.

How do banks perform as investment managers? A recent study by CDA Investment Technologies Inc. for the American Bankers Association showed that investment managers at banks outperformed their nonbanking competition in some measures of return on equity and fixed-income investments.

Over a three-year period, banks had a 16.1% annualized rate of return on equities, slightly ahead of investment advisers at 16.0%, insurance companies at 15.9%, and mutual funds at 13.8%. Over a five-year period, insurance companies and investment advisers did better than banks.

In the fixed-income arena over three years, insurance companies led the field, with an 8.2% annual return. Banks had a 7.7% return, and mutual funds 5.9%. ☐

Thrift in Houston Taps George Bender

NEW YORK — George R. Bender, formerly chief executive officer of Centrust Bank's mortgage unit, has been tapped to head the mortgage operations of United Savings Association of the Southwest, Houston.

That thrift, led by mortgage-securities pioneer Lewis S. Ranieri, has been expanding rapidly in the home-loan field.

Last week, it completed purchasing the 15-state origination network of Commonwealth Mortgage of America L.P.

Mr. Bender's previous company was Centrust Mortgage Corp., Deerfield Beach, Fla. The parent thrift, which is based in Miami, was seized by the federal government in February. ☐

NCS

ARE YOU GETTING THE MOST OUT OF YOUR TRUST SYSTEMS?

Is your department responding to customer needs and accessing information as quickly and cost-effectively as it could? Are your present systems allowing the department to realize its profit potential?

FIND OUT FOR SURE.

Get *The Systems Review Checklist*. The comprehensive guide for selecting and evaluating trust systems for your company. It includes the questions you should definitely consider in any systems review. As well as how to differentiate various systems' benefits and shortcomings. It's free. Just return the attached coupon, or call us for more information at **1-800-877-1655.**

I want to get the most out of my trust systems. Send me your *Systems Review Checklist*. I've checked the version(s) I'm interested in below.

☐ Trust Asset & Employee Benefits Systems
☐ Corporate Trust Systems (Equity & Debt)

Name
Title
Institution
Address
Phone

Return to National Computer Systems, Inc.
400 Northridge Road, Atlanta, Georgia 30350

THE SYSTEMS REVIEW CHECKLIST

FROM THE COMPANY THAT KNOWS.

The Systems Review Checklist is drawn from experience. It was created by National Computer Systems, an industry leader who has worked with over 700 financial institutions in the selection of their trust systems. In fact, more than 60% of the Top 100 Firms on the preceding page use an NCS system to meet their financial management and reporting needs.

NCS offers a number of complementary and diverse systems to the financial industry, from Trust Asset Management to Bond Accounting, Shareholder Accounting, Employee Benefits, Property Management and more. To discuss your specific needs with an NCS account manager, call **1-800-877-1655.** Or write: National Computer Systems, Inc., 400 North ridge Road, Atlanta, Georgia 30350.

NATIONAL COMPUTER SYSTEMS NCS™

TRUST BANKING

Top 100 Firms in Trust Income

Banks and non-deposit trust companies ranked in order of 1989 gross operating trust revenues

Rank 1989		Total Trust Income		Rank 1988	Gain in Rank	Total Operating Income 1989	Trust Income As % of Oper. Income	1989 Market Value Of Trust Assets
		1989	1988					
1	**Citicorp, New York (M)**	477,153,000	450,285,000	2	+1	37,970,000,000	1.3	356,692,919,000
2	**J.P. Morgan & Co., Inc., New York (M)**	446,000,000	453,300,000	1		10,394,000,000	4.3	537,410,140,000
3	**Bankers Trust New York Corp. (M)**	380,621,000	321,542,000	4	+1	7,258,233,000	5.2	1,521,000,000,000
4	**Chase Manhattan Corp., New York (M)**	376,000,000	358,819,000	3		13,904,000,000	2.7	236,556,000,000
5	**Bank of New York Co., Inc. (M,a)**	359,882,000	263,285,000	6	+1	5,496,747,000	6.5	436,862,956,000
6	**State Street Boston Corp. (O)**	336,277,000	292,800,000	5		1,091,968,000	30.8	801,564,545,000
7	**Mellon Bank Corp., Pittsburgh (M)**	280,000,000	261,000,000	7		3,607,000,000	7.8	246,354,000,000
8	**Northern Trust Corp., Chicago (M)**	237,200,000	206,800,000	8		1,229,800,000	19.3	242,936,285,000
9	**Chemical Banking Corp., New York (M)**	207,500,000	182,900,000	9		8,227,100,000	2.5	215,928,465,000
10	**PNC Financial Corp., Pittsburgh (M)**	196,883,000	173,313,000	10		4,645,078,000	4.2	92,875,868,000
11	**Wells Fargo & Co., San Francisco (O)**	190,400,000	153,700,000	13	+2	5,648,900,000	3.4	99,023,738,000
12	**Security Pacific Corp., Los Angeles (M)**	185,900,000	153,800,000	12		10,018,400,000	1.9	248,706,758,000
13	**U.S. Trust Corp., New York (O)**	177,026,000	155,189,000	11		397,520,000	44.5	143,691,475,000
14	**NCNB Corp., Charlotte, N.C. (M,b)**	169,405,000	60,652,000	36	+ 22	6,152,446,000	2.8	65,300,000,000
15	**First Chicago Corp. (M)**	162,800,000	126,500,000	18	+3	5,611,300,000	2.9	113,868,000,000
16	**SunTrust Banks, Inc., Atlanta (M)**	156,374,000	134,656,000	17	+1	3,295,802,000	4.7	39,369,190,000
17	**Bank of Boston Corp. (M)**	153,667,000	140,290,000	16		6,844,025,000	2.2	77,000,000,000
18	**Manufacturers Hanover Corp., New York (M)**	150,000,000	149,000,000	14		8,420,000,000	1.8	66,875,600,000
19	**First Interstate Bancorp., Los Angeles (M)**	149,777,000	143,910,000	15		6,534,582,000	2.3	99,350,407,000
20	**Bank of New England Corp., Boston (M)**	121,149,000	119,192,000	19		3,478,184,000	3.5	66,179,818,000
21	**Harris Bankcorp., Inc., Chicago (M)**	108,971,000	100,842,000	20		1,337,836,000	8.1	90,132,574,000
22	**Shawmut National Corp., Hartford, Conn. (M)**	105,216,000	97,386,000	21		3,020,420,000	3.5	27,947,902,714
23	**Boatmen's Bancshares Inc., St. Louis, Mo. (M)**	94,420,000	80,078,000	24	+1	1,476,302,000	6.4	42,648,680,000
24	**First Bank System, Minneapolis (M)**	91,300,000	84,900,000	23		2,500,200,000	3.7	75,794,912,000
25	**National City Corp., Cleveland (M)**	84,531,000	78,484,000	25		2,539,780,000	3.3	45,816,136,000
26	**First Wachovia Corp., Winston-Salem, N.C. (M)**	84,232,000	72,921,000	28	+2	2,433,372,000	3.5	58,085,106,000
27	**Banc One Corp., Columbus, Ohio (M)**	80,247,000	74,719,000	26		3,162,982,000	2.5	55,378,647,000
28	**NBD Bancorp., Inc., Detroit (M)**	79,054,000	70,379,000	30	+2	2,541,859,000	3.1	64,114,331,000
29	**First Fidelity Bancorporation, Lawrenceville, N.J. (M)**	77,624,000	73,508,000	27		3,104,163,000	2.5	68,900,000,000
30	**Ameritrust Corp., Cleveland (M,c)**	74,000,000	68,963,000	31	+1	1,226,000,000	6.0	31,300,000,000
31	**Norwest Corp., Minneapolis (M)**	73,000,000	65,900,000	33	+2	2,929,900,000	2.5	39,227,200,000
32	**Boston Safe Deposit & Trust Co. (B)**	72,371,000	60,658,000	35	+3	1,336,225,000	5.4	215,789,704,000
33	**Continental Bank Corp., Chicago (O)**	71,600,000	68,900,000	32		3,202,600,000	2.2	103,287,363,000
34	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (M)**	70,474,000	63,191,000	34		3,657,877,000	1.9	17,070,530,000
35	**BankAmerica Corp., San Francisco (M)**	67,646,000	70,986,000	29		11,389,000,000	0.6	37,992,491,000
36	**Capital Guardian Trust Co., Los Angeles (T)**	66,334,000	52,174,000	40	+4	68,803,000	96.4	30,690,377,000
37	**First Union Corp., Charlotte, N.C. (M,d)**	64,635,000	60,486,000	37		3,313,247,000	2.0	14,060,396,000
38	**MCorp, Dallas (M,e)**	60,431,916	52,538,943	39		61,286,824	98.6	16,160,061,632
39	**Sovran Financial Corp., Norfolk, Va. (M)**	60,208,000	54,372,000	38		2,651,198,000	2.3	35,264,563,000
40	**Fiduciary Trust International, New York (B)**	59,568,000	50,884,029	41		71,661,000	83.1	47,809,147,000
41	**Citizens & Southern Corp., Atlanta (M)**	57,664,185	50,474,866	42		67,531,105	85.4	38,383,429,000
42	**Firstar Corp., Milwaukee (M)**	55,035,000	49,350,000	44	+2	923,377,000	6.0	27,580,340,000
43	**Fidelity Management Trust Co., Boston (T)**	53,915,000	....	...		58,397,000	92.3	N.A.
44	**Wilmington Trust Co., Del. (B)**	53,373,000	50,209,000	43		378,761,000	14.1	105,618,300,000
45	**Bessemer Group, Inc., Woodbridge, N.J. (M,f)**	52,480,000	....	...		71,602,000	73.3	8,897,009,000
46	**BanCal Tri-State Corp., San Francisco (O)**	51,498,000	38,409,000	49	+3	811,056,000	6.3	23,076,738,000
47	**Manufacturers National Corp., Detroit (M)**	50,121,000	44,119,000	45		1,099,122,000	4.6	41,575,824,000
48	**Midlantic Corp., Edison, N.J. (M)**	47,765,000	38,411,000	48		2,319,577,000	2.1	14,951,807,000
49	**Marine Midland Banks, Inc., Buffalo, N.Y. (M)**	44,803,000	41,575,000	46		3,168,228,000	1.4	53,775,039,000
50	**MNC Financial, Inc., Baltimore (M,g,h)**	43,076,000	38,087,000	50		2,416,790,000	1.8	19,928,000,000
51	**CoreStates Financial Corp., Philadelphia (M,i)**	43,075,000	36,303,000	55	+4	1,888,416,000	2.3	72,584,201,000
52	**First of America Bank Corp., Kalamazoo, Mich. (M)**	41,573,000	25,984,000	67	+15	1,305,545,000	3.2	8,766,019,000
53	**Comerica Inc., Detroit (M)**	40,846,000	39,046,000	47		1,250,381,000	3.3	10,420,713,000
54	**Crestar Financial Corp., Richmond (M)**	40,695,000	37,153,000	51		1,177,200,000	3.5	23,062,281,000
55	**Society Corp., Cleveland (M,j)**	38,835,000	35,281,000	57	+2	1,148,567,000	3.4	9,185,242,000
56	**First Pennsylvania Corp., Philadelphia (O,i)**	38,396,000	36,412,000	53		707,771,000	5.4	60,315,213,000
57	**Barnett Banks, Inc., Jacksonville, Fla. (M)**	38,153,299	36,640,000	52		3,037,581,000	1.3	6,563,211,000
58	**Marshall & Ilsley Corp., Milwaukee (M)**	37,938,000	36,320,000	54		782,708,000	4.8	10,718,417,000
59	**First City Bancorporation of Texas, Inc., Houston (M)**	35,677,000	32,721,000	60	+1	1,458,247,000	2.4	16,714,526,000
60	**U.S. Bancorp., Portland, Ore. (M)**	35,143,000	35,317,000	56		1,672,033,000	2.1	7,811,862,000
61	**Mercantile Bancorp., Inc., St. Louis, Mo. (M)**	34,233,000	31,334,000	61		745,133,000	4.6	10,958,324,000
62	**Old Kent Financial Corp., Grand Rapids, Mich. (M)**	34,113,000	29,793,000†	63‡	+1	863,076,000	4.0	15,172,353,000
63	**Trust Services of America, Inc., Los Angeles (T)**	33,333,000	32,792,000	59		35,237,000	94.6	10,430,000,000
64	**Mercantile Bankshares Corp., Baltimore (M)**	31,842,000	29,132,000	63		432,861,000	7.4	21,027,455,000
65	**Fifth Third Bancorp., Cincinnati (M)**	31,599,000	22,271,000	72	+7	768,295,000	4.1	17,438,000,000
66	**Union Bank, San Francisco (B)**	31,106,000	16,880,000	84	+ 18	1,650,241,000	1.9	8,815,144,000
67	**Southeast Banking Corp., Miami (M)**	29,685,000	27,720,000	64		1,706,394,000	1.7	7,508,000,000
68	**KeyCorp, Albany, N.Y. (M)**	29,156,000	27,174,000	65		1,662,443,000	1.8	9,230,992,000
69	**United Missouri Bancshares Inc., Kansas City (M)**	28,750,000	22,725,000	71	+2	384,942,000	7.5	87,056,878,000
70	**United Banks of Colorado, Denver (M)**	27,435,000	27,117,000	66		625,694,000	4.4	8,181,601,000
71	**AmSouth Bancorp., Birmingham, Ala. (M)**	27,310,000	30,057,000	62		889,785,000	3.1	10,395,064,000
72	**La Salle National Corp., Chicago (M)**	27,088,000	22,845,000	70		164,409,000	16.5	7,983,759,000
73	**Star Banc Corp., Cincinnati (M)**	26,510,000	21,544,000	75	+2	636,082,000	4.2	9,740,697,000
74	**Meridian Bancorp, Inc., Reading, Pa. (M)**	26,411,000	24,080,000	69		1,172,816,000	2.3	15,326,000,000
75	**Valley National Corp., Phoenix, Ariz. (M)**	26,160,000	25,055,000	68		1,201,298,000	2.2	5,029,101,000
76	**Bancorp Hawaii, Inc., Honolulu (M)**	23,940,000	19,914,000	78	+2	761,536,000	3.1	6,811,370,000
77	**Integra Financial Corp., Pittsburgh(M)**	23,485,000	21,685,000•	75•		727,643,000	3.2	5,057,546,000
78	**Huntington Bancshares Inc., Columbus, Ohio (M)**	22,870,000	21,192,000	76		1,159,656,000	2.0	10,511,140,000
79	**Trustcorp, Inc., Toledo, Ohio (M,j)**	22,379,000	22,085,000	73		611,018,000	3.7	N.A.
80	**Bank of Tokyo Trust Co., New York (B)**	22,077,991	22,078,000	74		534,871,989	4.1	42,800,722,000
81	**INB Financial Corp., Indianapolis (M)**	21,380,000	19,428,000	79		644,610,000	3.3	20,070,595,000
82	**Riggs National Corp., Washington, D.C. (M)**	19,574,000	17,543,000	83	+1	694,821,000	2.8	25,789,502,000
83	**Florida National Banks of Florida, Jacksonville (M,d)**	19,566,000	18,161,000	82		781,409,000	2.5	3,637,371,000
84	**South Carolina National Corp., Columbia (O)**	16,840,000	15,038,000	86	+2	658,723,000	2.6	3,851,771,000
85	**IBJ Schroder Bank & Trust Co., New York (B)**	16,397,000	14,946,000	87	+2	389,839,000	4.2	1,185,693,000
86	**Cullen/Frost Bankers Inc., San Antonio (M)**	16,211,000	13,912,000	93	+7	349,846,000	4.6	8,010,194,671
87	**First American Bankshares, Washington, D.C. (M)**	15,895,000	13,967,600	92	+5	1,126,678,000	1.4	4,790,242,000
88	**Sanwa Bank California, San Francisco (B)**	15,797,000	14,926,000	88		718,096,000	2.2	N.A.
89	**Glenmede Trust Co., Philadelphia (T)**	15,730,488	9,592,640	114	+ 25	17,464,593	90.1	5,700,000,000
90	**Commerce Bancshares Inc., Kansas City, Mo. (M)**	15,691,000	14,872,000	89		568,056,000	2.8	6,694,366,000
91	**National Westminster Bancorp, Inc., New York (M)**	14,971,000	13,837,000	94	+3	2,201,293,000	0.7	69,426,084,000
92	**Firstier Inc., Omaha, Neb. (O)**	14,791,000	15,797,000	85		256,720,000	5.8	7,058,164,000
93	**Northeast Bancorp, Inc., New Haven, Conn. (M)**	14,281,000	11,716,000	103	+10	378,449,000	3.8	3,191,222,000
94	**First American Corp., Nashville, Tenn. (M)**	14,155,000	12,703,000	98	+4	750,603,000	1.9	3,418,000,000
95	**Merchants National Corp., Indianapolis (M)**	14,083,000	12,808,000	96	+1	539,250,000	2.6	5,022,388,000
96	**First Tennessee National Corp., Memphis(M)**	13,641,628	12,731,847	97	+1	708,922,000	1.9	8,587,362,000
97	**Banks of Mid-America, Inc., Oklahoma City (M)**	13,507,000	12,859,000	95		207,423,000	6.5	3,737,229,000
98	**BayBanks, Inc., Boston (M)**	13,330,000	12,551,000	99	+1	1,097,435,000	1.2	2,887,634,000
99	**Signet Banking Corp., Richmond (M)**	13,215,000	14,831,600	90		1,399,493,000	0.9	7,949,525,000
100	**UJB Financial Corp., Princeton, N.J. (M)**	12,944,000	11,923,000	102	+2	1,224,424,000	1.1	5,958,000,000
	TOTALS FOR THE TOP 100 FIRMS‡	**8,231.4**	**$7,321.5 Mil.†**	**+12.4%**				

Data Sources: American Banker survey; annual reports; Federal Reserve Board Y-9 data for bank holding companies; and the federal regulatory report of income for banks. **Gross operating income** of the trust department includes income from all types of fiduciary services but excludes all non-operating credits. **Market value of all trust assets** includes discretionary assets, nondiscretionary assets, and accounts of a strictly custodial nature. Corporate trust accounts are excluded. **(a)**— The 1988 data include Irving Bancorp. for the month of December only. **(b)**— The 1989 data include NCNB Texas National Bank, and the 1988 data do not. NCNB Texas— which became a subsidiary of the NCNB Corp. in Aug. 1989— ranked 22d in 1988 with $93 million in trust income. **(c)**— The 1989 data do not include MVestment Corp., which was acquired from MCorp. MVestment Corp.— now called Ameritrust Texas— had $60.4 million in trust income in 1989, ranking MCorp 38th in this year's listing. Had the consolidation taken place at yearend, Ameritrust would have ranked 20th with $134.4 million in trust income. **(d)**— On Jan. 29, First Union Corp. acquired Florida National Banks. Had merger taken place on Dec. 31, First Union would rank 27th with $84.2 million in trust income. **(e)**— Data are for MVestment Corp. **(f)**— Became a holding company in 1989. In 1988, data for two group members were reported: Bessemer Trust Co. NA, New York ranked 58th with $33 million in income and Bessemer Trust Co., Woodbridge, N.J., ranked 80th with $18.5 million. **(g)**— All trust activities are performed by Security Trust Co. NA, Washington, D.C. **(h)**— MNC acquired Equitable Bancorp., Baltimore, on Jan. 18. Had the merger taken place at yearend, MNC would have ranked 46th with $51.6 million in income. **(i)**— On March 5, CoreStates acquired First Pennsylvania Corp. Had the merger taken place at yearend, CoreStates would have ranked 28th with $81.5 million in income. **(j)**— Society Corp. acquired Trustcorp on Jan. 5. Had the merger taken place at yearend, Society would have ranked 38th with $61.2 million in income. **(†)**— Revised since publication on 6/27/89. **(‡)**— Rank bank would have had, if revised data had been received earlier. **(•)**— Data and rank are pro forma. Company was formed 1/30/89. **(¹)**— The 1988 total is for the top 100 firms that year. **(¹)**— The 1988 total is for the top 100 firms that year. **(B)**— Bank not contolled by a U.S. bank holding company. **(M)**— A multibank holding company. **(O)**— A one-bank holding company. **(T)**— Trust company not contolled by a U.S. bank holding company.

Compiled by American Banker, Copyright 1990.

800

C0175-1

AMERICAN
ER

NEWSPAPER
1553890000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 144 Wednesday, July 25, 1990 155th year

Health of FDIC Being Exposed To the Spotlight

By BILL ATKINSON

ANALYSIS: *Follow-up on the news*

As barometers of the political mood, the Sunday morning television interview programs have latched onto banking industry issues with a vengeance.

The programs have turned a spotlight on the savings and loan crisis and the impact of declining real estate markets, both tarnishing the image of bankers.

But now the interview shows – and the media in general – are confronting what could be the most damaging issue of all: the health of the Federal Deposit Insurance Corp.

Whereas the thrift debacle affected only one segment of the financial industry, and real estate problems have been viewed as regional, the FDIC insures virtually every depository institution in the country.

Washington lawmakers, among others, are beginning to wonder if the crisis that led to the demise of the Federal Savings and Loan Insurance Corp. may repeat itself in the FDIC's much bigger commercial bank fund.

Two Kinds of Worry

Bankers worry that they may be assessed higher premiums to replenish the bank insurance fund, but consumers may feel a very different kind of alarm about the safety of their deposits.

On July 15, at least four major news programs discussed banking and thrift-related issues, with the FDIC question moving to the forefront.

FDIC Chairman L. William Seidman made comments that members of the general public might have found most startling. He acknowledged that the $13 billion fund that insures deposits at more than 13,000 commercial banks is under "considerable stress" and could be hurt in the event of a long recession.

Worst-Case Scenario

Several days before Mr. Seidman made his appearance on CBS News' "Face The Nation," a senior FDIC official said before a group of savings and loan executives that the bank insurance fund could lose as much as $2 billion in a worst-case scenario. And last Wednesday, Mr. Seidman returned to an NBC morning news program to say, "If we had a long and deep recession, [the bank insurance] fund might not be able to handle it."

Industry observers say that in the wake of bad loans to developing countries, in real estate,

See **HEALTH** *page* **15**

INSIDE NEWS

FINANCE

INSIDERS at Valley National Corp. apparently believe the sun is about to shine again on the Phoenix bank. Top officials there spent $700,000 to buy a large number of its shares in recent months, coinciding with a rise in the company's stock price. *Page 24*

CONSUMER

ANOTHER BATTLE over insurance powers for commercial banks is shaping up – this time in Pennsylvania. *Page 8*

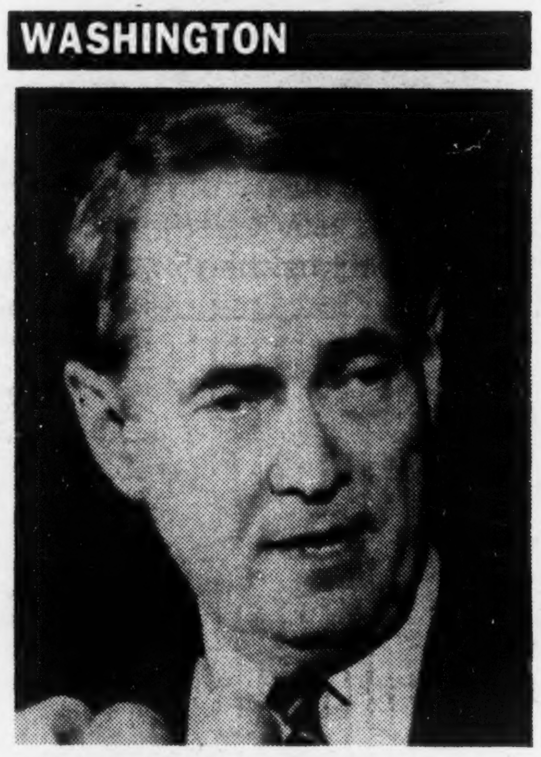
INTERNATIONAL

BANK OF IRELAND said Tuesday it planned to start a new bank in Boston in an effort to expand its franchise in New England. *Page 14*

TECHNOLOGY

SWIFT-2, a long-delayed upgrade to the international interbank messaging system, has users reporting improved service and some early cost savings. *Page 3*

WASHINGTON



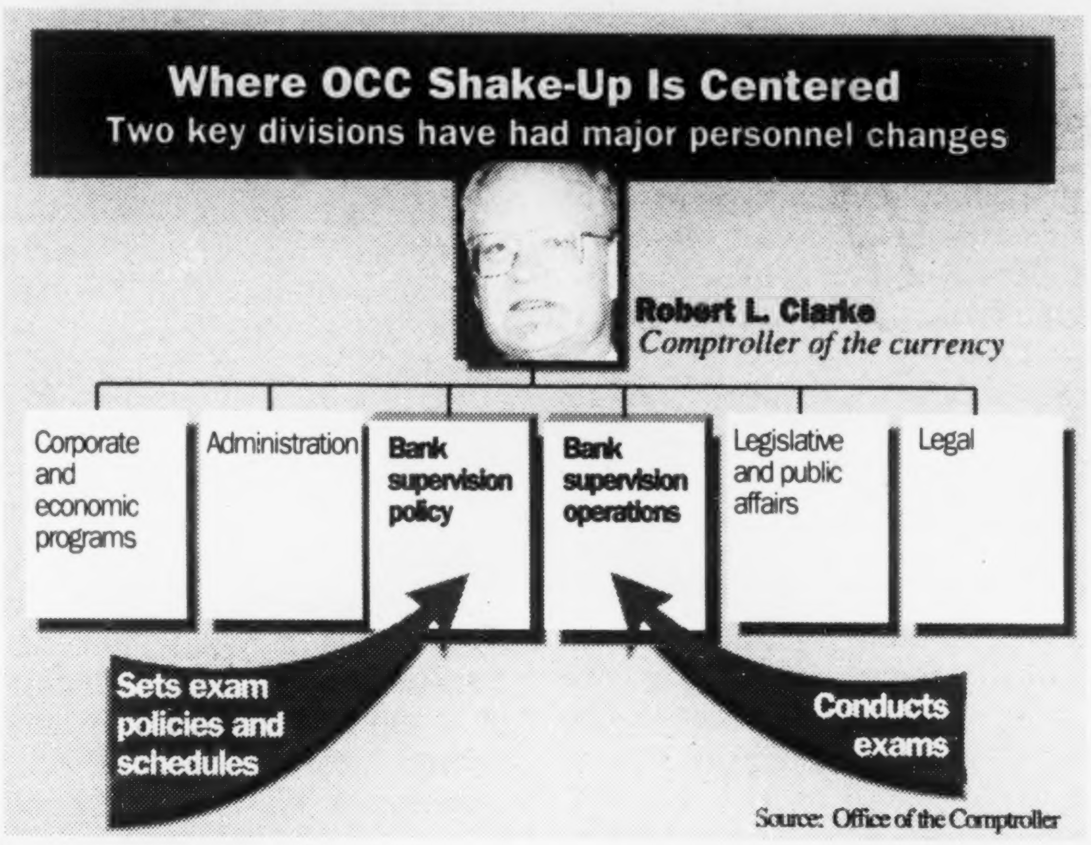
THE WHITE HOUSE supports increased penalties for financial institution crimes, including the life sentence that a Senate bill would impose for the most serious offenses by so-called savings and loan kingpins, Attorney General Dick Thornburgh said. *Page 2*

COMMENT

LEGISLATION is needed to give lenders protection from unfair liability under the Superfund law, write Alfred Pollard and Thomas Greco. *Page 4*

INDEX

Company Index	2
People in the News	2
Grapevine	4
Executive Changes	12
Classified Advertising	20
Bank and Thrift Stocks	23


Where OCC Shake-Up Is Centered
Two key divisions have had major personnel changes
Robert L. Clarke
Comptroller of the currency
Corporate and economic programs
Administration
Bank supervision policy
Bank supervision operations
Legislative and public affairs
Legal
Sets exam policies and schedules
Conducts exams

Source: Office of the Comptroller

Doubts, Pressure, Shake-Up Lead To Brain Drain from Comptroller

By BILL ATKINSON

WASHINGTON — The Office of the Comptroller of the Currency tossed the banking industry on its ear this year with a series of tough real estate exams. But meanwhile, the agency has been undergoing a shake-up of its own.

Since last fall, four senior staff members have left the regulatory unit, and a fifth plans to leave. Meanwhile, four other top regulators have been reassigned to lesser posts.

Key Divisions Affected

The changes have all occurred in the agency's two key divisions: bank supervision policy, which sets exam policies and schedules, and bank supervision operations, which conducts the exams.

The brain drain seems to have resulted from low morale among senior staff members who felt their recommendations were ignored and from recent reorganization that has unsettled employees.

Whatever the reasons, the changes, coming when the agency is being criticized for overzealous examinations, have raised questions about its stability and its capacity to do its job in particularly troubled times.

Chief's Tenure in Doubt

Further clouding the picture is the fact that Robert L. Clarke's five-year term as comptroller ends in December and his reap-

See **DOUBTS** *page* **16**

Financial Firms Set To Bid on RTC Assets

By DEBRA COPE

WASHINGTON — Several major financial institutions are preparing bids for $500 million blocks of assets held by the Resolution Trust Corp., sources said Tuesday.

The expected bidders include Shearson Lehman Hutton Inc., Merrill Lynch & Co., Goldman, Sachs & Co., the Federal National Mortgage Association, the J.E. Robert Companies, an investment group led by former Treasury secretary William Simon, and NCNB Corp.

They are said to be seeking the sour loans and other government-seized assets for their own accounts or for resale in the form of securitized or whole-loan packages.

Moving Assets to Private Sector

The bulk transactions have been designed by the RTC to move assets faster off its books and into the private sector. The first three bulk asset packages will be assembled for bidding in late November and the sales closed in early 1991.

Under a plan outlined by RTC staff members Tuesday at an open board meeting, the

See **FINANCIAL** *page* **11**

Private Market Placements Up, Participants Say

By WILLIAM GOODWIN

Despite earlier predictions of a sharp dropoff in private-placement volume, activity has picked up considerably in the past month, according to market participants.

They cite a combination of factors, including the so-called credit crunch, a dip in interest rates, and the demise of the public high-yield bond market.

"We've seen a lot of increased activity from companies that are nervous about banks pulling their [short-term credit] lines," said Maleyne Syracuse, vice president in charge of private placements at Bankers Trust New York Corp.

In addition, a number of highly leveraged transactions are now being refinanced in the private-placement market.

"That has definitely helped pick up" the market, said Robert Szymczak, manager of data

See **MARKET** *page* **22**

Greenspan Vows Fed Is Continuing Inflation Fight Despite Cut in Rates

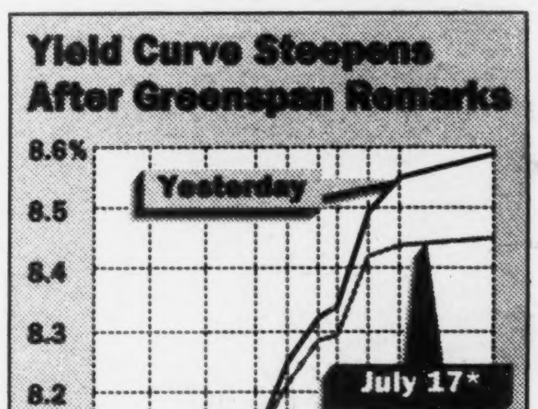
By LINDA CORMAN

WASHINGTON — In an effort to convince skeptical markets that he had not give up the fight against inflation, Federal Reserve Board Chairman Alan Greenspan on Tuesday reiterated that the July 13 easing of short-term interest rates was forced by recent signs of overly restrictive lending practices by banks.

"We have not done anything to alter our policy path," Mr. Greenspan told a House Banking subcommittee. It was his second congressional appearance in successive weeks to present his semiannual report on monetary policy targets.

Further Cuts Called Unlikely

In testimony last week to the Senate Banking Committee, Mr. Greenspan said further interest rate cuts were unlikely unless necessary to counteract excessively tight bank credit. (For excerpts from that testimony, see page 5.)



*Day before Greenspan's initial comments

Data source: Reuters

Analysts said the Fed chairman's remarks on Tuesday were meant to lessen confusion and address credibility problems in the financial markets since the Fed dropped the federal funds rate from 8.25% to 8.0%. Fed watchers, citing a lack of economic data to justify a lowering of rates at that time, suggested

See **GREENSPAN** *page* **9**

COMMENT/ *By Alfred Pollard and Thomas Greco*

Congress Must Correct Superfund Law

"No showing of fault is required, and one person may be made to pay for the entire cleanup even if there were other responsible parties involved."

The Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund, was enacted in 1980 in the wake of several well-publicized discoveries of hazardous waste sites, such as the Love Canal area in New York and the Hooker Chemical facility in Montague, Mich.

The law was designed as a comprehensive scheme for addressing environmental hazards. In addition to creating a means to promptly and effectively respond to the release of hazardous substances, Congress developed an elaborate framework of liability that imposes cleanup costs on those parties responsible for causing the contamination.

Superfund, as applied by the courts, imposes strict joint and several liability for the costs of responding to a release or threatened release of hazardous substances and for the harm to natural resources caused by such release [42 USC 9607(a)].

No showing of fault is required, and one person may be made to pay for the entire cleanup even if there were other responsible parties involved. The latter concept has the effect of forcing a single responsible party to attempt to recover from others who were also involved.

Liability Under Superfund

Liability is based on three elements:

- A release has occurred or is threatened.
- Response costs were incurred (that is, costs to investigate, remove, or otherwise deal with the hazardous substances).
- The person involved falls into one or more of four categories of responsible parties outlined in the law (specifically, a current owner or operator of a facility; a former owner or operator of a facility at the time of disposal of a hazardous substance; a person who arranges for transport, treatment, or disposal of hazardous substances; or the transporter of hazardous substances).

Defenses Under Superfund

The Superfund law specifies three limited defenses to liability:

Under 42 USC 9607 (b)(3), a person is relieved from liability if a discharge was caused by an act of God, an act of war, or "an act or omission of a third party." For the third party defense to apply, the "third party" cannot be an "employee or agent of the defendant" or someone whose act or omission occurs in connection with a contractual arrangement.

Under the Superfund Amendments and Reauthorization Act of 1986, a contractual relationship is defined in 42 USC 9601 (35)(A)to include "land contracts, deeds, or other instruments transferring title or possession."

When a land contract is involved, however, a defendant is entitled to assert an "innocent landowner" defense in certain narrowly drawn circumstances.

To prevail, a defendant must establish two elements:

- That the property was acquired after the hazardous substance was placed there and at "the time the defendant acquired the facility the defendant did not know and had no reason to know that any hazardous substance which is the subject of the release . . . was disposed of on, in, or at the facility."
- That at the time of acquisition of the property, the defendant had undertaken "all appropriate inquiry into the previous ownership and use of the property consistent with good commercial or customary practice in an effort to minimize liability." See 42 USC 9601 (35)(B).

To establish whether the owner undertook "all appropriate inquiry," the law requires courts to "take into account any specialized knowledge or experience on the part of the defendant, the relationship of the purchase price to the value of the property if uncontaminated, commonly known or reasonably ascertainable information about the property, the obviousness of the presence or likely presence of contamination at the property, and the ability to detect such contamination by appropriate inspection."

The law also provides that an owner who "by any act or omission caused or contributed to the

See **SUPERFUND** *page* **18**

Mr. Pollard is senior vice president of Security Pacific Corp. in Washington, D.C., and Mr. Greco is associate general counsel for the American Bankers Association, Washington. Charles Lettow of Cleary, Gottlieb, Steen & Hamilton also contributed to this article.

GRAPEVINE/ *By Jed Horowitz*

Citi Compensates. Although Citicorp did not mention the word "bonuses" last week in describing its reconfigured investment and commercial banking sector, some insiders expect to be compensated according to new criteria.

"Intangibles such as better customer morale and increased market share didn't used to count because everything was calculated by profit-center earnings," one banker said. "Bonusable events now seem to include other longer-term things. This is something that [chairman John] Reed has been saying a lot internally."

Citicorp hinted as much by saying it will no longer calculate profit-center earnings for each of its 50-odd businesses in the sector. Instead it will emphasize performance measures that stress revenues, market share, and "tier position" – customers' evaluation of Citicorp as their first, second, or third-choice bank. In the past, tier position was calculated for issuers but not for investors.

* * *

CRA Relief Fees. A satellite industry is emerging to help banks cope with their Community Reinvestment Act obligations. The latest manifestation: A Virginia company that plans to offer guarantees on certain loans to borrowers in poor communities.

"Banks have not been able to fulfill the new requirements because they usually require substandard loans," said Lee Fishman, president of Allstate Financial Corp., a NASDAQ-listed company with a net worth of $8 million that specializes in factoring and financing of "nonbankable" young companies.

DAVID ROCKEFELLER will hold Chase's international meeting in New York.

Allstate, which is not related to the insurance giant, expects to charge a fee of 5% to 10% of the loan it agrees to guarantee. It will also monitor the borrower's collateral for a service fee of about 1.5% of the value of the borrower's receivables.

Mr. Fishman, who said he became aware of banks' CRA quandaries as a board member of Megabank in Miami, expects to sell his first guarantee within a week to a bank in the Washington area. He said he is talking with Crestar, Riggs National Bank, and Maryland National Bank, among others. Allstate, which owns Receivable Financing Corp. in New York, has a 3A-2 Dunn & Bradstreet rating, the third highest for a firm its size, Mr. Fishman said.

* * *

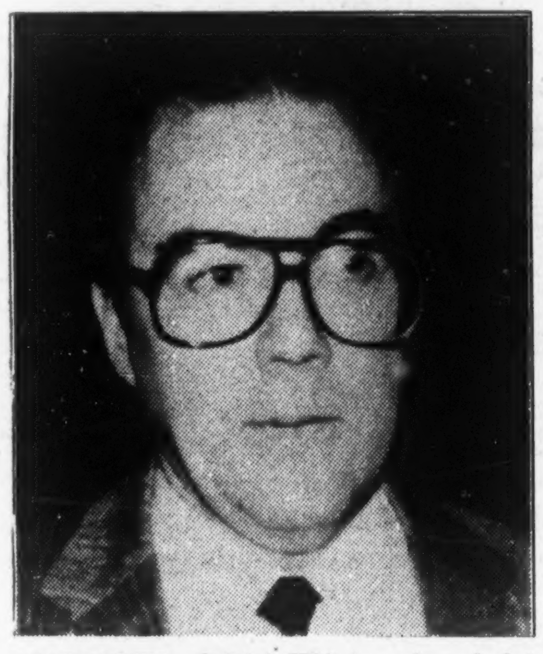
At Home Abroad with Chase. Chase Manhattan Corp. signaled its new emphasis on thrift last week when it said that its international advisory committee – chaired by David Rockefeller and "counseled" by Henry Kissinger – would meet in New York rather than overseas. (*The New York Times*, which broke the story, did not say how much the bank expects to save by flying in and housing, in low-priced Manhattan, the committee's far-flung members from 17 nations.)

Chase chairman Willard Butcher was battered at the bank's annual meeting by an investor who wanted to know why the bank had flown its 22 directors and their spouses for a meeting in Italy and Germany last year. Mr. Butcher, who said the trip cost over $1 million, justified it as a way to educate the board about Chase's plans for expansion in Europe after the 1992 economic unification. Chase has since drastically cut those plans.

* * *

The Citi Lineup. In attempting to eliminate the bureaucratic structure of its global finance sector, Citicorp is harking back to the old division between investment and commercial bankers. The new lineup of eight executives aiding sector head Michael Callen is being divided into customer men who sell to investors (investment banking/capital markets/distribution) and issuer men. They ostensibly have no administrative responsibilities, such as hiring, but will cultivate specialties such as cost cutting.

Ernst Brutsche, who chairs the sector's foreign exchange and derivative products committee, is focusing on selling to investors in Europe. Jeffrey Grandy oversees European issuer services, such as origination, M&A, high-yield advisory, venture capital, and leveraged deals.



MICHAEL CALLEN leads eight executives at Citicorp.

Phillip Lassiter picks up the investor mandate in North America, while Michael Welch oversees North American corporate borrowers. Todd Slotkin is responsible for specialized finance and advisory activities in the Untied States and Canada.

Responsibilities for capital market activities and sales of securitized products – considered customer activities – go to Rodney Ballek in North America and Peter Burnim in Europe. ☐

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, *American Banker*, One State Street Plaza, New York, N.Y. 10004. Letters may be edited for space.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Ellen Memmelaar, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

STOCKS

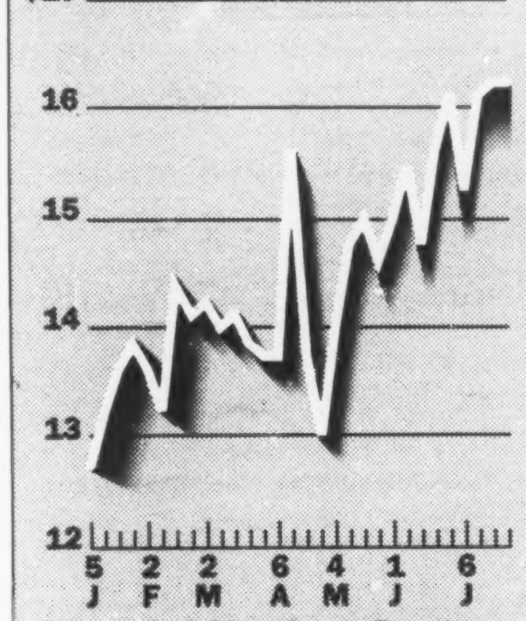
Insiders Show Confidence in Valley National

By GORDON MATTHEWS

NEW YORK — Insiders at Valley National Corp. apparently believe the sun is about to shine again on the Phoenix banking company. Top officials at the bank spent $700,000 to buy a large number of its shares in recent months, coinciding with a rise in the company's stock price.

Valley National's profitability has been impaired over the past two years by the severe downturn in the Arizona real estate market, which began earlier than the difficulties in other areas of the country.

Valley National Shares Keep on Climbing



Price of $16.25 at 3 p.m. Tuesday

Sources: DB Technology Inc., Reuters

Analysts are divided on whether a recovery has begun in the area, but the price of Valley's shares has clearly been on the rise since directors began acquiring additional stock last spring.

Action in Brief Period

According to Invest/Net Group Inc., which that tracks such activity, seven directors of Valley accumulated 50,000 shares at an average cost of $14 between April 20 and May 2.

At midday on Tuesday, Valley's shares traded at $16.25, up 75 cents on the day and 26.5% ahead of its yearend level.

The largest insider buyer was Robert F.B. Logan, Valley's president, who acquired 25,000 shares. Richard Lehmann, its chairman and chief executive officer, bought 4,000 shares.

Stake Had Been Small

The insider buying has helped adjust a situation that analysts considered a negative: a minimal stake in the company by its senior managers and directors.

Valley's 1990 proxy statement, dated March 15, listed Mr. Lehmann as owner of just 584 shares and Mr. Logan, its president, just 400 shares.

Insiders are differently motivated than other investors, noted Frank W. Anderson, a banking analyst at Stephens Inc., Little Rock, Ark. Tied to the fortunes of a company, they tend to be longer-term oriented, "but we are in a very short-term market right now," he said.

While the first two quarters this year were much improved at Valley, "I think it's still too early to be an aggressive buyer," said Mr. Anderson.

More optimistic is Thomas K. Brown, who thinks Valley is undervalued but acknowledges he is in the minority.

Takeover speculation has also boost the stock. On June 4, its shares stirred to life on takeover speculation after BankAmerica Corp. said it would buy a failed thrift in Arizona, Western Savings and Loan Association, Phoenix.

The move left industry observers wondering if Valley is now the only fully functioning vehicle for a possible Arizona entry by Wells Fargo & Co. The San Francisco superregional is the only big Western bank lacking a presence there.

* * *

TUESDAY'S MARKET

Most bank and thrift stocks declined again on Tuesday as the stock market in general remained indecisive about the direction of the economy.

J.P. Morgan & Co., the nation's premier money-center bank, was off 50 cents, to $36.75 in afternoon trading. Chemical Banking Corp., who price was quoted erroneously in Tuesday's column, was unchanged at $23.75.

Manufacturers Hanover Corp. fell $1.375, to $30.75, but analysts said the weakness was apparently not related to any financial developments.

Shares of Student Loan Marketing Corp. fell $4.875 in early trading but recovered some ground after Education Secretary Lauro F. Cavazos said the integrity of the Guaranteed Student Loan Program was not threatened by the financial problems of a large guarantor.

By the middle of the afternoon, Sallie Mae, as the organization is known, was off only $2.375 at $47.50. ☐

CAPITAL

Capital-Rich Have Pricing Edge, Study Says

By KELLEY HOLLAND

The new risk-based capital rules are accentuating the differences between the haves and the have-nots in banking by allowing well-capitalized institutions to compete aggressively on pricing, according to a survey released by the American Bankers Association.

And those differences are likely to increase, according to Dennis G. Buchert, a sector executive at Marine Midland Bank and chairman of the American Bankers Association's Corporate Banking Executive Committee.

"Over the long term, I think the cost of capital for banks will ultimately be reflected in an industry-wide repricing" of services, Mr. Buchert said. "If banks are going to continue to grow, they are going to have to reprice services at some point."

Subtle Pricing Changes

Even though almost all of the nation's largest banks already have risk-based capital in excess of the levels to be required in 1992, they are making subtle changes in the way they price their services and allocate their capital, the survey showed.

For one thing, banks with capital in excess of minimum levels can afford to price high-quality individual corporate loans more aggressively. This positions them well to develop relationships with borrowers, which will lead to repeat business that is profitable in the aggregate.

But banks with little extra capital need to price every loan so it is profitable, because their marginal cost of capital would be painfully high in today's hostile markets.

"Banks with less capital have to price at the transaction level, so that at the margin they are profitable, whereas banks with excess capital can rely more on relationship profitability," Mr. Buchert said.

Capital Rules Spur Loan Pricing Changes

Percent of banks adjusting loan pricing to adapt to new capital guidelines

	Small banks	Midsize banks	Large banks
Higher rates on all loans	11.8%	38.5%	29.4%
Low rates for low-risk loans and no change on other loans	17.6%	0%	5.9%
High rates for high risk and low rates for low risk	55.9%	38.5%	41.2%

Source: American Bankers Association

Survival of the Fittest

The difference in pricing flexibility between banks with excess capital and those without it is just one more indication of the Darwinian nature of banking today, Mr. Buchert said. Banks from Bank of New England Corp. to Washington Bancorp.have already learned that institutions truly in need of capital must pay top dollar for it – if they can raise it at all.

The ABA study points out that banks with excess capital also have advantages on the lending side of their business. "Those banks that are well ahead of the risk-based capital requirements definitely have the opportunity to turn that into a competitive advantage in terms of pricing services and developing relationships," Mr. Buchert said.

In the study, banks said they would differentiate more between high-quality and low-quality borrowers when pricing loans. On average, 48.4% of banks said they would offer lower rates on low-risk loans and higher rates on high-risk loans. Only 11% said they would lower rates on low-risk loans while leaving rates on high-risk loans unchanged, and just 22% said they would raise rates on all loans.

Turning to Other Methods

Both stock and bond investors are negative on bank securities these days, so banks seeking to boost their capital ratios prefer other methods. Asset securitization is the method of choice, according to the survey. Downsizing the institution came second, followed by slow growth and risk profile restructuring. Selling more stock was the least-favored method.

A total of 377 banks with assets of $1 billion or more were sent questionnaires, and 105 of them responded. Tier 1 and Tier 2 ratios of those banks were not revealed.

* * *

MARKET MONITOR

NCNB Corp.'s $200 million issue of 25-year subordinated bonds was priced on Monday at 166 basis points over comparable Treasuries, with a coupon of 10.2%. The offering, lead-managed by Merrill Lynch Capital Markets and comanaged by Salomon Brothers Inc. and Goldman, Sachs & Co., was all sold on Tuesday. ☐

FINANCIAL TECHNOLOGY·UPDATE

NCR's Electronic Journal (EJ) automates the audit data collection of ATM operations. EJ eliminates costly journal printers and supplies in favor of floppy disk storage in the existing disk drive.

EJ simplifies replenishment, speeds customer inquiries, and increases storage capacity of audit data for the ATM.

PC utilities allow bank personnel the ability to browse, search, and store diskette data contents. And the diskette is reusable after the transfer of its contents.

NCR's 5223 Passbook/General Purpose Printer is a compact, light-weight device which has been designed to print on passbooks and most non-continuous documents.

It can be used by tellers, either as a dedicated unit or in a multi-user mode. The printer's multi-functional characteristics, its reliability, high speed, and friendly, human interface, make it ideally suited for today's financial and office environments.

The NCR 5367 Financial Workstation is designed to provide an effective price and performance solution for the different functional areas of the branch.

The 5367 Financial Workstation has standard security features like battery back-up for storing totals and protecting sensitive data in the event of a power failure, and it can support multiple peripherals.

Various options enhance the workstation's capability. These options include a high speed NBS/DES Encryptor which protects data files and other sensitive information being transmitted or stored.

The 5367 Financial Workstation can be customized for specific environments and it is based on industry standard components and an open architecture... making sure it can meet the growing needs of financial institutions.

NCR

Open, Cooperative Computing.
The Strategy For Managing Change.

© Copyright 1990, NCR Corporation

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 24

c0175-1

800

TOP 500 BANKS IN THE WORLD, BY ASSETS
Rankings begin on page 14A

AMERICAN B

VOL. CLV NO. 145 | Thursday, July 26, 1990 | 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Firewalls May Have Outlived Their Usefulness

By LINDA CORMAN

Firewalls, the regulations that are meant to insulate banks from the problems of their nonbank affiliates, may not be necessary after all.

None other than Federal Reserve Board Chairman Alan Greenspan cast doubt on firewalls in a dramatic declaration earlier this month:

ANALYSIS: *Follow-up on the news*

"The board has for some time held the view that strong insulating firewalls would both protect banks and taxpayers from the risk of new activities and limit the extension of the safety-net subsidy that would place independent competitors at a disadvantage," Mr. Greenspan testified July 12 before the Senate Banking Committee.

Recent events, including the demise of the brokerage firm Drexel Burnham Lambert Inc., "have raised serious questions about the ability of firewalls to insulate one unit of a holding company from funding problems of another," Mr. Greenspan said.

According to Fed sources, Mr. Greenspan was troubled by the fact that Drexel drained capital from a healthy subsidiary to meet the parent's commercial-paper obligations, which eventually crippled the entire company. The same problems could imperil subsidiaries of bank holding companies.

According to many observers of the bank-structure debate, Mr. Greenspan thus has effectively undermined the firewall concept. Regulators and bankers had agreed that the firewalls made it safe for banking companies to enter more risky securities businesses, because the affiliated banks would not be affected by – or have to pay for – an affiliate's collapse.

Stricter Supervision Favored

To be sure, Mr. Greenspan did not recommend a wholesale dismantling of the walls. But he did suggest that if banks are to be granted wider powers – as the Fed has long advocated – higher capital standards and more stringent supervisory control would be more effective than firewall-type insulation.

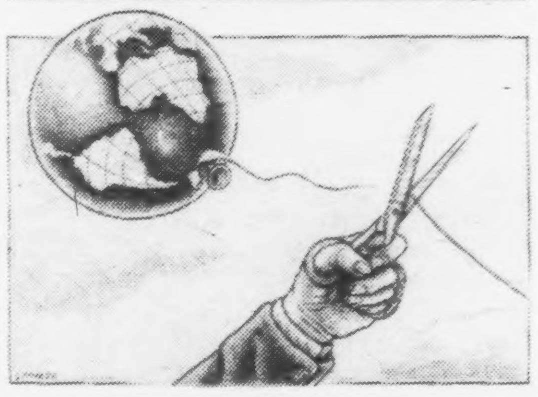
"It may be more realistic to apply more limited firewalls to the new activities," he said.

In one example of a limited firewall, the Federal Reserve Act currently allows some lending between banks and their nonbank, nonsecurities affiliates. The loans must be collateralized and are limited based on a

See **FIREWALLS** *page* **18**

INSIDE NEWS

SPECIAL REPORT



BANKERS ARE SEEKING new marketing opportunities amid the continued globalization of financial markets and the decline of planned economies in Eastern Europe. *Page 1A*

INTERNATIONAL

BRAZIL'S chief debt negotiator reiterated that the government would not pay arrears on its huge foreign debt before it starts negotiations with creditors. *Page 16*

CONSUMER

MUTUAL FUNDS are far more profitable for a bank than certificates of deposit, according to a study by a Boston-based consulting firm. *Page 8*

TECHNOLOGY

MELLON BANK, a leader in transaction processing services, predicts fee growth will outpace the industry this year and is restructuring its $646 million service unit to help achieve that goal. *Page 3*

FINANCE

LENDING ACTIVITY will not pick up as a result of the Fed's move to lower rates, according to bankers and analysts. *Page 24*

WASHINGTON

TREASURY SECRETARY Nicholas F. Brady told the Senate Banking Committee it would have to wait several months before hearing his department's advice on how to reform the financial system. *Page 2*

MANAGEMENT

WITH COST CUTTING rampant, a number of bankers and consultants are advocating swift, decisive action when it comes to employee layoffs. *Page 14*

INDEX

Company Index 2
People in the News 2
The Lobbyists 4
Classified Advertising 20
Bank and Thrift Stocks 23

Private S&Ls Losing Less, OTS Reports

By DEBRA COPE

WASHINGTON — The 2,505 savings institutions that remain operating in the private sector lost $271 million in the first three months of 1990, the Office of Thrift Supervision reported Wednesday.

The aggregate loss was significantly less than the $900 million that the same 2,505 institutions lost in each of the last two quarters of 1989, but was far worse than their $900 million profit in the first quarter of last year.

If the thrifts not in conservatorship lose money throughout the year at the same pace as in the first quarter, the industry deficit would exceed the $900 million net loss for all of 1989. That figure did not include the performance of institutions placed under government control in 1990, which brought the total loss for 1989 to $6.2 billion.

A Wide Disparity

In its release of industry data, the OTS pointed up a wide disparity in thrifts' profit performance by dividing the industry into four groups based on profitability and survivability. Almost half of the 2,505 private-sector thrifts are considered well-capitalized and profitable, but their profits were not sufficient to bring the entire group into the

See **LOSSES** *page* **13**

Europe's Surging Banks Outpace Japanese, U.S.

By SAM ZUCKERMAN

Forget Europe 1992. In banking, the continent's party has already begun.

Thirty months before Europe's vaunted economic integration, *American Banker's* annual ranking of the world's 100 largest banking companies reveals that European institutions grew much faster than their U.S. and Japanese counterparts in 1989.

Contrast in Assets Growth

Assets of the top 43 banks based in 10 European countries rose 16.92% in dollar terms last year. The 14 U.S. banks among the top 100 raised assets a moderate 6.57%. (See table, page 27A.)

Only a fraction of the European growth stemmed from currency appreciation. While the assets of French, Italian, and German banks in the top 100 soared 23.07%, 21.34%, and 17.14% respectively, the franc gained only 6.13%, the lira 3.14%, and the deutsche mark 5.38% against the dollar.

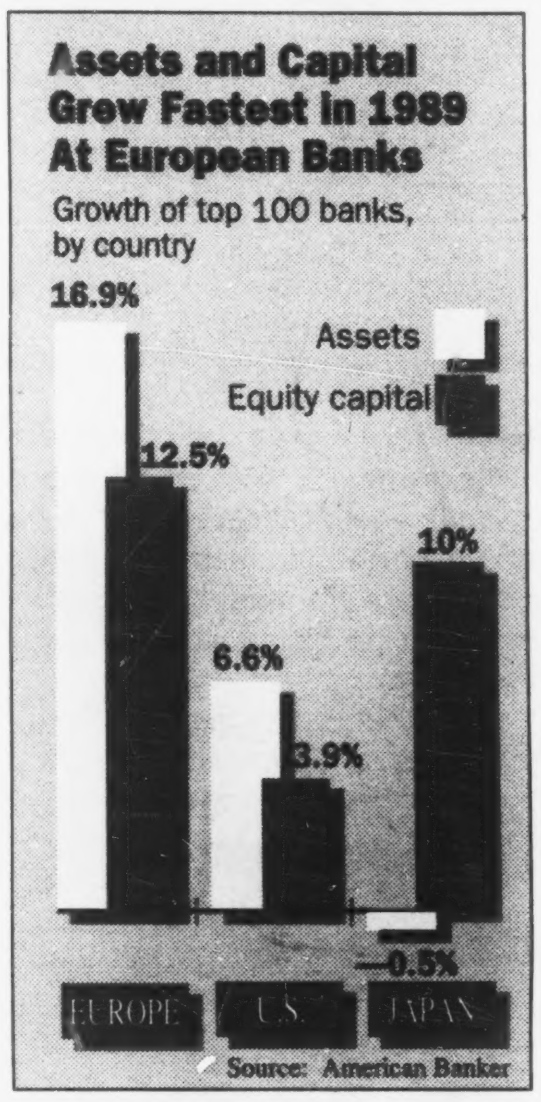
Shrinkage in Japan

Assets of Japanese banks, the growth leaders in recent years, actually shrank 0.51%, as measured in U.S. dollars. The decline largely reflected a 16.2% depreciation of the yen against the dollar in 1989.

The reshuffling in the ranks of the top 100 in 1989 reflected a shift in banking power away from Japan and North America and toward a resurgent Europe – a trend that has picked up steam this year, banking analysts said.

Assets and Capital Grew Fastest in 1989 At European Banks

Growth of top 100 banks, by country



Source: American Banker

Buildup in Europe

"European banks are probably in a stronger position vis-a-vis the Americans and the Japanese than they have been in a long time," said Gregory A. Root, president of Thomson Bankwatch Inc., an affiliate of *American Banker.*

Though the Japanese held on to the top six spots in worldwide

See **EUROPE** *page* **16**

Many Pennsylvania Banks Forgo State's Antitakeover Protection

By GORDON MATTHEWS
and FRED VOGELSTEIN

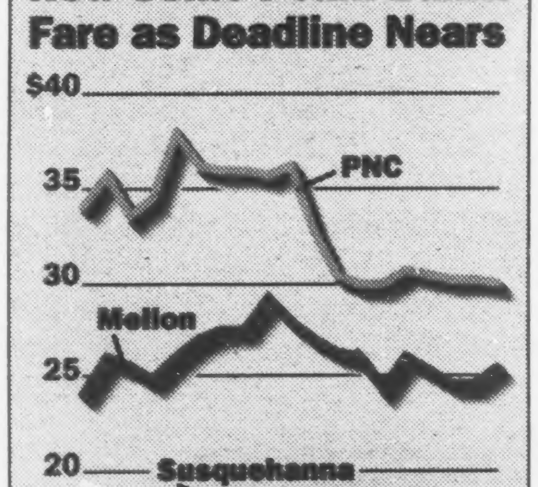
Many, but not all, of Pennsylvania's major banking companies have decided to forgo the protection of that state's tough new antitakeover statute. The deadline for opting out of the controversial law is today.

The state's three largest banking companies – PNC Financial Corp. and Mellon Bank Corp. of Pittsburgh and Corestates Financial Corp., Philadelphia – have taken the action, although they are seen by many industry analysts as in little danger of hostile takeover.

But so have some midsize Pennsylvania banking firms that could eventually be targets, such as Meridian Bancorp., Reading, and Independence Bancorp., Perkasie.

Among the banking firms that have exercized the option of dropping some coverage of the law is the midsize First Eastern Corp. of Wilkes-Barre.

How Some Penn. Banks Fare as Deadline Nears



Source: DB Technology Inc, Reuters

Ironically, its chairman and chief executive officer, Richard M. Ross Jr., also chairs the Pennsylvania Chamber of Business and Industry, which lobbied forcefully for the law.

Mr. Ross explained that he

See **TAKEOVER** *back page*

Columbia S&L Sells $3 Billion Of Junk Bonds

By TERESA CARSON

LOS ANGELES — Columbia Savings and Loan Association announced Wednesday it sold its junk-bond portfolio to an investor consortium for $3 billion in cash and notes, but analysts predicted regulators would still seize the troubled thrift.

"They are still insolvent. They will still be closed. There is no doubt there," said Jay H. Lustig, director of high-yield securities trading at Drake Capital Securities, Los Angeles.

Premium Is Estimated

Beverly Hills-based Columbia did not disclose the premium paid for the bonds. The bonds had a market value at $2.9 billion at the end of the first quarter, indicating a premium of about $100 million. That would not be enough to eliminate Co-

See **COLUMBIA** *page* **12**

COMMENT/*By William M. Isaac*

Casting Blame Only Diverts Attention from S&L Cleanup

It's the silly season in Washington. Democrats are attempting to pin the blame for the S&L disaster on President Bush and the Republicans. The White House has fired a volley to remind the loyal opposition that two can play that game. Both sides, apparently sensing the need for diversion, are now engaged in one-upmanship on criminal prosecutions.

Don't get me wrong; I don't have anything against throwing thieves and other assorted rascals in jail. It needs to be done if only as a deterrent to would-be thieves. But let's not kid ourselves. It may be satisfying to flog the scoundrels, but it won't make the S&L fiasco any less painful to the taxpayers.

Lucky to Break Even

I suspect we'll be lucky if the monetary recoveries from the prosecutions exceed their cost. And to the extent that criminal prosecutions divert attention from the public policy mistakes that are at the root of the S&L crisis, they will be counterproductive.

A potentially more harmful political sideshow is developing with respect to the cleanup program. The Democrats can't finger George Bush for creating the S&L mess, for the simple reason that he was not in power when it arose – unless someone wants to argue that the vice presidency is a power position.

Money Shortage Can Be Cured

Cognizant of the futility of arguing that point, the Democrats are railing against the Bush-designed cleanup program, contending that it is proceeding at a snail's pace. There is no question the cleanup program has had difficulty getting off the ground and continues to suffer from a shortage of money, staff, and systems. The money shortage can be cured anytime Congress and the administration choose to do so.

It will take time to resolve the staffing and systems problems. If the politicians push the Resolution Trust Corp. into moving faster than is reasonable in disposing of assets, the inevitable result will be massive doses of fraud, abuse, and just plain bad deals.

Public Is Finally Outraged

The politicians are playing these games because the public is finally beginning to comprehend the magnitude of the S&L disaster and is understandably angry. Politicians who had nothing to do with creating the mess are searching for ways to capitalize on it. Politicians whose fingerprints can be found at the scene of the crime are searching for ways to focus attention elsewhere.

We can't let that happen. We need to endeavor to understand the causes of the S&L collapse if we are to avoid its repetition. It is in this spirit that I offer a chronology of the major events leading up to the S&L crisis:

- The Johnson administration pursued a "guns and butter" fiscal policy in the mid-196Os, setting off inflationary pressures. These pressures led to higher and more volatile interest rates that impaired the viability of long-term lenders such as thrifts.
- The Hunt Commission recommended in 1971 that deposit interest rate controls be phased out, that thrifts and other lenders be allowed to offer variable-rate mortgages, and that mutuals be permitted to convert to stock form. The recommendations were ignored. The Federal Reserve Board compounded the situation in 1977 by ruling that bank holding companies may not acquire healthy thrifts.
- Inflation raged during the Carter administration, and the prime rate soared above 21%. Thrifts suffered massive disintermediation and began to hemorrhage red ink because they held long-term, fixed-rate loans.
- Congress belatedly authorized deregulation of interest rates in 1980. A last-minute deal was cut, over the objections of the Federal Deposit Insurance Corp., to raise deposit insurance from $40,000 to $100,000, marking the first time that fully insured deposits were offered without interest rate controls.
- The Reagan administration assumed office in 1981. The Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corp. were overwhelmed by failing S&Ls. Responding to intense industry and congressional pressures, the bank board lowered capital standards for S&Ls and adopted loss-deferral, appraised equity, and other regulatory accounting techniques to allow insolvent thrifts to continue in operation.
- Congress, with the support of the Reagan administration, in 1982 passed the Garn-St Germain Act, which broadened the investment and lending authorities of S&Ls. The law sanctioned reduced capital standards for thrifts by mandating a net worth

---

Mr. Isaac was chairman of the Federal Deposit Insurance Corp. from 1981 to 1985. He now heads the Secura Group, a Washington-based consulting firm.

See **SIDESHOW** *next page*

THE LOBBYISTS

Providers Create Legislative Post For Sheryl McGrath

Sheryl Peterson McGrath
American Financial Services Association

The **American Financial Services Association** has named **Sheryl Peterson McGrath** director of legislative affairs, a new position created for Ms. McGrath.

For the past three years she has been an assistant director for legislative affairs, lobbying the House of Representatives for the association, which represents providers of financial services to consumers and small businesses.

Ms. McGrath will coordinate the association's lobbying on Capitol Hill and play an increased role in strategy development and planning, while continuing as the group's liaison to the House. She will report to **Frank Salinger,** director of government affairs.

Her agenda in the next year includes legislation to diversify regulatory oversight of the financial services industry by function rather than by the status of the parent company, and an effort to make it more difficult for consumers to file for bankruptcy, Ms. McGrath said.

The American Financial Services Association also will oppose efforts, now under consideration in the White House-congressional talks on the federal budget deficit, to "tinker" via taxation with current provisions for mortgage interest deduction, Ms. McGrath said.

Ms. McGrath holds a bachelor's degree in government and politics from George Mason University and an MPA in executive legislative and regulatory management from George Washington University.

* * *

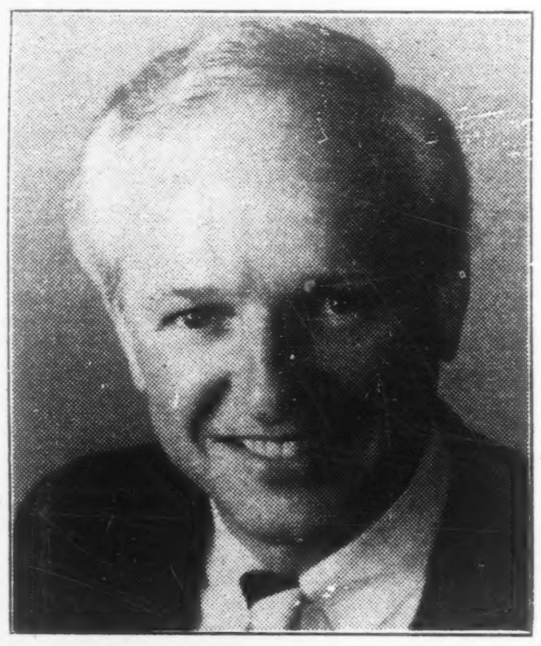
Housing Groups Rally To Save Deductions

Housing industry groups are cranking up their grass-roots machinery now that the popular home mortgage interest deduction and other itemized tax breaks are on the table at the budget summit.

No deal has emerged yet, but negotiators from Congress and the Bush administration, rooting through the tax code for ways to boost revenues, are weighing reductions in the value of itemized deductions for the wealthiest taxpayers.

One trade group, the **National Association of Realtors,** isn't taking any chances. In a preemptive strike unleashed on July 13, the Realtors reminded President Bush of a pledge he made, in a speech to the 800,000-member trade group last November, to support both mortgage interest and property tax deductions.

"It would be both imprudent and counterproductive ... to adopt any policy that would limit, either directly or indirectly, the value of the mortgage interest deduction," wrote **Norman D. Flynn,** the group's president.



Norman D. Flynn
National Association Of Realtors

Congress first curtailed the once-inviolable mortgage interest deduction in 1986, opening the door to further limits.

"Clearly, it's something we're watching very closely," said a **National Association of Home Builders** lobbyist. More than a month ago, the builders alerted their members to prepare for a fight over the mortgage interest deduction. Both groups are urging members to lobby senators and representatives in their districts during the August congressional recess.

* * *

Businesses Forge Trans-Atlantic Link

Leaders of major American and European Community-based businesses said this week they had formed a new organization, the **European Community Chamber of Commerce in the United States,** to represent the shared interests of American and European companies in expanding transatlantic trade and investment.

Among the well known companies that have joined the lobbying group are **Lazard Freres, NMB Post Bank,** and **Price Waterhouse.** The new group was created and financed by business, without government assistance, and will complement the work of individual chambers of commerce representing the 12 European Community nations.

Significant investment flows are at stake. The value of two-way trade between the United States and European Community increased to more than $171 billion in 1989, with U.S. exports to the community exceeding imports by $1.29 billion. According to the U.S. Department of Commerce, direct investment in the United States by the European Community totaled some $235 billion, while U.S. direct investment in the 12 member states of the European Community reached nearly $150 billion by the end of 1989.

— Louis Gerhardstein, Debra Cope, and Robert Trigaux

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Ellen Memmelaar, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

WORLD BANKING

The Top 500 Banks in the World

U.S. and overseas banks ranked by assets on Dec. 31, 1989 or nearest fiscal yearend

Asset Rank 1989			Assets in US Dollars 12/31/89	Assets in US Dollars 12/31/85	Asset Rank 12/31/88	Gain in Rank	Bank Branches 12/31/89	Employees 12/31/89	Operating Since
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	Japan	403,386,126,193s	386,937,333,376s	1		393	18,466	1971
2	**Sumitomo Bank Ltd., Osaka**	Japan	368,167,430,610s	376,087,770,340s	2		344	16,479	1912
3	**Fuji Bank, Ltd., Tokyo**	Japan	362,575,295,833s	364,043,947,284s	3		378	15,377	1880
4	**Mitsubishi Bank Ltd., Tokyo**	Japan	359,960,178,697s	351,250,915,924s	4		265	14,026	1880
5	**Sanwa Bank Ltd., Osaka**	Japan	353,692,139,934s	348,357,955,888s	5		362	13,604	1933
6	**Industrial Bank of Japan, Ltd., Tokyo**	Japan	256,905,555,665s	257,577,924,532u	6		36	5,582	1902
7	**Credit Agricole Mutuel, Paris**	France	242,311,948,300s	207,988,000,000u	11	+4	9,356	73,714	1920
8	**Banque Nationale de Paris**	France	231,769,484,000s	194,515,887,000s	13	+5	2,661	46,884	1966
9	**Tokai Bank Ltd., Nagoya**	Japan	227,738,519,511s	225,121,125,836s	8		245	11,754	1941
10	**Norinchukin Bank, Tokyo**	Japan	219,773,041,914	241,947,349,684	7		40	2,861	1923
11	**Mitsubishi Trust & Banking Corp., Tokyo**	Japan	213,485,098,466u	210,465,840,188u	10		66	5,598	1927
12	**Credit Lyonnais, Paris**	France	211,005,505,000s	176,662,569,861s	17	+5	3,303	61,508	1863
13	**Barclays Bank Plc, London**	United Kingdom	205,461,760,000s	189,198,160,000s	14	+1	4,000	116,500	1896
14	**Mitsui Bank, Ltd., Tokyo**	Japan	203,291,465,903s	219,666,256,008s	9		261	10,565	1876
15	**Deutsche Bank, Frankfurt**	Germany	202,607,135,750s	170,289,623,280s	21	+6	1,330	56,580	1870
16	**Bank of Tokyo, Ltd.**	Japan	200,547,845,630s	173,575,004,392u	19	+3	69	17,081	1946
17	**Sumitomo Trust & Banking Co., Ltd., Osaka**	Japan	190,943,020,692u	196,588,736,216u	12		61	5,693	1925
18	**National Westminster Bank Plc, London**	United Kingdom	187,064,290,000s	178,344,736,000s	16		3,266	111,000	1968
19	**Mitsui Trust & Banking Co., Ltd., Tokyo**	Japan	182,629,635,615u	183,873,232,464	15		64	5,197	1924
20	**Societe Generale, Paris**	France	176,019,715,000s	143,857,280,000s	25	+5	N.A.	N.A.	1864
21	**Long-Term Credit Bank of Japan Ltd., Tokyo**	Japan	174,240,317,152u	172,338,887,272u	20		31	3,735	1952
22	**Taiyo Kobe Bank, Ltd., Kobe**	Japan	172,977,970,205u	173,670,175,800u	18		374	13,139	1973
23	**Yasuda Trust & Banking Co. Ltd., Tokyo**	Japan	157,813,185,014s	155,513,864,704	23		63	5,885	1925
24	**Citibank NA, New York**	United States	157,772,000,000	146,177,000,000	24		299	57,250	1812
25	**Daiwa Bank, Ltd., Osaka**	Japan	155,494,965,279u	156,168,952,720u	22		216	9,248	1918
26	**Dresdner Bank, Frankfurt**	Germany	145,666,029,692s	129,339,840,000s	26		949	36,898	1872
27	**Hongkong and Shanghai Banking Corp., Hong Kong**	Hong Kong	132,835,072,000s	113,115,008,000s	29	+2	1,300	53,375	1866
28	**Swiss Bank Corp., Basle**	Switzerland	123,539,256,000s	102,482,359,315u	32	+4	293	18,349	1872
29	**Toyo Trust & Banking Co. Ltd., Tokyo**	Japan	117,492,324,355u	123,204,478,080	27		64	4,703	1959
30	**Union Bank of Switzerland, Zurich**	Switzerland	114,096,403,656u	110,777,607,220u	30		334	21,210	1912
31	**Nippon Credit Bank, Ltd., Tokyo**	Japan	113,890,048,045s	118,784,458,416	28		23	2,927	1957
32	**Commerzbank, Frankfurt**	Germany	113,016,860,000s	100,815,213,284s	33	+1	897	27,631	1870
33	**Deutsche Genossenschaftsbank, Frankfurt**	Germany	109,354,031,874s	73,788,623,253s	54	+21	16	9,597	1895
34	**Istituto Bancario San Paolo di Torino, Turin**	Italy	107,663,678,274s	81,698,751,045s	47	+13	755	20,407	1563
35	**Banco do Brasil, Brasilia**	Brazil	105,195,166,384u	83,475,348,677s	45	+10	4,495	134,301	1853
36	**Banca Nazionale del Lavoro, Rome**	Italy	104,489,637,000s	91,025,055,000s	39	+3	449	26,238	1929
37	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	Germany	104,324,980,000s	92,099,891,993s	37		11	9,652	1969
38	**Bayerische Vereinsbank, Munich**	Germany	102,306,000,000s	90,965,341,040s	40	+2	454	14,995	1869
39	**Midland Bank Plc, London**	United Kingdom	100,591,190,000s	100,758,032,000s	34		1,980	60,237	1836
40	**Saitama Bank Ltd., Urawa**	Japan	98,665,555,088s	96,130,074,488u	35		203	7,845	1943
41	**Kyowa Bank, Ltd., Tokyo**	Japan	97,910,617,239s	104,217,609,500u	31		247	7,971	1945
42	**Amsterdam-Rotterdam Bank, Amsterdam**	Netherlands	94,173,280,000s	83,714,796,000s	44	+2	868	23,718	1863
43	**Lloyds Bank Plc, London**	United Kingdom	92,642,620,000s	93,715,872,000s	36		2,504	84,679	1765
44	**Algemene Bank Nederland, Amsterdam**	Netherlands	90,747,368,000s	84,814,380,000s	43		980	31,994	1824
45	**Rabobank Nederland, Utrecht**	Netherlands	90,352,796,000s	80,464,848,000s	49	+4	2,192	34,399	1898
46	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	Germany	89,902,700,011s	75,696,671,532s	50	+4	N.A.	N.A.	1835
47	**Credit Suisse, Zurich**	Switzerland	89,115,552,000s	75,399,720,270u	52	+5	N.A.	17,539	1856
48	**Banca Commerciale Italiana, Milan**	Italy	88,809,129,900s	62,633,763,000s	62	+14	570	20,918	1894
49	**Royal Bank of Canada, Montreal**	Canada	88,573,064,592s	90,024,450,120s	41		1,607	41,777	1869
50	**Bank of America NT&SA, San Francisco**	United States	85,340,000,000	81,651,000,000	48		887	47,652	1904
51	**NMB Postbank Group, N.V., Amsterdam**	Netherlands	84,507,576,000s	....	...		3,060	22,697	1989
52	**Bayerische Landesbank Girozentrale, Munich**	Germany	82,514,933,800s	71,696,240,000s	57	+5	7	4,434	1972
53	**Banque Paribas, Paris (q)**	France	82,272,399,000s	72,143,637,000s	56	+3	650	8,860	1872
54	**Chase Manhattan Bank NA, New York**	United States	82,109,155,000	74,990,927,000	53		415	31,108	1799
55	**Shoko Chukin Bank, Tokyo**	Japan	81,957,549,921	91,072,017,476	38		93	5,722	1936
56	**Bank of Yokohama, Ltd.**	Japan	81,122,917,864u	81,776,610,440u	46		202	6,577	1920
57	**Canadian Imperial Bank of Commerce, Toronto**	Canada	78,511,029,792s	71,336,177,538s	58	+1	N.A.	N.A.	1867
58	**Westpac Banking Corp., Sydney**	Australia	76,104,260,000s	60,072,073,200s	67	+9	N.A.	N.A.	1817
59	**Monte dei Paschi di Siena**	Italy	75,877,857,795s	66,488,882,580s	60	+1	794	19,315	1472
60	**Credito Italiano, Milan**	Italy	75,415,854,900s	56,881,651,500s	71	+11	541	16,187	1870
61	**Bank Melli Iran, Tehran**	Iran	73,516,646,000	53,061,736,000	77	+16	1,938	23,190	1928
62	**Zenshinren Bank, Tokyo**	Japan	71,498,005,860	85,981,240,600	42		18	1,033	1951
63	**Chuo Trust & Banking Co., Ltd., Tokyo**	Japan	70,683,523,759u	72,641,168,852u	55		55	3,703	1962
64	**Hokkaido Takushoku Bank, Ltd., Sapporo**	Japan	70,062,233,449u	75,430,052,992u	51		212	6,627	1900
65	**Generale Bank, Brussels**	Belgium	67,965,863,400s	62,006,302,400s	64		1,156	14,180	1935
66	**Norddeutsche Landesbank Girozentrale, Hannover**	Germany	67,629,966,572s	60,373,371,460s	66		209	6,050	1970
67	**Banco di Napoli, Naples**	Italy	67,166,324,536	57,333,418,425u	69	+2	502	12,930	1539
68	**Cassa di Risparmio delle Provincie Lombarde, Milan**	Italy	66,563,985,000u	65,411,325,000s	61		457	10,867	1823
69	**Bank of Montreal**	Canada	64,873,480,716s	61,615,574,334	65		1,230	33,666	1817
70	**Groupe Des Banques Populaires, Paris**	France	64,787,090,223	55,242,661,868	73	+3	1,862	27,435	1921
71	**Banco di Roma, Rome**	Italy	64,628,173,500s	54,698,647,500s	74	+3	407	14,435	1880
72	**Morgan Guaranty Trust Co., New York**	United States	63,464,749,000	70,064,776,000	59		17	11,341	1839
73	**Bank of Nova Scotia, Toronto**	Canada	62,340,736,908s	56,459,901,930s	72		1,284	29,618	1832
74	**Skandinaviska Enskilda Banken, Stockholm**	Sweden	58,868,040,000s	47,133,243,000s	84	+10	N.A.	N.A.	1972
75	**Chiba Bank, Ltd.**	Japan	57,989,881,627	58,138,025,316	68		188	4,761	1943
76	**Hokuriku Bank Ltd., Toyama**	Japan	57,041,456,033s	54,006,921,000	76		197	5,040	1943
77	**Banque Indosuez, Paris**	France	55,388,891,000s	47,559,964,449s	83	+6	45	16,347	1875
78	**Danske Bank, Copenhagen**	Denmark	54,879,685,526s	23,263,104,000s	151	+73	788	16,014	1871
79	**Australia & New Zealand Banking Group, Ltd., Melbourne**	Australia	53,962,264,000s	44,910,296,100s	87	+8	2,080	47,009	1835
80	**Joyo Bank, Ltd., Mito**	Japan	53,958,211,264	50,777,159,592	80		161	5,019	1878
81	**Manufacturers Hanover Trust Co., New York**	United States	53,644,000,000	52,849,000,000	78		244	19,286	1812
82	**Security Pacific National Bank, Los Angeles**	United States	53,621,385,000	48,358,117,000	82		651	15,937	1871
83	**Banco Bilbao Vizcaya, Bilbao**	Spain	51,842,577,710u	62,465,427,360s	63		N.A.	N.A.	1988
84	**National Australia Bank, Ltd, Melbourne**	Australia	51,208,550,400s	40,806,671,400s	95	+11	2,191	35,308	1858
85	**Banque Bruxelles Lambert, Brussels**	Belgium	50,736,240,610s	45,143,343,613s	86	+1	N.A.	12,116	1935
86	**PKbanken, Stockholm**	Sweden	50,244,719,000s	39,730,435,000s	99	+13	150	5,600	1974
87	**Bankers Trust Co., New York**	United States	49,850,612,000	52,340,021,000	79		18	12,114	1917
88	**Shizuoka Bank Ltd.**	Japan	49,174,546,304u	46,620,715,776u	85		193	5,369	1943
89	**Bank of Seoul**	Korea	48,591,864,300s	37,269,633,799	108	+19	258	9,838	1959
90	**Kredietbank N.V., Brussels**	Belgium	47,856,288,000s	38,638,968,564s	104	+14	860	11,528	1935
91	**Toronto Dominion Bank**	Canada	47,771,304,312	43,101,817,144	91		949	24,676	1955
92	**Sudwestdeutsche Landesbank, Stuttgart**	Germany	46,482,560,000s	40,656,000,000u	97	+5	4	2,347	1988
93	**Commonwealth Bank of Australia, Sydney**	Australia	45,859,716,000s	32,915,236,800s	119	+26	1,261	32,303	1953
94	**Sparbankernas Bank, Stockholm**	Sweden	45,786,468,000s	38,385,522,000s	106	+12	0	1,300	1942
95	**Credit Commercial de France, Paris**	France	45,663,523,000s	38,038,472,832s	107	+12	N.A.	12,300	1894
96	**Wells Fargo Bank NA, San Francisco**	United States	45,344,872,000	43,487,141,000	89		457	19,229	1870
97	**Rafidain Bank, Baghdad**	Iraq	45,092,559,700	54,460,950,400	75		123	6,783	1941
98	**Bank of New York**	United States	44,972,627,000	21,355,771,000	166	+68	261	13,770	1784
99	**Home Savings of America, FA, Irwindale, Calif.**	United States	44,924,933,000	40,917,353,000	94		357	10,819	1889
100	**Banco Central, Madrid**	Spain	44,913,236,390s	40,684,984,200s	96		2,865	23,801	1919

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total assets** exclude contra accounts and contingent liabilities. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)**— Rank based on revised asset total for 1988. **(‡)**— Restated to reflect changes in consolidation in 1989. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

WORLD BANKING

The Top 500 Banks in the World

U.S. and overseas banks ranked by assets on Dec. 31, 1989 or nearest fiscal yearend

Asset Rank 1989			Assets in US Dollars 12/31/89	Assets in US Dollars 12/31/88	Asset Rank 12/31/88	Gain in Rank	Bank Branches 12/31/89	Employees 12/31/89	Operating Since
101	**Chemical Bank, New York**	United States	44,873,000,000	50,233,000,000	81		282	17,007	1824
102	**Creditanstalt-Bankverein, Vienna**	Austria	44,455,429,200	39,406,776,000	100		374	10,932	1855
103	**Royal Bank of Scotland Plc., Edinburgh**	United Kingdom	44,418,398,300s	36,605,231,000s	110	+7	905	26,530	1968
104	**Svenska Handelsbanken, Stockholm**	Sweden	44,330,867,000s	38,797,260,000s	102		445	6,707	1871
105	**ASLK-CGER Bank, Brussels**	Belgium	43,097,568,983s	36,516,884,557u	111	+6	1,219	8,094	1865
106	**Ashikaga Bank, Ltd., Utsunomiya**	Japan	42,718,240,037	42,819,505,472	93		161	4,494	1895
107	**Unibank, Copenhagen**	Denmark	42,082,945,000	....	...		700	13,600	1990
108	**Hessische Landesbank-Girozentrale, Frankfurt**	Germany	41,611,814,055s	38,747,590,268s	103		5	2,704	1953
109	**Banco Santander**	Spain	41,337,846,220s	29,480,506,020s	127	+18	N.A.	N.A.	1857
110	**TSB Bank, Plc, London**	United Kingdom	40,449,201,000s	29,173,232,000	128†	+18	1,209	25,885	1983
111	**Bank Saderat Iran, Tehran**	Iran	39,843,867,470	39,179,665,317	101		2,578	18,000	1952
112	**Bank of Fukuoka, Ltd.**	Japan	39,793,892,771	38,535,973,740	105		202	4,655	1945
113	**Standard Chartered Bank, London**	United Kingdom	39,715,480,000s	42,835,497,600s	92		N.A.	N.A.	1853
114	**Commonwealth Banking Corp., Sydney**	Australia	39,600,489,600s	34,354,802,800s	115	+1	1,261	32,303	1960
115	**Bank of Hiroshima, Ltd.**	Japan	39,269,465,639	40,420,969,760	98		195	4,255	1878
116	**Banque Francaise du Commerce Exterieur, Paris**	France	38,684,478,273s	36,624,410,668s	109		29	2,464	1947
117	**Bank fuer Gemeinwirtschaft, Frankfurt**	Germany	37,871,611,245s	35,957,883,986s	112		269	8,251	1958
118	**Kansallis-Osake Pankki, Helsinki**	Finland	37,015,447,800s	34,647,624,000s	114		N.A.	N.A.	1889
119	**Banco di Sicilia, Palermo**	Italy	36,366,427,833s	30,955,122,945s	121	+2	405	9,674	1860
120	**Union Bank of Finland, Ltd., Helsinki**	Finland	36,308,025,600s	31,828,080,000s	120		420	9,334	1862
121	**Hachijuni Bank, Ltd., Nagano**	Japan	35,834,501,885	33,995,473,200	118		147	3,953	1931
122	**First National Bank, Chicago**	United States	35,570,607,000	34,349,990,000	116		6	9,915	1863
123	**Great Western Bank, FSB, Beverly Hills**	United States	34,949,576,000	30,837,077,000	122		282	7,524	1925
124	**Bank Hapoalim, Tel-Aviv**	Israel	34,632,161,000s	35,362,364,400s	113		343	N.A.	1921
125	**Caja de Pensiones para la Vejez, Barcelona**	Spain	33,975,879,850s	28,145,369,700s	129	+4	1,566	8,184	1904
126	**NCNB Texas National Bank, Dallas**	United States	33,535,253,000	25,551,958,000	139	+13	225	15,112	1988
127	**Banco Espanol de Credito, Madrid**	Spain	33,042,766,460u	26,555,829,300u	131†	+4	N.A.	N.A.	1902
128	**Gunma Bank, Ltd., Maebashi**	Japan	31,214,753,421	30,643,947,048	123		145	3,986	1932
129	**Bank of Scotland, Edinburgh**	United Kingdom	30,884,365,500s	24,487,194,000s	143	+14	500	15,200	1695
130	**Taiwan Cooperative Bank, Taipei**	Taiwan	30,807,698,619	22,932,112,615	154	+24	112	5,400	1946
131	**First National Bank, Boston**	United States	29,676,775,000	25,850,438,000	138	+7	207	13,883	1784
132	**Bank Leumi le-Israel, Tel-Aviv**	Israel	29,639,868,400s	30,071,247,762s	126		321	12,232	1902
133	**Continental Bank NA, Chicago**	United States	29,023,550,000	30,266,765,000	124		N.A.	7,488	1857
134	**National Bank of Canada, Montreal**	Canada	28,906,015,296s	23,335,349,396s	149	+15	625	10,784	1859
135	**Banca Popolare di Novara**	Italy	28,582,701,399s	18,339,477,385u	186	+51	405	7,366	1871
136	**First Commercial Bank, Taipei**	Taiwan	27,916,390,864	21,379,238,466	165	+29	151	5,629	1899
137	**Bank of Taiwan, Taipei**	Taiwan	27,675,572,330	23,356,605,400	148	+11	71	5,902	1946
138	**Hamburgische Landesbank-Girozentrale, Hamburg**	Germany	27,561,573,880	25,096,177,680	141	+3	4	1,362	1938
139	**Banco Hispano-Americano, Madrid**	Spain	27,365,157,270u	27,789,950,160s	130		N.A.	N.A.	1900
140	**Deutsche Siedlungs und Landesrentenbank, Bonn**	Germany	27,330,426,091	....	...		9	757	1966
141	**Landesbank Rheinland-Pfalz Girozentrale, Mainz**	Germany	26,845,000,000s	25,226,982,480s	140		3	1,978	1958
142	**Banca Nazionale dell'Agricoltura, Rome**	Italy	26,096,208,798u	22,788,986,382	157	+15	241	7,319	1921
143	**Chugoku Bank, Ltd., Okayama**	Japan	26,004,838,908	26,479,935,168	132		166	3,414	1930
144	**National Bank of Greece, Athens**	Greece	25,974,522,000u	25,923,144,200s	136		515	15,896	1841
145	**Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt**	Germany	25,942,140,020u	23,374,809,867u	147	+2	2	354	1918
146	**Nippon Trust Bank, Ltd., Tokyo**	Japan	25,643,472,968	26,248,343,400	133		37	2,107	1927
147	**Hyogo Bank, Ltd., Kobe**	Japan	25,575,576,924	26,703,666,060	131		151	3,286	1912
148	**Banque Cantonale de Zurich**	Switzerland	25,571,413,584	23,179,962,678	152	+4	N.A.	N.A.	1871
149	**Cassa di Risparmio di Roma, Rome**	Italy	25,479,123,348u	20,626,366,050u	171	+22	191	4,466	1836
150	**Yamaguchi Bank, Ltd., Shimonoseki**	Japan	25,413,993,647	26,060,853,624	135		156	3,502	1944
151	**Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna**	Austria	25,248,828,799u	22,839,062,913s	156	+5	2	N.A.	1937
152	**Allied Irish Banks Plc., Dublin**	Ireland	25,186,780,000s	21,039,237,432s	168	+16	400	12,980	1966
153	**Swiss Volksbank, Berne**	Switzerland	24,961,843,424	22,988,335,013	153		187	6,191	1869
154	**Banco Brasileiro de Descontos, Sao Paulo**	Brazil	24,747,610,720s	14,434,341,095s	243	+89	1,767	128,836	1943
155	**Juroku Bank, Ltd., Gifu**	Japan	24,746,127,003	22,328,431,616	158	+3	140	3,048	1877
156	**Korea Development Bank, Seoul**	Korea	24,566,135,790	17,153,994,200u	202	+46	17	2,296	1954
157	**77 Bank, Ltd., Sendai**	Japan	24,211,549,425	24,795,177,508	142		136	3,587	1878
158	**Banca Popolare di Milano, Milan**	Italy	24,180,574,524s	19,893,909,150s	177	+19	250	6,932	1865
159	**Glendale Federal Bank, FSB, Calif.**	United States	24,043,905,000	24,313,386,000	144		173	N.A.	1934
160	**Nishi-Nippon Bank, Ltd., Fukuoka**	Japan	23,713,366,290	24,197,788,472	145		194	3,756	1944
161	**Hua Nan Commercial Bank, Ltd., Taipei**	Taiwan	23,541,554,010	15,532,045,807	225	+64	102	5,095	1919
162	**California Federal Bank, FSB, Los Angeles**	United States	23,269,859,000	25,857,500,000	137		199	5,480	1925
163	**National Commercial Bank, Jeddah**	Saudi Arabia	22,859,571,283	20,374,668,017	175	+12	N.A.	N.A.	1954
164	**Oesterreichische Laenderbank, Vienna**	Austria	22,855,544,796s	20,777,194,160s	170	+6	139	3,459	1880
165	**Chang Hwa Commercial Bank, Ltd., Taichung**	Taiwan	22,725,649,076s	15,121,311,698s	232	+67	139	5,191	1905
166	**Korea Exchange Bank, Seoul**	Korea	22,715,107,380u	23,323,498,800s	150		198	8,147	1967
167	**Commercial Bank of Korea Ltd., Seoul**	Korea	22,526,241,780s	18,058,503,400s	188	+21	240	8,531	1899
168	**Landesbank Schleswig-Holstein Girozentrale, Kiel**	Germany	22,515,739,890s	18,668,720,000u	185	+17	4	1,232	1917
169	**Hang Seng Bank Ltd., Hong Kong**	Hong Kong	22,466,713,600st	16,597,120,000st	205	+36	124	6,000	1933
170	**Mellon Bank NA, Pittsburgh**	United States	22,454,393,000	21,889,748,000	161		126	8,737	1869
171	**Banco Exterior de Espana, Madrid**	Spain	22,357,799,640s	21,573,120,240s	163		755	11,909	1929
172	**Banco Ambrosiano Veneto, Milan**	Italy	22,135,033,638s	17,897,506,245s	192	+20	350	7,309	1925
173	**First Nationwide Bank, FSB, San Francisco**	United States	22,088,000,000	26,130,421,000	134		311	N.A.	1885
174	**Caisse Centrale des Banques Populaires, Paris**	France	21,984,518,536	19,387,594,552t	180	+6	2	1,792	1921
175	**Hokkaido Bank, Ltd., Sapporo**	Japan	21,910,036,813	22,881,838,788	155		142	3,094	1951
176	**Arab Banking Corp., Manama**	Bahrain	21,730,000,000s	19,127,000,000s	181	+5	6	4,983	1980
177	**Hanil Bank Ltd., Seoul**	Korea	21,695,509,500s	13,628,342,000s	256	+79	235	8,799	1932
178	**Marine Midland Bank NA, Buffalo, N.Y.**	United States	21,406,741,000t	20,570,926,000t	172		318	11,238	1929
179	**Bank of Kyoto, Ltd.**	Japan	21,351,639,253	22,192,191,448	159		118	2,750	1941
180	**Skopbank, Helsinki**	Finland	21,309,366,109s	15,241,920,000s	230	+50	1,320	2,600	1908
181	**Bank of Ireland, Dublin**	Ireland	21,206,444,000s	15,854,049,000s	221	+40	353	10,600	1783
182	**Nanto Bank, Ltd., Nara**	Japan	20,982,682,490	21,256,478,395	167		121	3,024	1934
183	**Tokyo Sowa Bank, Ltd.**	Japan	20,982,173,081	21,990,226,248u	160		98	3,695	1950
184	**Berliner Handels und-Frankfurter Bank, Frankfurt**	Germany	20,965,060,000s	18,777,231,350s	184		19	2,928	1856
185	**Banco Popular Espanol, Madrid**	Spain	20,960,736,170s	17,900,216,460s	191	+6	1,643	11,778	1926
186	**First Interstate Bank of California, Los Angeles**	United States	20,858,627,000	20,154,051,000	176		339	12,957	1920
187	**Berliner Bank, Berlin**	Germany	20,770,983,920s	18,795,064,407s	183		87	4,837	1950
188	**Banco di Santo Spirito, Rome**	Italy	20,652,503,839sv	18,989,738,157st	182		240	5,880	1605
189	**Hyakujushi Bank, Ltd., Takamatsu**	Japan	20,496,423,299	21,497,288,508	164		127	2,589	1878
190	**Land Bank of Taiwan, Taipei**	Taiwan	20,438,476,716	14,931,118,200	237	+47	61	4,354	1946
191	**Deutsche Bank Luxembourg**	Luxembourg	20,348,408,170t	17,475,937,105t	198	+7	0	162	1970
192	**NCNB National Bank of North Carolina, Charlotte**	United States	20,327,636,000	16,496,394,000	207	+15	240	8,302	1960
193	**Postipankki, Helsinki**	Finland	20,142,111,000s	17,954,472,000s	189		N.A.	N.A.	1886
194	**Cho Hung Bank Ltd., Seoul**	Korea	20,082,001,725s	16,341,916,186s	210	+16	246	9,126	1897
195	**Caja de Madrid**	Spain	20,033,666,840s	15,315,400,800s	228	+33	836	6,306	1702
196	**Zentralsparkasse und Kommerzialbank, Vienna**	Austria	19,804,344,000u	17,676,480,000u	195		214	5,105	1907
197	**Korea First Bank, Seoul**	Korea	19,730,311,666s	16,473,535,625s	208	+11	233	8,944	1929
198	**Iyo Bank, Ltd., Matsuyama**	Japan	19,706,260,761	20,500,601,508	173		143	2,927	1941
199	**Christiania Bank og Kreditkasse, Oslo**	Norway	19,670,090,500	17,686,872,000s	194		4	4,716	1848
200	**Hill, Samuel Bank, Ltd., London**	United Kingdom	19,264,059,000t	7,448,320,000t	426†	+226	12	1,300	1831

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total assets** exclude contra accounts and contingent liabilities. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)—** A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)—** A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)—** Consolidated data. **(t)—** Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)—** Data are not consolidated for affiliates more than 50% owned. **(v)—** Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)—** Rank based on revised asset total for 1988. **(‡)—** Restated to reflect changes in consolidation in 1989. **N.A.—** Not available.

Compiled by American Banker, Copyright 1990.

The Top 500 Banks in the World

U.S. and overseas banks ranked by assets on Dec. 31, 1989 or nearest fiscal yearend

Asset Rank 1989			Assets in US Dollars 12/31/89	Assets in US Dollars 12/31/88	Asset Rank 12/31/88	Gain in Rank	Bank Branches 12/31/89	Employees 12/31/89	Operating Since
201	World Savings, FS&LA, Oakland, Calif.	United States	19,263,899,000	16,352,299,000	209	+8	192	2,461	1912
202	Daishi Bank, Ltd., Niigata	Japan	19,157,922,851	20,455,988,972	174		134	3,118	1873
203	Bremer Landesbank, Bremen	Germany	19,004,814,500t	17,058,409,200t	203		3	1,173	1983
204	Shiga Bank, Ltd., Otsu	Japan	18,902,098,909	19,860,942,432	178		125	2,742	1933
205	Republic National Bank, New York	United States	18,868,403,000	17,790,997,000	193		38	2,673	1966
206	Suruga Bank, Ltd., Numazu	Japan	18,587,504,262	18,124,124,300	187		130	2,732	1895
207	American Express Bank Ltd., New York	United States	18,395,000,000s	16,180,000,000s	214	+7	N.A.	N.A.	1919
208	Homefed Bank, FSB, San Diego, Calif.	United States	17,752,680,000	16,261,058,000	211	+3	203	4,591	1934
209	Caixa Geral de Depositos, Lisbon	Portugal	17,734,336,464s	15,564,406,199s	224	+15	412	10,104	1876
210	Banco Itau, Sao Paulo	Brazil	17,385,615,184	9,339,973,235	349	+139	886	77,499	1944
211	Medium Business Bank of Taiwan, Taipei	Taiwan	17,299,356,295	12,001,207,004	287	+76	99	4,385	1899
212	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	Germany	17,158,970,000u	15,978,423,444	218	+6	3	1,200	1970
213	Kiyo Bank, Ltd., Wakayama	Japan	17,027,964,331	17,580,877,734	196		100	2,657	1895
214	National Bank of Detroit	United States	16,817,132,000	15,043,409,000	234	+20	152	6,698	1933
215	Banco do Estado de Sao Paulo	Brazil	16,814,353,696s	9,853,865,648	335	+120	N.A.	N.A.	1926
216	Credit Lyonnais Bank Nederland, Rotterdam	Netherlands	16,683,430,592st	13,778,449,860st	254	+38	93	3,726	1983
217	First Union National Bank, Charlotte, N.C.	United States	16,622,378,000	14,789,337,000	242	+25	271	7,113	1908
218	Development Bank of Singapore Ltd.	Singapore	16,616,062,798	10,854,388,989	311	+93	45	3,385	1968
219	Raiffeisen Zentralbank Oesterreich AG, Vienna	Austria	16,509,192,000s	13,772,821,565u	255	+36	14	1,256	1927
220	Banco Nacional de Mexico, Mexico City	Mexico	16,462,328,890	14,085,415,120	249	+29	743	29,482	1884
221	Hamburger Sparkasse, Hamburg	Germany	16,445,542,196	15,001,738,473	235	+14	208	5,737	1827
222	State Bank Victoria, Melbourne	Australia	16,409,131,200s	15,964,482,072s	219		N.A.	N.A.	1958
223	American Savings Bank, Irvine, Calif.	United States	16,290,515,000	15,409,744,000	227	+4	177	4,783	1988
224	Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	Belgium	16,194,984,365	13,205,484,502u	267	+43	1,032	4,318	1935
225	Bangkok Bank, Ltd.	Thailand	16,115,030,997	13,820,680,014	253	+28	343	20,838	1944
226	Israel Discount Bank, Ltd., Tel-Aviv	Israel	16,032,824,890s	16,126,415,422s	215		244	7,050	1935
227	Ogaki-Kyoritsu Bank, Ltd., Ogaki	Japan	15,859,059,346	15,645,658,420	222		119	2,663	1896
228	Pittsburgh National Bank	United States	15,842,142,000	15,110,664,000	233	+5	114	4,080	1852
229	Bank fuer Arbeit und Wirtschaft, Vienna	Austria	15,783,125,488u	14,812,973,464u	241	+12	129	2,132	1922
230	Westfalenbank, Bochum	Germany	15,756,927,983st	14,051,996,673st	250	+20	N.A.	N.A.	1921
231	Hyakugo Bank, Ltd., Tsu	Japan	15,699,997,958	17,461,468,220	199		134	2,938	1878
232	Southeast Bank NA, Miami	United States	15,670,569,000	13,455,562,000	261	+29	221	7,556	1902
233	Bank of Kinki, Ltd., Osaka	Japan	15,662,880,280	17,189,746,192	200		102	2,641	1942
234	Bancomer, Mexico City	Mexico	15,650,109,936u	12,917,121,929u	273	+39	747	35,493	1932
235	Higo Bank, Ltd., Kumamoto	Japan	15,615,247,394	15,908,400,880	220		119	2,547	1925
236	Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	Germany	15,602,734,080	14,143,076,640	248	+12	N.A.	636	1971
237	Hokkoku Bank, Ltd., Kanazawa	Japan	15,434,174,506	16,583,467,684	206		138	2,694	1943
238	Fukuoka City Bank, Ltd.	Japan	15,352,700,511	16,043,559,896	217		138	2,528	1924
239	Bergen Bank	Norway	15,302,249,400s	14,691,180,000‡s	243†	+4	113	4,283	1855
240	Oesterreichische Postsparkasse, Vienna	Austria	15,150,930,480u	14,200,720,000s	247	±7	N.A.	1,598	1883
241	Union Bank, San Francisco	United States	15,149,329,000t	14,856,224,000v	240		169	7,376	1953
242	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	United States	15,079,854,000	13,481,211,000	259	+17	219	7,458	1879
243	Norske Creditbank, Oslo	Norway	14,811,137,000s	15,611,312,000s	223		153	4,591	1857
244	Banque Internationale a Luxembourg	Luxembourg	14,757,716,092s	11,442,420,663s	299	+55	55	2,335	1856
245	Banca Toscana, Florence	Italy	14,551,471,770t	12,535,156,890t	279	+34	207	3,842	1904
246	Societe Nationale de Credit a l'Industrie, Brussels	Belgium	14,457,065,825	13,977,106,633	252	+6	17	1,130	1919
247	Credito Romagnolo, Bologna	Italy	14,384,006,980s	11,893,599,884u	289	+42	211	4,434	1896
248	National Westminster Bank USA, New York	United States	14,380,365,000t	13,065,111,000t	271	+23	130	4,819	1905
249	C.O.B.-Caisse d'Epargne Privee, Brussels	Belgium	14,329,595,303s	11,415,141,386	301	+52	654	3,371	1924
250	Bank of New England NA, Boston	United States	14,277,097,000	15,514,519,000	226		32	4,698	1831
251	Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	14,274,987,720s	16,196,427,408s	213		3	3,620	1793
252	San-in Godo Bank, Ltd., Matsue	Japan	14,231,780,596	15,261,932,048	229		134	2,340	1941
253	Commonwealth Savings Bank of Australia, Sydney	Australia	14,196,168,000t	13,134,955,200t	269	+16	N.A.	N.A.	1960
254	Credit Industriel et Commercial, Paris (h)	France	14,184,379,509	21,820,279,761s	162		113	3,945	1859
255	CrossLand Savings FSB, Brooklyn, New York	United States	14,102,367,000	15,143,802,000	231		115	3,505	1860
256	Bank of Nagoya, Ltd.	Japan	14,011,653,018	14,914,161,488	238		120	2,749	1949
257	Societe Generale Alsacienne de Banque, Strasbourg	France	13,968,063,942st	11,807,233,111st	294	+37	145	3,037	1881
258	Sovran Bank NA, Richmond	United States	13,718,240,000	12,359,665,000	282	+24	290	6,913	1867
259	Fukutoku Bank, Ltd., Osaka	Japan	13,673,462,043	13,622,199,864	257		119	2,523	1949
260	Kofuku Bank, Ltd., Osaka	Japan	13,671,116,246	14,325,181,412	245		113	2,924	1926
261	Tokyo Tomin Bank, Ltd.	Japan	13,605,974,784	14,034,952,164	251		80	2,465	1951
262	Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	Italy	13,502,176,363u	10,559,811,135	316	+54	182	3,546	1825
263	Bank of Osaka, Ltd.	Japan	13,494,955,067	13,255,156,268	266	+3	76	2,012	1950
264	Sparkasse der Stadt Berlin West, Berlin	Germany	13,388,013,806	11,871,772,693	291	+27	92	4,066	1818
265	Dresdner Bank Luxembourg	Luxembourg	13,363,044,334t	11,404,462,756t	303	+38	N.A.	N.A.	1967
266	Great American Bank, SSB, San Diego, Calif.	United States	13,346,430,000	16,084,341,000	216		214	3,724	1885
267	Osuuspankkien Keskuspankki Oy, Helsinki	Finland	13,204,000,800s	10,496,736,000s	318	+51	N.A.	N.A.	1902
268	Fukui Bank, Ltd.	Japan	13,195,919,406	14,368,269,824	244		136	2,520	1899
269	National Bank of Kuwait	Kuwait	13,188,365,697s	12,340,576,083s	284	+15	58	2,070	1952
270	Banque Generale du Luxembourg	Luxembourg	13,115,833,224s	11,113,506,477s	308	+38	50	1,834	1919
271	Goldome, Buffalo, N.Y.	United States	12,999,150,000	14,962,534,000	236		95	3,568	1846
272	Citizens National Bank, Seoul	Korea	12,931,131,360	10,414,367,600u	320	+48	290	12,547	1963
273	Bank Mees & Hope, Amsterdam	Netherlands	12,834,066,332st	10,482,377,598st	319	+46	20	3,415	1720
274	Toho Bank, Ltd., Fukushima	Japan	12,761,972,117	13,464,629,468	260		115	2,634	1941
275	Hiroshima-Sogo Bank, Ltd.	Japan	12,669,347,725	13,137,903,832	268		103	2,308	1923
276	Meritor Savings Bank, Philadelphia	United States	12,639,807,000	17,172,011,000	201		130	2,476	1816
277	Landesgirokasse, Stuttgart	Germany	12,618,330,000	10,842,620,002	312	+35	243	4,781	1818
278	Vereins-und Westbank, Hamburg	Germany	12,616,598,835s	11,149,658,028s	307	+29	260	4,190	1856
279	Kagoshima Bank, Ltd.	Japan	12,573,824,104	13,103,457,128	270		133	2,459	1879
280	State Bank of South Australia, Adelaide	Australia	12,522,768,933s	8,758,592,572	371	+91	190	3,800	1984
281	First Bank NA, Minneapolis	United States	12,497,203,000	14,255,601,000	246		39	3,185	1857
282	Connecticut National Bank, Hartford	United States	12,469,317,000	12,176,058,000	285	+3	156	5,917	1792
283	Keiyo Bank, Ltd., Chiba	Japan	12,392,682,037	12,735,309,856	277		103	2,116	1943
284	Industrial Bank of Korea, Seoul	Korea	12,355,284,798	9,613,650,021	341	+57	205	9,300	1961
285	Erste Oesterreichische Spar-Casse, Vienna	Austria	12,315,195,082s	11,492,087,888s	298	+13	125	2,752	1819
286	Citizens & Southern National Bank, Atlanta	United States	12,291,349,000	11,255,507,000	306	+20	210	7,394	1887
287	Shikoku Bank, Ltd., Kochi	Japan	12,259,990,426	12,816,043,380	275		126	2,416	1878
288	Bank One, Texas NA, Dallas	United States	12,248,464,000	6,556,056,000	471	+183	54	5,347	1914
289	Kredietbank S.A. Luxembourgeoise, Luxembourg	Luxembourg	12,186,194,252st	8,325,670,000u	389	+100	7	N.A.	1949
290	Seattle-First National Bank	United States	12,170,846,000	10,652,218,000	315	+25	183	6,516	1870
291	First Fidelity Bank NA, Newark, N.J.	United States	12,148,525,000	10,944,767,000	310	+19	172	5,366	1812
292	Banque Worms, Paris	France	12,098,753,962s	10,065,406,969s	327	+35	28	1,509	1928
293	Caja de Ahorros y Monte de Piedad de Barcelona	Spain	12,044,250,350	9,632,577,780	340	+47	606	3,215	1844
294	Musashino Bank, Ltd., Omiya	Japan	12,040,259,055	12,619,866,848	278		80	2,179	1952
295	NCNB National Bank of Florida, Tampa	United States	11,755,983,000	9,517,015,000	345	+50	255	5,092	1982
296	Banque Regionale d'Escompte et de Depots, Vincennes	France	11,668,376,672s	10,046,788,924u	330	+34	208	3,804	1919
297	Dime Savings Bank of New York, FSB, Garden City	United States	11,652,230,000	12,007,151,000	286		56	N.A.	1859
298	Texas Commerce Bank NA, Houston	United States	11,605,210,000	11,619,378,000	297		28	4,510	1886
299	Awa Bank, Ltd., Tokushima	Japan	11,526,586,113	12,401,444,112	281		94	1,952	1896
300	Shinhan Bank, Seoul	Korea	11,512,283,498	4,337,673,404	650	+350	80	2,233	1982

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total assets** exclude contra accounts and contingent liabilities. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)—** A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)—** A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)—** Consolidated data. **(t)—** Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)—** Data are not consolidated for affiliates more than 50% owned. **(v)—** Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)—** Rank based on revised asset total for 1988. **(‡)—** Restated to reflect changes in consolidation in 1989. **N.A.—** Not available.

Compiled by American Banker, Copyright 1990.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 14A, 18A-20A,

22A-31A, 16

The Top 500 Banks in the World

U.S. and overseas banks ranked by assets on Dec. 31, 1989 or nearest fiscal yearend

Asset Rank 1989			Assets in US Dollars 12/31/89	Assets in US Dollars 12/31/88	Asset Rank 12/31/88	Gain in Rank	Bank Branches 12/31/89	Employees 12/31/89	Operating Since
301	Franklin Savings Assn., Ottawa, Kan.	United States	11,427,820,000	13,266,390,000	265		9	602	1889
302	Banque et Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	11,415,760,217	8,938,744,847	363	+61	92	1,511	1856
303	Korea Housing Bank, Seoul	Korea	11,355,742,802	8,129,210,600	398	+95	236	9,276	1967
304	Genossenschaftliche Zentralbank, Stuttgart	Germany	11,315,942,116	11,043,612,103	309	+5	0	488	1970
305	Riyad Bank Ltd., Jeddah	Saudi Arabia	11,294,453,366u	10,193,794,260u	324	+19	161	4,615	1957
306	Coast Savings & Loan Assn., Los Angeles	United States	11,293,189,000	12,898,630,000	274		134	2,100	1935
307	Oita Bank, Ltd.	Japan	11,252,215,910	11,850,747,328	292		118	2,064	1893
308	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	11,163,558,788	9,260,278,198	355	+47	238	4,145	1861
309	Citibank (South Dakota) NA, Sioux Falls	United States	11,142,112,000	13,557,319,000	258		0	4,068	1981
310	Yamanashi Chuo Bank, Ltd., Kofu	Japan	11,141,246,505	11,440,938,164	300		82	2,109	1941
311	Chiba Kogyo Bank, Ltd.	Japan	11,090,274,160	11,413,654,092	302		80	1,855	1952
312	First Federal of Michigan, Detroit	United States	11,088,251,000	11,941,524,520	288		97	1,520	1933
313	Commerzbank International, Luxembourg	Luxembourg	11,086,429,163t	9,877,005,607t	334	+21	0	144	1969
314	Hokuetsu Bank, Ltd., Nagaoka	Japan	11,066,709,277	11,673,731,212	296		95	1,999	1942
315	State Bank of New South Wales, Sydney	Australia	10,980,968,040s	8,136,712,000s	397	+82	N.A.	N.A.	1933
316	Aichi Bank, Ltd., Nagoya	Japan	10,970,783,160	11,813,132,248	293		106	2,599	1944
317	Sparekassen Bikuben, Copenhagen	Denmark	10,860,222,000	8,082,420,205	399	+82	310	4,467	1857
318	Boston Safe Deposit & Trust Co.	United States	10,771,670,000	17,517,376,000	197		N.A.	2,738	1867
319	Bank of Iwate, Ltd., Morioka	Japan	10,710,827,345	11,879,713,192	290		112	1,894	1932
320	Standard Bank of South Africa Ltd., Johannesburg	South Africa	10,593,161,244u	N.A.	...		449	20,409	1862
321	Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	10,582,929,000s	8,536,378,786s	379	+58	12	3,463	1919
322	Gotabanken, Stockholm	Sweden	10,461,619,000s	8,538,918,000s	378	+56	141	2,399	1848
323	Banca Popolare di Bergamo	Italy	10,444,961,699u	8,379,184,895u	387	+64	133	2,888	1869
324	Bank of New Zealand, Ltd., Wellington	New Zealand	10,422,145,293	10,057,983,734	328	+4	218	6,708	1861
325	Malayan Banking Berhad, Kuala Lumpur	Malaysia	10,397,157,620s	8,587,544,038s	377	+52	217	8,350	1960
326	Frankfurter Sparkasse, Frankfurt	Germany	10,313,660,905	9,426,851,092	347	+21	N.A.	N.A.	1988
327	Crestar Bank, Richmond	United States	10,160,578,000	9,335,075,000	350	+23	210	5,676	1963
328	Morgan Grenfell & Co. Ltd., London	United Kingdom	10,140,623,640st	8,308,358,448u	390	+62	0	2,332	1838
329	Comerica Bank-Detroit	United States	10,096,859,000	8,780,525,000	370	+41	138	3,749	1849
330	Meridian Bank, Reading, Pa.	United States	10,074,657,000	7,899,960,000	409	+79	187	3,665	1932
331	State Street Bank & Trust Co., Boston	United States	10,059,546,000	8,399,064,000	385	+54	6	7,209	1792
332	Eighteenth Bank, Ltd., Nagasaki	Japan	10,047,847,254	10,746,117,812	314		117	1,961	1877
333	Akita Bank, Ltd.	Japan	10,029,288,415	10,349,019,692	322		103	1,860	1941
334	Banco Lariano, Como	Italy	10,016,423,081t	8,141,406,818t	396	+62	126	2,525	1908
335	Chukyo Bank, Ltd., Nagoya	Japan	9,952,751,285	10,752,875,012	313		101	2,232	1943
336	Bank Negara Indonesia 1946, Jakarta	Indonesia	9,940,144,883	8,678,404,082	373	+37	280	10,339	1946
337	United States National Bank, Portland	United States	9,917,161,000	8,181,918,000	394	+57	194	4,986	1891
338	Banca Provinciale Lombarda, Bergamo	Italy	9,914,761,727t	7,791,947,857t	411	+73	148	2,852	1932
339	Bank of India, Bombay	India	9,887,798,507	9,290,512,000	352	+13	2,272	53,057	1906
340	Banco Intercontinental Espanol, Madrid	Spain	9,881,417,260	7,203,417,480	436	+96	290	2,147	1965
341	Oversea-Chinese Banking Corp., Ltd., Singapore	Singapore	9,880,709,068s	6,878,504,583s	447	+106	N.A.	N.A.	1932
342	S.G. Warburg & Co., Ltd., London	United Kingdom	9,878,540,000	7,966,626,381	403	+61	N.A.	N.A.	1934
343	Gulf International Bank, Manama	Bahrain	9,865,189,450	9,141,472,560	356	+13	3	521	1976
344	Michigan National Bank, Farmington Hills	United States	9,851,495,000	9,295,911,000	351	+7	199	4,953	1977
345	Towa Bank, Ltd., Maebashi	Japan	9,795,872,180	10,194,317,352	323		82	2,143	1917
346	Harris Trust & Savings Bank, Chicago	United States	9,793,322,000	8,850,680,000t	366	+20	2	4,107	1882
347	First Gibraltar Bank, FSB, Dallas	United States	9,774,756,000	12,497,352,000	280		98	N.A.	N.A.
348	Midlantic National Bank, Newark, N.J.	United States	9,758,482,000	5,633,423,000	531	+183	212	4,621	1804
349	Bank of Communications, Taipei	Taiwan	9,756,754,263	8,285,935,865	391	+42	20	1,076	1907
350	Arab Bank Ltd., Amman	Jordan	9,747,890,880s	13,332,498,900s	264		92	3,500	1930
351	Connecticut Bank & Trust Co. NA, Hartford	United States	9,720,404,000	9,877,233,000	333		169	4,959	1792
352	Stadtsparkasse Koeln, Cologne	Germany	9,680,771,920	8,948,946,160	362	+10	117	3,795	1826
353	Bank Leu, Ltd., Zurich	Switzerland	9,673,695,506u	9,877,732,679u	332		22	1,324	1755
354	Fleet National Bank, Providence, R.I.	United States	9,663,870,000	7,909,218,000	408	+54	44	2,249	1791
355	First National Bank of South Africa Ltd., Johannesburg	South Africa	9,648,114,700	11,288,150,000s	304		844	19,403	1971
356	Banque Paribas Belgique, Brussels (q)	Belgium	9,639,733,100s	7,767,015,200st	412	+56	63	1,232	1968
357	Standard Federal Bank, Troy, Mich.	United States	9,638,381,000	9,803,376,000	336		113	2,283	1893
358	Lyonnaise de Banque, Lyon	France	9,636,619,000s	8,611,603,612st	375	+17	300	4,400	1965
359	Philadelphia National Bank	United States	9,587,496,000	9,525,065,000	344		68	1,740	1803
360	Imperial Savings Assn., San Diego, Calif.	United States	9,581,584,000	12,349,537,000	283		88	N.A.	1926
361	Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	Turkey	9,555,508,980	7,177,951,308	437	+76	N.A.	N.A.	1863
362	United Overseas Bank Ltd., Singapore	Singapore	9,521,805,592s	7,404,860,025s	426	+64	125	5,056	1935
363	Cassa di Risparmio di Firenze, Florence	Italy	9,446,980,867	8,031,320,329	400	+37	177	3,503	1829
364	Chase Manhattan Bank (USA) NA, Wilmington, Del.	United States	9,387,758,000	6,816,276,000	455	+91	N.A.	1,368	1982
365	Aomori Bank, Ltd.	Japan	9,379,269,953	9,651,751,732	339		106	2,056	1943
366	Valley National Bank, Phoenix	United States	9,348,843,000	10,141,098,000	325		230	6,597	1899
367	Columbia Savings & Loan Assn., Beverly Hills	United States	9,334,522,079	11,752,238,000	295		20	N.A.	1958
368	Union Bank of Switzerland (Luxembourg)	Luxembourg	9,282,459,559v	8,467,154,461v	382	+14	N.A.	N.A.	1973
369	Banco Portugues do Atlantico, Oporto	Portugal	9,279,890,984u	8,379,641,554u	386	+17	155	6,154	1919
370	Fidelity Bank NA, Philadelphia	United States	9,277,808,000	10,055,205,000	329		127	3,852	1814
371	Farmers Bank of China, Taipei	Taiwan	9,272,603,769	6,780,737,852	457†	+86	36	1,143	1899
372	Nordbanken, Stockholm	Sweden	9,243,428,600s	6,823,799,400s	453	+81	N.A.	N.A.	1986
373	Shawmut Bank NA, Boston	United States	9,236,379,000	8,837,739,000	367		157	3,725	1836
374	Daisan Bank, Ltd., Matsuzaka	Japan	9,205,712,420	10,011,948,032	331		101	2,100	1912
375	First Union National Bank of Florida, Jacksonville	United States	9,179,896,000	9,137,981,000	357		209	4,751	1889
376	Istituto Bancario Italiano, Milan	Italy	9,133,123,586t	7,013,963,299t	444	+68	73	2,976	1918
377	Nedcor Ltd., Johannesburg	South Africa	9,118,697,700s	5,619,132,800s	534	+157	924	16,826	1888
378	Sunbelt Savings, FSB, Dallas	United States	9,108,052,000	9,387,162,000	348		103	N.A.	N.A.
379	Senshu Bank, Ltd., Kishiwada	Japan	9,073,530,218	8,988,750,284	361		57	1,453	1951
380	North Pacific Bank, Ltd., Sapporo	Japan	9,070,939,150	10,412,334,656	321		107	2,039	1917
381	Bank of Ikeda, Ltd.	Japan	9,044,254,923	8,865,701,672	365		66	1,598	1951
382	Shinwa Bank, Ltd., Sasebo	Japan	9,012,331,959	9,511,862,676	346		124	2,024	1939
383	Maryland National Bank, Baltimore	United States	8,954,496,000	8,653,292,000	374		151	4,402	1933
384	Ehime Bank, Ltd., Matsuyama	Japan	8,944,410,759	9,715,059,188	337		86	1,760	1943
385	Anchor Savings Bank, FSB, Northport, N.Y.	United States	8,938,276,000	8,401,707,000	384		128	N.A.	1868
386	Signet Bank/Virginia, Richmond	United States	8,933,440,000	7,479,345,000	424	+38	140	4,036	1922
387	Ameritrust Co. NA, Cleveland	United States	8,910,063,000	8,417,335,000	383		149	4,308	1894
388	Huntington National Bank, Columbus, Ohio	United States	8,842,001,000	7,605,809,000	417	+29	172	2,649	1866
389	American Express Centurion Bank, Newark	United States	8,754,152,000	8,005,567,000	401	+12	N.A.	384	1985
390	Manufacturers National Bank, Detroit	United States	8,660,757,000	7,807,076,000	410	+20	101	4,770	1933
391	Baden-Wuerttembergische Bank, Stuttgart	Germany	8,592,819,929s	7,400,923,048s	428	+37	N.A.	2,105	1871
392	City Savings Bank, FSB, Somerset, N.J.	United States	8,582,471,000	10,552,806,000	317		110	N.A.	1887
393	Bank of Baroda	India	8,511,790,000s	7,577,994,710u	419	+26	2,297	43,914	1908
394	Northern Trust Co., Chicago	United States	8,501,224,000	7,937,652,000	405	+11	2	4,577	1889
395	Cassa di Risparmio di Padova e Rovigo, Padova	Italy	8,483,195,474	7,144,917,462	439	+44	110	2,273	1822
396	Krung Thai Bank Ltd., Bangkok	Thailand	8,482,819,800	6,860,160,315	449	+53	331	13,300	1966
397	First National Bank, Atlanta	United States	8,469,739,000	7,934,874,000	406	+9	134	4,757	1865
398	Norwest Bank Minnesota NA, Minneapolis	United States	8,453,200,000	8,179,172,000	395		61	2,672	1929
399	Citibank (Nevada) NA, Las Vegas	United States	8,452,222,000	5,794,941,000	517	+118	2	1,233	1985
400	Banca d'America e d'Italia, Milan	Italy	8,401,232,333t	5,545,116,208t	538	+138	100	2,942	1917

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total assets** exclude contra accounts and contingent liabilities. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)**— Rank based on revised asset total for 1988. **(‡)**— Restated to reflect changes in consolidation in 1989. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

The Top 500 Banks in the World

U.S. and overseas banks ranked by assets on Dec. 31, 1989 or nearest fiscal yearend

Asset Rank 1989			Assets in US Dollars 12/31/89	Assets in US Dollars 12/31/88	Asset Rank 12/31/88	Gain in Rank	Bank Branches 12/31/89	Employees 12/31/89	Operating Since
401	Miyazaki Bank, Ltd.	Japan	8,388,444,292	9,530,775,328	343		103	1,807	1932
402	Higashi-Nippon Bank, Ltd., Tokyo	Japan	8,384,696,048	8,811,178,576	369		70	1,780	1924
403	Bank of the Ryukyus, Ltd., Naha	Japan	8,373,356,981	9,545,138,132	342		76	1,881	1948
404	Yamagata Bank, Ltd.	Japan	8,353,339,094	9,278,108,604	353		91	1,853	1881
405	Banque Cantonale de Berne	Switzerland	8,349,232,464	7,910,452,970	407	+2	N.A.	N.A.	1834
406	United World Chinese Commercial Bank, Taipei	Taiwan	8,322,059,356u	....	...		28	1,288	1974
407	Provident National Bank, Philadelphia	United States	8,321,445,000	7,975,995,000	402		69	3,119	1847
408	Banca Serfin, Mexico City	Mexico	8,320,276,682s	6,505,141,573s	473	+65	N.A.	N.A.	1864
409	Bank of Saga, Ltd.	Japan	8,258,469,529u	8,829,175,252u	368		110	1,727	1955
410	Jyske Bank, Silkeborg	Denmark	8,227,644,512s	7,703,862,433s	414	+4	155	2,516	1967
411	CenTrust Bank, SSB, Miami	United States	8,217,563,000	10,103,877,000	326		49	N.A.	N.A.
412	Michinoku Bank, Ltd., Aomori	Japan	8,202,384,227	8,534,869,160	380		103	1,973	1976
413	National City Bank, Cleveland	United States	8,173,174,000	7,605,767,000	418	+5	84	3,020	1845
414	Banco de Sabadell	Spain	8,158,604,520s	6,493,777,920	474	+60	286	3,887	1881
415	Empire of America Federal Savings Bank, Buffalo, N.Y.	United States	8,142,100,000	11,281,412,000	305		66	N.A.	1854
416	Forsta Sparbanken, Stockholm	Sweden	8,110,036,900	6,372,289,400s	480	+64	121	2,432	1820
417	Society National Bank, Cleveland	United States	8,098,899,000	6,061,572,000	505	+88	132	3,630	1849
418	Banca Catalana, Barcelona	Spain	8,059,005,350tu	8,915,582,340sv	364		407	3,510	1961
419	Bank of Hawaii, Honolulu	United States	8,003,403,000	6,359,719,000	482	+63	79	3,552	1897
420	Security Pacific Bank Washington, Seattle	United States	7,983,175,000	7,017,554,000	443	+23	160	4,510	1889
421	Coutts & Co., London	United Kingdom	7,932,651,930st	6,352,496,592st	483	+62	N.A.	N.A.	1692
422	Bank Bumi Daya, Jakarta	Indonesia	7,932,436,128	6,450,361,832s	478	+56	106	7,711	1959
423	Union de Banques Arabes et Francaises, Neuilly	France	7,834,028,027s	8,232,351,186s	392		5	582	1970
424	Bank of Tokyo Trust Co., New York	United States	7,824,057,000t	6,558,746,000v	470	+46	3	368	1955
425	Caja de Ahorros de Cataluna, Barcelona	Spain	7,813,052,280	5,988,471,300	507	+82	596	2,309	1926
426	Florida National Bank, Jacksonville	United States	7,808,190,000	7,750,519,000	413		185	4,259	1889
427	Boatmen's National Bank, St. Louis, Mo.	United States	7,787,150,000	4,331,429,000	652	+225	57	3,285	1847
428	Thai Farmers Bank, Bangkok	Thailand	7,746,549,187	6,207,081,675	495	+67	318	13,055	1945
429	Banco Espirito Santo e Comercial, Lisbon	Portugal	7,737,983,003	6,827,314,025	452	+23	157	6,659	1937
430	Banque Cantonale de St. Gallen	Switzerland	7,665,447,312	7,453,527,480	425		85	1,050	1868
431	Dresdner Bank Berlin AG	Germany	7,663,244,990tu	6,670,770,723tu	464	+33	79	1,919	1949
432	Nassauische Sparkasse Wiesbaden, Wiesbaden	Germany	7,615,586,584	6,871,657,967	448	+16	334	1,798	1840
433	Bank of California NA, San Francisco	United States	7,586,854,000t	6,666,874,000v	465	+32	56	3,676	1864
434	AmSouth Bank NA, Birmingham, Ala.	United States	7,535,780,000	7,248,891,000	432		155	4,528	1873
435	Stadtsparkasse Munchen, Munich	Germany	7,510,601,468	6,854,608,419	450	+15	116	2,286	1824
436	First City Texas-Houston NA	United States	7,504,343,000	6,279,526,000	490	+54	24	2,566	1866
437	Ljubljanska Banka, Ljubljana	Yugoslavia	7,485,840,000s	7,110,776,220s	441	+4	19	11,268	1955
438	International Commercial Bank of China, Taipei	Taiwan	7,447,288,784u	6,578,445,274u	468	+30	N.A.	N.A.	1912
439	Luzerner Kantonalbank, Lucerne	Switzerland	7,434,288,216	7,091,229,495	442	+3	31	990	1850
440	Cassa di Risparmio in Bologna	Italy	7,403,936,654	5,942,335,893s	510	+70	76	1,548	1837
441	United Mizrahi Bank Ltd., Tel-Aviv	Israel	7,401,679,490s	7,565,142,392s	420		81	2,723	1923
442	Banque Cantonale Vaudoise, Lausanne	Switzerland	7,394,070,434	7,480,743,697	423		58	1,469	1845
443	Citicorp Savings, FS&LA, San Francisco	United States	7,393,077,000	6,943,066,000	445	+2	130	2,200	1921
444	Uniao de Bancos Brasileiros, Sao Paulo	Brazil	7,351,015,056	N.A.	...		N.A.	N.A.	1967
445	Banco Atlantico, Barcelona	Spain	7,326,779,350tu	5,820,018,288st	514	+69	N.A.	N.A.	1901
446	Cassa di Risparmio di Genova e Imperia, Genoa	Italy	7,196,232,300	6,475,865,427u	476	+30	137	2,962	1846
447	Tochigi Bank, Ltd., Utsunomiya	Japan	7,194,244,949	7,279,794,340	431		61	1,529	N.A.
448	Kreissparkasse Koeln, Cologne	Germany	7,187,773,394	6,560,473,736	469	+21	135	2,811	1855
449	Banca della Svizzera Italiana, Lugano	Switzerland	7,187,680,800s	6,108,416,020s	502	+53	39	1,986	1873
450	Commercial Bank of Greece, Athens	Greece	7,148,769,043u	6,178,704,539u	497	+47	342	7,155	1907
451	Gibraltar Savings, FA, Simi Valley, Calif.	United States	7,147,861,000	13,436,242,000	262		96	N.A.	1886
452	BFG Luxembourg	Luxembourg	7,113,782,101t	6,778,284,420t	457	+5	0	82	1973
453	CIC-Union Europeenne, International & Cie, Paris	France	7,108,499,070tu	7,632,594,479u	415		4	247	1984
454	National Bank of Egypt, Cairo	Egypt	7,064,186,000u	6,340,464,000u	485	+31	262	8,165	1898
455	Saudi American Bank, Riyadh	Saudi Arabia	7,060,912,278s	6,253,942,760	491	+36	38	1,019	1980
456	Bank of Kansai, Ltd., Osaka	Japan	7,059,245,275	7,112,914,024	440		67	1,454	1922
457	West LB International, Luxembourg	Luxembourg	7,058,673,830t	6,062,560,000t	504	+47	0	99	1972
458	Household Bank, FSB, Newport Beach, Calif.	United States	7,051,505,000	4,971,387,000	583	+125	112	2,491	1878
459	Greenwood Trust Co., New Castle, Del.	United States	7,050,646,000	6,474,688,000	477	+18	N.A.	4,525	1911
460	Peoples Bank, Bridgeport, Conn.	United States	7,037,923,000	6,294,349,000	488	+28	N.A.	N.A.	1842
461	Hanshin Bank, Ltd., Kobe	Japan	7,033,894,316	7,207,875,208	435		72	1,473	1949
462	Clydesdale Bank Plc, Glasgow	United Kingdom	6,986,868,974t	N.A.	...		351	7,500	1987
463	Union Bank of Norway, Oslo	Norway	6,967,826,446s	7,350,353,072	429		96	2,010	1985
464	Banca Popolare di Verona	Italy	6,951,278,571	5,414,670,000	550	+86	105	1,724	1867
465	Commercial Bank of Kuwait	Kuwait	6,904,428,190	6,340,857,350	484	+19	36	1,160	1962
466	Sanwa Bank California, San Francisco	United States	6,898,837,000t	6,409,975,000t	479	+13	107	3,319	1972
467	Atlantic Financial Federal, FA, Bala Cynwyd, Pa.	United States	6,873,268,000	7,939,932,000	404		73	N.A.	1982
468	Banca San Paolo di Brescia	Italy	6,787,201,287s	5,792,433,885s	518	+50	107	1,710	1888
469	Banque Sudameris, Paris	France	6,776,994,567s	5,574,362,183s	536	+67	193	7,845	1910
470	First Interstate Bank of Arizona NA, Phoenix	United States	6,749,026,000	6,684,434,000	462		191	4,503	1877
471	Bank Dagang Negara, Jakarta	Indonesia	6,726,303,714s	5,869,378,005u	511	+40	164	7,805	1960
472	Caja de Ahorros y Monte de Piedad de Zaragoza	Spain	6,708,778,780	5,507,728,380	540	+68	562	2,923	1876
473	Biwako Bank, Ltd., Otsu	Japan	6,676,641,382	7,217,477,798	434		64	1,264	1942
474	Kyushu Bank, Ltd., Sasebo	Japan	6,642,316,020	7,154,928,792	438		79	1,446	1940
475	First Pennsylvania Bank NA, Philadelphia	United States	6,623,413,000	6,369,053,000	481	+6	92	3,534	1782
476	Gulf Bank, Kuwait	Kuwait	6,621,824,440	6,735,737,535	459		N.A.	N.A.	1960
477	AN-HYP N.V., Antwerp	Belgium	6,608,402,751u	5,434,570,333	549	+72	79	1,344	1881
478	Bank of Okinawa, Ltd., Naha	Japan	6,575,250,124	7,521,979,896	422		79	1,560	1956
479	Credit Suisse (Luxembourg)	Luxembourg	6,561,771,265t	5,354,438,852v	557	+78	0	117	1976
480	Yorkshire Bank Plc, Leeds	United Kingdom	6,529,960,360st	5,759,318,912	522	+42	251	5,658	1859
481	Riggs National Bank, Washington, D.C.	United States	6,508,044,000	6,161,400,000	498	+17	32	2,103	1836
482	Hibernia National Bank, New Orleans, La.	United States	6,507,334,000	5,779,101,000	520	+38	158	3,093	1870
483	Chase Lincoln First Bank NA, Rochester, N.Y.	United States	6,427,400,000	6,239,596,000	493	+10	112	3,571	1850
484	Banco Real, Sao Paulo	Brazil	6,386,673,216s	N.A.	...		N.A.	N.A.	1925
485	MeraBank, FSB, Phoenix, Ariz.	United States	6,381,942,000	8,348,139,000	388		76	N.A.	1925
486	Banco Pinto & Sotto Mayor, Lisbon	Portugal	6,376,601,080s	5,752,407,000	524	+38	155	6,764	1914
487	Banco Pastor, Coruna	Spain	6,357,876,360	5,236,072,380	567	+80	N.A.	N.A.	1776
488	First Interstate Bank of Texas NA, Houston	United States	6,341,309,000	6,718,731,000	460		59	3,110	1956
489	Banque Commerciale pour l'Europe du Nord, Paris	France	6,316,400,431t	6,610,978,870t	467		N.A.	N.A.	1921
490	Caja de Ahorros de Galicia, Coruna	Spain	6,312,573,300	4,916,973,600	586	+96	399	2,598	1978
491	First Interstate Bank of Oregon NA, Portland	United States	6,288,909,000	5,780,982,000	519	+28	176	3,970	1865
492	First National Bank of Maryland, Baltimore	United States	6,287,818,000t	5,596,614,000t	535	+43	145	3,679	1806
493	Trust Company Bank, Atlanta	United States	6,280,287,000	5,802,015,000	515	+22	49	2,852	1891
494	National Bank of Dubai Ltd., Dubai	United Arab Emirates	6,279,668,352	6,016,863,040	506	+12	17	735	1963
495	Motherwell District Municipal Bank Ltd.	United Kingdom	6,245,536,560	....	...		5	0	1924
496	Overseas Union Bank, Ltd., Singapore	Singapore	6,213,258,228s	4,569,096,060s	617	+121	70	2,108	1947
497	Citizens & Southern National Bank, Fort Lauderdale, Fla.	United States	6,209,090,000	5,302,580,000	560	+63	167	3,781	1937
498	Landesbank Saar-Girozentrale, Saarbrucken	Germany	6,191,510,740u	5,628,470,658u	532	+34	0	623	1941
499	Ulster Bank Ltd., Belfast	United Kingdom	6,180,759,410st	5,279,459,440st	563	+64	N.A.	N.A.	1836
500	Sparkasse in Bremen	Germany	6,168,119,271u	5,457,839,034u	547	+47	85	1,729	1825

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total assets** exclude contra accounts and contingent liabilities. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)**— Rank based on revised asset total for 1988. **(‡)**— Restated to reflect changes in consolidation in 1989. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

Top 500 Banks by Country

Banks outside the U.S. listed geographically in asset-size order within nations

Rank 12/89		12/31/89 Assets (U.S. Dollars)
	Australia	
58	Westpac Banking Corp., Sydney	76,104,260,000s
79	Australia & New Zealand Banking Group, Ltd., Melbourne	53,962,264,000s
84	National Australia Bank, Ltd, Melbourne	51,208,550,400s
93	Commonwealth Bank of Australia, Sydney	45,859,716,000s
114	Commonwealth Banking Corp., Sydney	39,600,489,600s
222	State Bank Victoria, Melbourne	16,409,131,200s
253	Commonwealth Savings Bank of Australia, Sydney	14,196,168,000t
280	State Bank of South Australia, Adelaide	12,522,768,933s
315	State Bank of New South Wales, Sydney	10,980,968,040s
	Austria	
102	Creditanstalt-Bankverein, Vienna	44,455,429,200
151	Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	25,248,828,799u
164	Oesterreichische Laenderbank, Vienna	22,855,544,796s
196	Zentralsparkasse und Kommerzialbank, Vienna	19,804,344,000u
219	Raiffeisen Zentralbank Oesterreich AG, Vienna	16,509,192,000s
229	Bank fuer Arbeit und Wirtschaft, Vienna	15,783,125,488u
240	Oesterreichische Postsparkasse, Vienna	15,150,930,480u
285	Erste Oesterreichische Spar-Casse, Vienna	12,315,195,082s
	Bahrain	
176	Arab Banking Corp., Manama	21,730,000,000s
343	Gulf International Bank, Manama	9,865,189,450
	Belgium	
65	Generale Bank, Brussels	67,965,863,400s
85	Banque Bruxelles Lambert, Brussels	50,736,240,610s
90	Kredietbank N.V., Brussels	47,856,288,000s
105	ASLK-CGER Bank, Brussels	43,097,568,983s
224	Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	16,194,984,365
246	Societe Nationale de Credit a l'Industrie, Brussels	14,457,065,825
249	C.O.B.-Caisse d'Epargne Privee, Brussels	14,329,595,303s
356	Banque Paribas Belgique, Brussels (q)	9,639,733,100s
477	AN-HYP N.V., Antwerp	6,608,402,751u
	Brazil	
35	Banco do Brasil, Brasilia	105,195,166,384u
154	Banco Brasileiro de Descontos, Sao Paulo	24,747,610,720s
210	Banco Itau, Sao Paulo	17,385,615,184
215	Banco do Estado de Sao Paulo	16,814,353,696s
444	Uniao de Bancos Brasileiros, Sao Paulo	7,351,015,056
484	Banco Real, Sao Paulo	6,386,673,216s
	Canada	
49	Royal Bank of Canada, Montreal	88,573,064,592s
57	Canadian Imperial Bank of Commerce, Toronto	78,511,029,792s
69	Bank of Montreal	64,873,480,716s
73	Bank of Nova Scotia, Toronto	62,340,736,908s
91	Toronto Dominion Bank	47,771,304,312
134	National Bank of Canada, Montreal	28,906,015,296s
	Denmark	
78	Danske Bank, Copenhagen	54,879,685,526s
107	Unibank, Copenhagen	42,082,945,000
317	Sparekassen Bikuben, Copenhagen	10,860,222,000
410	Jyske Bank, Silkeborg	8,227,644,512s
	Egypt	
454	National Bank of Egypt, Cairo	7,064,186,000u
	Finland	
118	Kansallis-Osake Pankki, Helsinki	37,015,447,800s
120	Union Bank of Finland, Ltd., Helsinki	36,308,025,600s
180	Skopbank, Helsinki	21,309,366,109s
193	Postipankki, Helsinki	20,142,111,000s
267	Osuuspankkien Keskuspankki Oy, Helsinki	13,204,000,800s
	France	
7	Credit Agricole Mutuel, Paris	242,311,948,300s
8	Banque Nationale de Paris	231,769,484,000s
12	Credit Lyonnais, Paris	211,005,505,000s
20	Societe Generale, Paris	176,019,715,000s
53	Banque Paribas, Paris (q)	82,272,399,000s
70	Groupe Des Banques Populaires, Paris	64,787,090,223
77	Banque Indosuez, Paris	55,388,891,000s
95	Credit Commercial de France, Paris	45,663,523,000s
116	Banque Francaise du Commerce Exterieur, Paris	38,684,478,273s
174	Caisse Centrale des Banques Populaires, Paris	21,984,518,536
254	Credit Industriel et Commercial, Paris (h)	14,184,379,509
257	Societe Generale Alsacienne de Banque, Strasbourg	13,968,063,942st
292	Banque Worms, Paris	12,098,753,962s
296	Banque Regionale d'Escompte et de Depots, Vincennes	11,668,376,672s
321	Credit Industriel d'Alsace et de Lorraine, Strasbourg	10,582,929,000s
358	Lyonnaise de Banque, Lyon	9,636,619,000s
423	Union de Banques Arabes et Francaises, Neuilly (w)	7,834,028,027s
453	CIC-Union Europeenne, International & Cie, Paris	7,108,499,070tu
469	Banque Sudameris, Paris	6,776,994,567s
489	Banque Commerciale pour l'Europe du Nord, Paris	6,316,400,431t
	Germany	
15	Deutsche Bank, Frankfurt	202,607,135,750s
26	Dresdner Bank, Frankfurt	145,666,029,692s
32	Commerzbank, Frankfurt	113,016,860,000s
33	Deutsche Genossenschaftsbank, Frankfurt	109,354,031,874s
37	Westdeutsche Landesbank Girozentrale, Duesseldorf	104,324,980,000s
38	Bayerische Vereinsbank, Munich	102,306,000,000s
46	Bayerische Hypotheken-und Wechsel-Bank, Munich	89,902,700,011s

Rank 12/89		12/31/89 Assets (U.S. Dollars)
	Germany (continued)	
52	Bayerische Landesbank Girozentrale, Munich	82,514,933,800s
66	Norddeutsche Landesbank Girozentrale, Hannover	67,629,966,572s
92	Sudwestdeutsche Landesbank, Stuttgart	46,482,560,000s
108	Hessische Landesbank-Girozentrale, Frankfurt	41,611,814,055s
117	Bank fuer Gemeinwirtschaft, Frankfurt	37,871,611,245s
138	Hamburgische Landesbank-Girozentrale, Hamburg	27,561,573,880
140	Deutsche Siedlungs und Landesrentenbank, Bonn	27,330,426,091
141	Landesbank Rheinland-Pfalz Girozentrale, Mainz	26,845,000,000s
145	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	25,942,140,020u
168	Landesbank Schleswig-Holstein Girozentrale, Kiel	22,515,739,890s
184	Berliner Handels und-Frankfurter Bank, Frankfurt	20,965,060,000s
187	Berliner Bank, Berlin	20,770,983,920s
203	Bremer Landesbank, Bremen	19,004,814,500t
212	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	17,158,970,000u
221	Hamburger Sparkasse, Hamburg	16,445,542,196
230	Westfalenbank, Bochum	15,756,927,983st
236	Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	15,602,734,080
264	Sparkasse der Stadt Berlin West, Berlin	13,388,013,806
277	Landesgirokasse, Stuttgart	12,618,330,000
278	Vereins-und Westbank, Hamburg	12,616,598,835s
304	Genossenschaftliche Zentralbank, Stuttgart	11,315,942,116
326	Frankfurter Sparkasse, Frankfurt	10,313,660,905
352	Stadtsparkasse Koeln, Cologne	9,680,771,920
391	Baden-Wuerttembergische Bank, Stuttgart	8,592,819,929s
431	Dresdner Bank Berlin AG	7,663,244,990tu
432	Nassauische Sparkasse Wiesbaden, Wiesbaden	7,615,586,584
435	Stadtsparkasse Munchen, Munich	7,510,601,468
448	Kreissparkasse Koeln, Cologne	7,187,773,394
498	Landesbank Saar-Girozentrale, Saarbrucken	6,191,510,740u
500	Sparkasse in Bremen	6,168,119,271u
	Greece	
144	National Bank of Greece, Athens	25,974,522,000u
450	Commercial Bank of Greece, Athens	7,148,769,043u
	Hong Kong	
27	Hongkong and Shanghai Banking Corp., Hong Kong	132,835,072,000s
169	Hang Seng Bank Ltd., Hong Kong	22,466,713,600st
	India	
339	Bank of India, Bombay	9,887,798,507
393	Bank of Baroda	8,511,790,000s
	Indonesia	
336	Bank Negara Indonesia 1946, Jakarta	9,940,144,883
422	Bank Bumi Daya, Jakarta	7,932,436,128
471	Bank Dagang Negara, Jakarta	6,726,303,714s
	Iran	
61	Bank Melli Iran, Tehran	73,516,646,000
111	Bank Saderat Iran, Tehran	39,843,867,470
	Iraq	
97	Rafidain Bank, Baghdad	45,092,559,700
	Ireland	
152	Allied Irish Banks Plc., Dublin	25,186,780,000s
181	Bank of Ireland, Dublin	21,206,444,000s
	Israel	
124	Bank Hapoalim, Tel-Aviv	34,632,161,000s
132	Bank Leumi le-Israel, Tel-Aviv	29,639,868,400s
226	Israel Discount Bank, Ltd., Tel-Aviv	16,032,824,890s
441	United Mizrahi Bank Ltd., Tel-Aviv	7,401,679,490s
	Italy	
34	Istituto Bancario San Paolo di Torino, Turin	107,663,678,274s
36	Banca Nazionale del Lavoro, Rome	104,489,637,000s
48	Banca Commerciale Italiana, Milan	88,809,129,900s
59	Monte dei Paschi di Siena	75,877,857,795s
60	Credito Italiano, Milan	75,415,854,900s
67	Banco di Napoli, Naples	67,166,324,536
68	Cassa di Risparmio delle Provincie Lombarde, Milan	66,563,985,000u
71	Banco di Roma, Rome	64,628,173,500s
119	Banco di Sicilia, Palermo	36,366,427,833s
135	Banca Popolare di Novara	28,582,701,399s
142	Banca Nazionale dell'Agricoltura, Rome	26,096,208,798u
149	Cassa di Risparmio di Roma, Rome	25,479,123,348u
158	Banca Popolare di Milano, Milan	24,180,574,524s
172	Banco Ambrosiano Veneto, Milan	22,135,033,638s
188	Banco di Santo Spirito, Rome	20,652,503,839sv
245	Banca Toscana, Florence	14,551,471,770t
247	Credito Romagnolo, Bologna	14,384,006,980s
262	Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	13,502,176,363u
308	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	11,163,558,788
323	Banca Popolare di Bergamo	10,444,961,699u
334	Banco Lariano, Como	10,016,423,081t
338	Banca Provinciale Lombarda, Bergamo	9,914,761,727t
363	Cassa di Risparmio di Firenze, Florence	9,446,980,867
376	Istituto Bancario Italiano, Milan	9,133,123,586t
395	Cassa di Risparmio di Padova e Rovigo, Padova	8,483,195,474
400	Banca d'America e d'Italia, Milan	8,401,232,333t
440	Cassa di Risparmio in Bologna	7,403,936,654
446	Cassa di Risparmio di Genova e Imperia, Genoa	7,196,232,300
464	Banca Popolare di Verona	6,951,278,571
468	Banca San Paolo di Brescia	6,787,201,287s

Top 500 Banks by Country

Banks outside the U.S. listed geographically in asset-size order within nations

Rank 12/89		12/31/89 Assets (U.S. Dollars)
	Japan	
1	Sumitomo Bank Ltd., Osaka	404,064,401,132s
2	Dai-Ichi Kangyo Bank Ltd., Tokyo	403,386,126,193s
3	Fuji Bank, Ltd., Tokyo	362,575,295,833s
4	Mitsubishi Bank Ltd., Tokyo	359,960,178,697s
5	Sanwa Bank Ltd., Osaka	353,692,139,934s
6	Industrial Bank of Japan, Ltd., Tokyo	256,905,555,665s
9	Tokai Bank Ltd., Nagoya	227,738,519,511s
10	Norinchukin Bank, Tokyo	219,773,041,914
11	Mitsubishi Trust & Banking Corp., Tokyo	213,485,098,466u
14	Mitsui Bank, Ltd., Tokyo	203,291,465,903s
16	Bank of Tokyo, Ltd.	200,547,845,630s
17	Sumitomo Trust & Banking Co., Ltd., Osaka	190,943,020,692u
19	Mitsui Trust & Banking Co., Ltd., Tokyo	182,629,635,615u
21	Long-Term Credit Bank of Japan Ltd., Tokyo	174,240,317,152u
22	Taiyo Kobe Bank, Ltd., Kobe	172,977,970,205u
23	Yasuda Trust & Banking Co. Ltd., Tokyo	157,813,185,014s
25	Daiwa Bank, Ltd., Osaka	155,494,965,279u
29	Toyo Trust & Banking Co. Ltd., Tokyo	117,492,324,355u
31	Nippon Credit Bank, Ltd., Tokyo	113,890,048,045s
40	Saitama Bank Ltd., Urawa	98,665,555,088s
41	Kyowa Bank, Ltd., Tokyo	97,910,617,239s
55	Shoko Chukin Bank, Tokyo	81,957,549,921
56	Bank of Yokohama, Ltd.	81,122,917,864u
62	Zenshinren Bank, Tokyo	71,498,005,860
63	Chuo Trust & Banking Co., Ltd., Tokyo	70,683,523,759u
64	Hokkaido Takushoku Bank, Ltd., Sapporo	70,062,233,449u
75	Chiba Bank, Ltd.	57,989,881,627
76	Hokuriku Bank Ltd., Toyama	57,041,456,033s
80	Joyo Bank, Ltd., Mito	53,958,211,264
88	Shizuoka Bank Ltd.	49,174,546,304u
106	Ashikaga Bank, Ltd., Utsunomiya	42,718,240,037
112	Bank of Fukuoka, Ltd.	39,793,892,771
115	Bank of Hiroshima, Ltd.	39,269,465,639
121	Hachijuni Bank, Ltd., Nagano	35,834,501,885
128	Gunma Bank, Ltd., Maebashi	31,214,753,421
143	Chugoku Bank, Ltd., Okayama	26,004,838,908
146	Nippon Trust Bank, Ltd., Tokyo	25,643,472,968
147	Hyogo Bank, Ltd., Kobe	25,575,576,924
150	Yamaguchi Bank, Ltd., Shimonoseki	25,413,993,647
155	Juroku Bank, Ltd., Gifu	24,746,127,003
157	77 Bank, Ltd., Sendai	24,211,549,425
160	Nishi-Nippon Bank, Ltd., Fukuoka	23,713,366,290
175	Hokkaido Bank, Ltd., Sapporo	21,910,036,813
179	Bank of Kyoto, Ltd.	21,351,639,253
182	Nanto Bank, Ltd., Nara	20,982,682,490
183	Tokyo Sowa Bank, Ltd.	20,982,173,081
189	Hyakujushi Bank, Ltd., Takamatsu	20,496,423,299
198	Iyo Bank, Ltd., Matsuyama	19,706,260,761
202	Daishi Bank, Ltd., Niigata	19,157,922,851
204	Shiga Bank, Ltd., Otsu	18,902,098,909
206	Suruga Bank, Ltd., Numazu	18,587,504,262
213	Kiyo Bank, Ltd., Wakayama	17,027,964,331
227	Ogaki-Kyoritsu Bank, Ltd., Ogaki	15,859,059,346
231	Hyakugo Bank, Ltd., Tsu	15,699,997,958
233	Bank of Kinki, Ltd., Osaka	15,662,880,280
235	Higo Bank, Ltd., Kumamoto	15,615,247,394
237	Hokkoku Bank, Ltd., Kanazawa	15,434,174,506
238	Fukuoka City Bank, Ltd.	15,352,700,511
252	San-in Godo Bank, Ltd., Matsue	14,231,780,596
256	Bank of Nagoya, Ltd.	14,011,653,018
259	Fukutoku Bank, Ltd., Osaka	13,673,462,043
260	Kofuku Bank, Ltd., Osaka	13,671,116,246
261	Tokyo Tomin Bank, Ltd.	13,605,974,784
263	Bank of Osaka, Ltd.	13,494,955,067
268	Fukui Bank, Ltd.	13,195,919,406
274	Toho Bank, Ltd., Fukushima	12,761,972,117
275	Hiroshima-Sogo Bank, Ltd.	12,669,347,725
279	Kagoshima Bank, Ltd.	12,573,824,104
283	Keiyo Bank, Ltd., Chiba	12,392,682,037
287	Shikoku Bank, Ltd., Kochi	12,259,990,426
294	Musashino Bank, Ltd., Omiya	12,040,259,055
299	Awa Bank, Ltd., Tokushima	11,526,586,113
307	Oita Bank, Ltd.	11,252,215,910
310	Yamanashi Chuo Bank, Ltd., Kofu	11,141,246,505
311	Chiba Kogyo Bank, Ltd.	11,090,274,160
314	Hokuetsu Bank, Ltd., Nagaoka	11,066,709,277
316	Aichi Bank, Ltd., Nagoya	10,970,783,160
319	Bank of Iwate, Ltd., Morioka	10,710,827,345
332	Eighteenth Bank, Ltd., Nagasaki	10,047,847,254
333	Akita Bank, Ltd.	10,029,288,415
335	Chukyo Bank, Ltd., Nagoya	9,952,751,285
345	Towa Bank, Ltd., Maebashi	9,795,872,180
365	Aomori Bank, Ltd.	9,379,269,953
	Japan (continued)	
374	Daisan Bank, Ltd., Matsuzaka	9,205,712,420
379	Senshu Bank, Ltd., Kishiwada	9,073,530,218
380	North Pacific Bank, Ltd., Sapporo	9,070,939,150
381	Bank of Ikeda, Ltd.	9,044,254,923
382	Shinwa Bank, Ltd., Sasebo	9,012,331,959
384	Ehime Bank, Ltd., Matsuyama	8,944,410,759
401	Miyazaki Bank, Ltd.	8,388,444,292
402	Higashi-Nippon Bank, Ltd., Tokyo	8,384,696,048
403	Bank of the Ryukyus, Ltd., Naha	8,373,356,981
404	Yamagata Bank, Ltd.	8,353,339,094
409	Bank of Saga, Ltd.	8,258,469,529u
412	Michinoku Bank, Ltd., Aomori	8,202,384,227
447	Tochigi Bank, Ltd., Utsunomiya	7,194,244,949
456	Bank of Kansai, Ltd., Osaka	7,059,245,275
461	Hanshin Bank, Ltd., Kobe	7,033,894,316
473	Biwako Bank, Ltd., Otsu	6,676,641,382
474	Kyushu Bank, Ltd., Sasebo	6,642,316,020
478	Bank of Okinawa, Ltd., Naha	6,575,250,124
	Jordan	
350	Arab Bank Ltd., Amman	9,747,890,880s
	Korea	
89	Bank of Seoul	48,591,864,300s
156	Korea Development Bank, Seoul	24,566,135,790
166	Korea Exchange Bank, Seoul	22,715,107,380u
167	Commercial Bank of Korea Ltd., Seoul	22,526,241,780s
177	Hanil Bank Ltd., Seoul	21,695,509,500s
194	Cho Hung Bank Ltd., Seoul	20,082,001,725s
197	Korea First Bank, Seoul	19,730,311,666s
272	Citizens National Bank, Seoul	12,931,131,360
284	Industrial Bank of Korea, Seoul	12,355,284,798
300	Shinhan Bank, Seoul	11,512,283,498
303	Korea Housing Bank, Seoul	11,355,742,802
	Kuwait	
269	National Bank of Kuwait	13,188,365,697s
465	Commercial Bank of Kuwait	6,904,428,190
476	Gulf Bank, Kuwait	6,621,824,440
	Luxembourg	
191	Deutsche Bank Luxembourg	20,348,408,170t
244	Banque Internationale a Luxembourg	14,757,716,092s
265	Dresdner Bank Luxembourg	13,363,044,334t
270	Banque Generale du Luxembourg	13,115,833,224s
289	Kredietbank S.A. Luxembourgeoise, Luxembourg	12,186,194,252st
302	Banque et Caisse d'Epargne de l'Etat, Luxembourg	11,415,760,217
313	Commerzbank International, Luxembourg	11,086,429,163t
368	Union Bank of Switzerland (Luxembourg)	9,282,459,559v
452	BFG Luxembourg	7,113,782,101t
457	West LB International, Luxembourg	7,058,673,830t
479	Credit Suisse (Luxembourg)	6,561,771,265t
	Malaysia	
325	Malayan Banking Berhad, Kuala Lumpur	10,397,157,620s
	Mexico	
220	Banco Nacional de Mexico, Mexico City	16,462,328,890
234	Bancomer, Mexico City	15,650,109,936u
408	Banca Serfin, Mexico City	8,320,276,682s
	Netherlands	
42	Amsterdam-Rotterdam Bank, Amsterdam	94,173,280,000s
44	Algemene Bank Nederland, Amsterdam	90,747,368,000s
45	Rabobank Nederland, Utrecht	90,352,796,000s
51	NMB Postbank Group, N.V., Amsterdam	84,507,576,000s
216	Credit Lyonnais Bank Nederland, Rotterdam	16,683,430,592st
273	Bank Mees & Hope, Amsterdam	12,834,066,332st
	New Zealand	
324	Bank of New Zealand, Ltd., Wellington	10,422,145,293
	Norway	
199	Christiania Bank og Kreditkasse, Oslo	19,670,090,500
239	Bergen Bank	15,302,249,400s
243	Norske Creditbank, Oslo	14,811,137,000s
463	Union Bank of Norway, Oslo	6,967,826,446s
	Portugal	
209	Caixa Geral de Depositos, Lisbon	17,734,336,464s
369	Banco Portugues do Atlantico, Oporto	9,279,890,984u
429	Banco Espirito Santo e Comercial, Lisbon	7,737,983,003
486	Banco Pinto & Sotto Mayor, Lisbon	6,376,601,080s

Top 500 Banks by Country

Banks outside the U.S. listed geographically in asset-size order within nations

Rank 12/89		12/31/89 Assets (U.S. Dollars)
	Saudi Arabia	
163	**National Commercial Bank, Jeddah**	22,859,571,283
305	**Riyad Bank Ltd., Jeddah**	11,294,453,366u
455	**Saudi American Bank, Riyadh**	7,060,912,278s
	Singapore	
218	**Development Bank of Singapore Ltd.**	16,616,062,798
341	**Oversea-Chinese Banking Corp., Ltd., Singapore**	9,880,709,068s
362	**United Overseas Bank Ltd., Singapore**	9,521,805,592s
496	**Overseas Union Bank, Ltd., Singapore**	6,213,258,228s
	South Africa	
320	**Standard Bank of South Africa Ltd., Johannesburg**	10,593,161,244u
355	**First National Bank of South Africa Ltd., Johannesburg**	9,648,114,700
377	**Nedcor Ltd., Johannesburg**	9,118,697,700s
	Spain	
83	**Banco Bilbao Vizcaya, Bilbao**	51,842,577,710u
100	**Banco Central, Madrid**	44,913,236,390s
109	**Banco Santander**	41,337,846,220s
125	**Caja de Pensiones para la Vejez, Barcelona**	33,975,879,850s
127	**Banco Espanol de Credito, Madrid**	33,042,766,460u
139	**Banco Hispano-Americano, Madrid**	27,365,157,270u
171	**Banco Exterior de Espana, Madrid**	22,357,799,640s
185	**Banco Popular Espanol, Madrid**	20,960,736,170s
195	**Caja de Madrid**	20,033,666,840s
293	**Caja de Ahorros y Monte de Piedad de Barcelona**	12,044,250,350
340	**Banco Intercontinental Espanol, Madrid**	9,881,417,260
414	**Banco de Sabadell**	8,158,604,520s
418	**Banca Catalana, Barcelona**	8,059,005,350tu
425	**Caja de Ahorros de Cataluna, Barcelona**	7,813,052,280
445	**Banco Atlantico, Barcelona**	7,326,779,350tu
472	**Caja de Ahorros y Monte de Piedad de Zaragoza**	6,708,778,780
487	**Banco Pastor, Coruna**	6,357,876,360
490	**Caja de Ahorros de Galicia, Coruna**	6,312,573,300
	Sweden	
74	**Skandinaviska Enskilda Banken, Stockholm**	58,868,040,000s
86	**PKbanken, Stockholm**	50,244,719,000s
94	**Sparbankernas Bank, Stockholm**	45,786,468,000s
104	**Svenska Handelsbanken, Stockholm**	44,330,867,000s
322	**Gotabanken, Stockholm**	10,461,619,000s
372	**Nordbanken, Stockholm**	9,243,428,600s
416	**Forsta Sparbanken, Stockholm**	8,110,036,900
	Switzerland	
28	**Swiss Bank Corp., Basle**	123,539,256,000s
30	**Union Bank of Switzerland, Zurich**	114,096,403,656u
47	**Credit Suisse, Zurich**	89,115,552,000s
148	**Banque Cantonale de Zurich**	25,571,413,584
153	**Swiss Volksbank, Berne**	24,961,843,424
353	**Bank Leu, Ltd., Zurich**	9,673,695,506u
	Switzerland (continued)	
405	**Banque Cantonale de Berne**	8,349,232,464
430	**Banque Cantonale de St. Gallen**	7,665,447,312
439	**Luzerner Kantonalbank, Lucerne**	7,434,288,216
442	**Banque Cantonale Vaudoise, Lausanne**	7,394,070,434
449	**Banca della Svizzera Italiana, Lugano**	7,187,680,800s
	Taiwan	
130	**Taiwan Cooperative Bank, Taipei**	30,807,698,619
136	**First Commercial Bank, Taipei**	27,916,390,864
137	**Bank of Taiwan, Taipei**	27,675,572,330
161	**Hua Nan Commercial Bank, Ltd., Taipei**	23,541,554,010
165	**Chang Hwa Commercial Bank, Ltd., Taichung**	22,725,649,076s
190	**Land Bank of Taiwan, Taipei**	20,438,476,716
211	**Medium Business Bank of Taiwan, Taipei**	17,299,356,295
349	**Bank of Communications, Taipei**	9,756,754,263
371	**Farmers Bank of China, Taipei**	9,272,603,769
406	**United World Chinese Commercial Bank, Taipei**	8,322,059,356u
438	**International Commercial Bank of China, Taipei**	7,447,288,784u
	Thailand	
225	**Bangkok Bank, Ltd.**	16,115,030,997
396	**Krung Thai Bank Ltd., Bangkok**	8,482,819,800
428	**Thai Farmers Bank, Bangkok**	7,746,549,187
	Turkey	
361	**Turkiye Cumhuriyeti Ziraat Bankasi, Ankara**	9,555,508,980
	United Arab Emirates	
494	**National Bank of Dubai Ltd., Dubai**	6,279,668,352
	United Kingdom	
13	**Barclays Bank Plc, London**	205,461,760,000s
18	**National Westminster Bank Plc, London**	187,064,290,000s
39	**Midland Bank Plc, London**	100,591,190,000s
43	**Lloyds Bank Plc, London**	92,642,620,000s
103	**Royal Bank of Scotland Plc., Edinburgh**	44,418,398,300s
110	**TSB Bank, Plc., London**	40,449,201,000s
113	**Standard Chartered Bank, London**	39,715,480,000s
129	**Bank of Scotland, Edinburgh**	30,884,365,500s
200	**Hill, Samuel Bank, Ltd., London**	19,264,059,000t
251	**Kleinwort, Benson, Lonsdale Plc, London**	14,274,987,720s
328	**Morgan Grenfell & Co. Ltd., London**	10,140,623,640st
342	**S.G. Warburg & Co., Ltd., London**	9,878,540,000
421	**Coutts & Co., London**	7,932,651,930st
462	**Clydesdale Bank Plc, Glasgow**	6,986,868,974t
480	**Yorkshire Bank Plc, Leeds**	6,529,960,360st
495	**Motherwell District Municipal Bank Ltd.**	6,245,536,560
499	**Ulster Bank Ltd., Belfast**	6,180,759,410st
	Yugoslavia	
437	**Ljubljanska Banka! Ljubljana**	7,485,840,000s

The Top 500: Largest Asset Increases

Dollar amounts in millions

		Assets 12/31/89	Assets 12/31/88	Percent Increase	World Rank	Reason for Increase
1	**Shinhan Bank, Seoul, Korea**	11,512.3	4,337.7	165.4	300	The 1989 data include trust operations.
2	**Danske Bank, Denmark**	54,879.7	23,263.1	135.9	78	Acquired Provinsbanken and Copenhagen HandelsBank at yearend.
3	**Bank of New York, United States**	44,972.6	21,355.8	110.6	98	Acquired Irving Trust Co., New York.
4	**Bank One, Texas NA, Dallas, United States**	12,248.5	6,556.1	86.8	288	Bank merged 20 former MCorp subsidiaries 3/89.
5	**Banco Itau, Sao Paulo, Brazil**	17,385.6	9,340.0	86.1	210	A 40% local currency gain in short-term interbank investments.
6	**Boatmen's National Bank, St. Louis, United States**	7,787.2	4,331.4	79.8	427	Acquired Centerre Bank NA, St Louis.
7	**Midlantic National Bank, Newark, United States**	9,758.5	5,633.4	73.2	348	Merged Midlantic National Bank/South and Midlantic National Bank/Merchants.
8	**Banco Brasileiro de Descontos, Sao Paulo, Brazil**	24,747.6	14,434.3	71.4	154	Surge in market rate of new cruzado at yearend.
9	**Banco do Estado de Sao Paulo, Brazil**	16,814.4	9,853.9	70.6	215	A 30% local currency gain in assets.
10	**Nedcor Ltd., Johannesburg, South Africa**	9,118.7	5,619.1	62.3	377	Acquired the $3.2 billion South African Permanent Building Society.

The Top 1,000: Largest Asset Declines

Dollar amounts in millions

		Assets 12/31/89	Assets 12/31/88	Percent Decrease	World Rank	Reason for Decrease
1	**Sal. Oppenheim Jr & Cie, Cologne, Germany**	2,896.2	7,555.7	61.7	856	Unconsolidated 1989 data compared with consolidated data for 1988.
2	**Barclays de Zoete Wedd Ltd., London, United Kingdom**	3,925.9	9,030.3	56.5	706	Unconsolidated 1989 data compared with consolidated data for 1988.
3	**Homestead Savings FS&LA, Millbrae, Calif., United States**	2,892.6	5,756.1	49.7	857	Decline in mortgage security holdings accounted for 42% of the drop.
4	**Lincoln Savings & Loan Assn., Los Angeles, United States**	2,906.3	5,458.7	46.8	855	A troubled thrift seized by regulators.
5	**Gibraltar Savings FA, Simi Valley, Calif., United States**	7,147.9	13,436.2	46.8	451	A troubled thrift seized by regulators.
6	**Metropolitan Federal Bank FSB, Fargo, North Dakota, United States**	2,426.4	4,104.7	40.9	943	The 1989 data do not include two thrift subsidiaries.
7	**TDB American Express Bank, Geneva, Switzerland**	3,700.0	6,155.5	39.9	732	Estimate used for 1989. In March, bank sold and renamed CBI-TDB Union Bancaire Privee.
8	**Bright Banc Savings Assn., Dallas, United States**	2,832.1	4,566.8	38.0	869	A troubled thrift seized by regulators.
9	**Boston Safe Deposit & Trust Co., United States**	10,771.7	17,517.4	38.5	318	Earnings problems caused bank to reduce a segment of its deposit base.
10	**Commercial Bank of Syria, Damascus**	3,431.3	5,373.0	36.1	767	Pound fell over 46% against the dollar.

Top 500 Banks: Total Assets

Dollar amounts in billions

	Number Of Banks 12/31/89	Total Assets 12/31/89	Number Of Banks 12/31/88	Total Assets 12/31/88	Percent Change
U.S. Banks	119	$ 1,939.4	116	$ 1,927.6	+ 6.1
Foreign Banks	381	15,082.9	384	14,020.2	+ 7.6
Top 500 Banks	500	17,022.3	500	15,947.8	+ 6.7

To avoid double counting, assets for banks owned by other banks in the top 500 are excluded.

Addendum to Tabulation

Data for some banks were received after American Banker's July 12th deadline for inclusion in today's listing. The banks appear below with the 1989 ranks they would have had if the data for all were received on time. (Dollar Amounts in Millions)

Asset Rank 12/89	Name of Bank	Assets 12/31/89	Assets 12/31/88	Asset Rank 12/88
92	**State Bank of India, Bombay**[1]	47,176	44,667	88
191	**Credit du Nord, Paris, France**[2]	20,440	19,718	179
399	**Bank Rakyat Indonesia, Jakarta**	8,479	6,183	496
935	**Hessische Landesbank Int'l, Luxembourg**	2,538	2,348	960

(1)— Data are for the fiscal yearend March 31, 1990. Although not included in the top 500 bank listing, American Banker was able to include the bank in the ranking of the top 100 banking companies that appears on page 27A.

(2)— A subsidiary of Compagnie Financiere de Paribas, Paris.

United States Banks in the Top 500

Listed geographically in asset-size order within states

Rank 12/89		12/31/89 Assets (U.S. Dollars)
	Alabama	
434	AmSouth Bank NA, Birmingham	7,535,780,000
	Arizona	
366	Valley National Bank, Phoenix	9,348,843,000
470	First Interstate Bank of Arizona NA, Phoenix	6,749,026,000
485	MeraBank, FSB, Phoenix	6,381,942,000
	California	
50	Bank of America NT&SA, San Francisco	85,340,000,000
82	Security Pacific National Bank, Los Angeles	53,621,385,000
96	Wells Fargo Bank NA, San Francisco	45,344,872,000
99	Home Savings of America, FA, Irwindale	44,924,933,000
123	Great Western Bank, FSB, Beverly Hills	34,949,576,000
159	Glendale Federal Bank, FSB	24,043,905,000
162	California Federal Bank, FSB, Los Angeles	23,269,859,000
173	First Nationwide Bank, FSB, San Francisco	22,088,000,000
186	First Interstate Bank of California, Los Angeles	20,858,627,000
201	World Savings, FS&LA, Oakland	19,263,899,000
208	Homefed Bank, FSB, San Diego	17,752,680,000
223	American Savings Bank, Irvine	16,290,515,000
241	Union Bank, San Francisco	15,149,329,000t
266	Great American Bank, SSB, San Diego	13,346,430,000
306	Coast Savings & Loan Assn., Los Angeles	11,293,189,000
360	Imperial Savings Assn., San Diego	9,581,584,000
367	Columbia Savings & Loan Assn., Beverly Hills	9,334,522,079
433	Bank of California NA, San Francisco	7,586,854,000t
443	Citicorp Savings, FS&LA, San Francisco	7,393,077,000
451	Gibraltar Savings, FA, Simi Valley	7,147,861,000
458	Household Bank, FSB, Newport Beach	7,051,505,000
466	Sanwa Bank California, San Francisco	6,898,837,000t
	Connecticut	
282	Connecticut National Bank, Hartford	12,469,317,000
351	Connecticut Bank & Trust Co. NA, Hartford	9,720,404,000
460	Peoples Bank, Bridgeport	7,037,923,000
	Delaware	
364	Chase Manhattan Bank (USA) NA, Wilmington	9,387,758,000
389	American Express Centurion Bank, Newark	8,754,152,000
459	Greenwood Trust Co., New Castle	7,050,646,000
	District of Columbia	
481	Riggs National Bank, Washington, D.C.	6,508,044,000
	Florida	
232	Southeast Bank NA, Miami	15,670,569,000
295	NCNB National Bank of Florida, Tampa	11,755,983,000
375	First Union National Bank of Florida, Jacksonville	9,179,896,000
411	CenTrust Bank, SSB, Miami	8,217,563,000
426	Florida National Bank, Jacksonville	7,808,190,000
497	Citizens & Southern National Bank, Fort Lauderdale	6,209,090,000
	Georgia	
286	Citizens & Southern National Bank, Atlanta	12,291,349,000
397	First National Bank, Atlanta	8,469,739,000
493	Trust Company Bank, Atlanta	6,280,287,000
	Hawaii	
419	Bank of Hawaii, Honolulu	8,003,403,000
	Illinois	
122	First National Bank, Chicago	35,570,607,000
133	Continental Bank NA, Chicago	29,023,550,000
346	Harris Trust & Savings Bank, Chicago	9,793,322,000
394	Northern Trust Co., Chicago	8,501,224,000
	Kansas	
301	Franklin Savings Assn., Ottawa	11,427,820,000
	Louisiana	
482	Hibernia National Bank, New Orleans	6,507,334,000
	Maryland	
383	Maryland National Bank, Baltimore	8,954,496,000
492	First National Bank of Maryland, Baltimore	6,287,818,000t
	Massachusetts	
131	First National Bank, Boston	29,676,775,000
250	Bank of New England NA, Boston	14,277,097,000
318	Boston Safe Deposit & Trust Co.	10,771,670,000
331	State Street Bank & Trust Co., Boston	10,059,546,000
373	Shawmut Bank NA, Boston	9,236,379,000
	Michigan	
214	National Bank of Detroit	16,817,132,000
312	First Federal of Michigan, Detroit	11,088,251,000
329	Comerica Bank-Detroit	10,096,859,000
344	Michigan National Bank, Farmington Hills	9,851,495,000
	Michigan (continued)	
357	Standard Federal Bank, Troy	9,638,381,000
390	Manufacturers National Bank, Detroit	8,660,757,000
	Minnesota	
281	First Bank NA, Minneapolis	12,497,203,000
398	Norwest Bank Minnesota NA, Minneapolis	8,453,200,000
	Missouri	
427	Boatmen's National Bank, St. Louis	7,787,150,000
	Nevada	
399	Citibank (Nevada) NA, Las Vegas	8,452,222,000
	New Jersey	
291	First Fidelity Bank NA, Newark	12,148,525,000
348	Midlantic National Bank, Newark	9,758,482,000
392	City Savings Bank, FSB, Somerset	8,582,471,000
	New York	
24	Citibank NA, New York	157,772,000,000
54	Chase Manhattan Bank NA, New York	82,109,155,000
72	Morgan Guaranty Trust Co., New York	63,464,749,000
81	Manufacturers Hanover Trust Co., New York	53,644,000,000
87	Bankers Trust Co., New York	49,850,612,000
98	Bank of New York	44,972,627,000
101	Chemical Bank, New York	44,873,000,000
178	Marine Midland Bank NA, Buffalo	21,406,741,000t
205	Republic National Bank, New York	18,868,403,000
207	American Express Bank Ltd., New York	18,395,000,000s
248	National Westminster Bank USA, New York	14,380,365,000t
255	CrossLand Savings FSB, Brooklyn, New York	14,102,367,000
271	Goldome, Buffalo	12,999,150,000
297	Dime Savings Bank of New York, FSB, Garden City	11,652,230,000
385	Anchor Savings Bank, FSB, Northport	8,938,276,000
415	Empire of America Federal Savings Bank, Buffalo	8,142,100,000
424	Bank of Tokyo Trust Co., New York	7,824,057,000t
483	Chase Lincoln First Bank NA, Rochester	6,427,400,000
	North Carolina	
192	NCNB National Bank of North Carolina, Charlotte	20,327,636,000
217	First Union National Bank, Charlotte	16,622,378,000
242	Wachovia Bank & Trust Co. NA, Winston-Salem	15,079,854,000
	Ohio	
387	Ameritrust Co. NA, Cleveland	8,910,063,000
388	Huntington National Bank, Columbus	8,842,001,000
413	National City Bank, Cleveland	8,173,174,000
417	Society National Bank, Cleveland	8,098,899,000
	Oregon	
337	United States National Bank, Portland	9,917,161,000
491	First Interstate Bank of Oregon NA, Portland	6,288,909,000
	Pennsylvania	
170	Mellon Bank NA, Pittsburgh	22,454,393,000
228	Pittsburgh National Bank	15,842,142,000
276	Meritor Savings Bank, Philadelphia	12,639,807,000
330	Meridian Bank, Reading	10,074,657,000
359	Philadelphia National Bank	9,587,496,000
370	Fidelity Bank NA, Philadelphia	9,277,808,000
407	Provident National Bank, Philadelphia	8,321,445,000
467	Atlantic Financial Federal, FA, Bala Cynwyd	6,873,268,000
475	First Pennsylvania Bank NA, Philadelphia	6,623,413,000
	Rhode Island	
354	Fleet National Bank, Providence	9,663,870,000
	South Dakota	
309	Citibank (South Dakota) NA, Sioux Falls	11,142,112,000
	Texas	
126	NCNB Texas National Bank, Dallas	33,535,253,000
288	Bank One, Texas NA, Dallas	12,248,464,000
298	Texas Commerce Bank NA, Houston	11,605,210,000
347	First Gibraltar Bank, FSB, Dallas	9,774,756,000
378	Sunbelt Savings, FSB, Dallas	9,108,052,000
436	First City Texas-Houston NA	7,504,343,000
488	First Interstate Bank of Texas NA, Houston	6,341,309,000
	Virginia	
258	Sovran Bank NA, Richmond	13,718,240,000
327	Crestar Bank, Richmond	10,160,578,000
386	Signet Bank/Virginia, Richmond	8,933,440,000
	Washington	
290	Seattle-First National Bank	12,170,846,000
420	Security Pacific Bank Washington, Seattle	7,983,175,000

The Top 100 Banking Companies in the World

Includes holding companies, commercial banks, and savings banks (dollar amounts in millions)

Rank 12/89		Total Assets 12/31/89	Total Assets 12/31/88	Rank 12/88	Change in Rank	Equity Capital 12/31/89	Equity Capital 12/31/88	Equity Capital /Assets 12/31/89	Equity Capital /Assets/ 12/31/88	Name of Holding Company's Lead Bank (Name of Non-U.S. Bank's Top U.S. Bank Subsidiary)
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	403,386	386,937	1		11,740	10,954	2.91	2.83	(Dai-Ichi Kangyo Bank of Calif., Los Angeles)
2	**Sumitomo Bank Ltd., Osaka**	368,167	376,088	2		12,840	10,464	3.49	2.78	(Sumitomo Bank of Calif., San Francisco)
3	**Fuji Bank,Ltd.,Tokyo**	362,575	364,044	3		11,329	10,733	3.12	2.95	(Fuji Bank & Trust Co., New York)
4	**Mitsubishi Bank Ltd., Tokyo**	359,960	351,251	4		10,413	10,148	2.89	2.89	(Bank of California NA, San Francisco)
5	**Sanwa Bank Ltd., Osaka**	353,692	348,358	5		11,006	9,311	3.11	2.67	(Sanwa Bank California, San Francisco)
6	**Industrial Bank of Japan, Ltd., Tokyo**	256,906	257,578	6		8,135	8,574	3.17	3.33	(Industrial Bk of Japan Tr. Co., New York)
7	**Credit Agricole Mutuel, Paris**	242,312	207,988	11	+4	11,817	9,030	4.88	4.34	
8	**Banque Nationale de Paris**	231,769	194,516	14	+6	6,185	5,498	2.67	2.83	(Bank of the West, San Francisco)
9	**Tokai Bank Ltd., Nagoya**	227,739	225,121	8	-1	6,487	6,160	2.85	2.74	(Tokai Bank of Calif., Los Angeles)
10	**Citicorp, New York**	227,037	203,827	12	+2	10,076	9,864	4.44	4.84	Citibank NA, New York
11	**Norinchukin Bank, Tokyo**	219,773	241,947	7	-4	1,257	1,385	0.57	0.57	
12	**Mitsubishi Trust & Banking Corp., Tokyo**	213,485	210,466	10	-2	6,332	5,134	2.97	2.44	(Mitsubishi Tr.& Bking. Cp. (USA), New York)
13	**Credit Lyonnais, Paris**	211,006	176,663	18	+5	6,705	5,507	3.18	3.12	
14	**Barclays Plc, London**	205,462	189,198	15	+1	10,523	10,325	5.12	5.46	(Barclays Bank of New York NA)
15	**Mitsui Bank, Ltd., Tokyo (a)**	203,291	219,666	9	-6	5,461	5,767	2.69	2.63	(Mitsui Manufacturers Bank, Los Angeles)
16	**Deutsche Bank, Frankfurt**	202,607	170,290	22	+6	8,477	6,451	4.18	3.79	
17	**Bank of Tokyo, Ltd.**	200,548	173,575	20	+3	5,825	4,579	2.90	2.64	(Union Bank, San Francisco)
18	**Sumitomo Trust & Banking Co., Ltd., Osaka**	190,943	196,589	13	-5	4,500	4,693	2.36	2.39	(Sumitomo Tr. & Bking. Co. USA, New York)
19	**National Westminster Bank Plc, London**	187,064	178,345	17	-2	9,576	10,752	5.12	6.03	(National Westminster Bank USA, New York)
20	**Mitsui Trust & Banking Co., Ltd., Tokyo**	182,630	183,873	16	-4	3,792	3,216	2.08	1.75	(Mitsui Trust Bank (USA), New York)
21	**Societe Generale, Paris**	176,020	143,857	25	+4	4,038	3,275[1]	2.29	2.28[1]	
22	**Long-Term Credit Bank of Japan Ltd., Tokyo**	174,240	172,339	21	-1	6,096	5,039	3.50	2.92	(LTCB Trust Co., New York)
23	**Taiyo Kobe Bank, Ltd., Kobe (a)**	172,978	173,670	19	-4	4,185	4,383	2.42	2.52	(Taiyo Kobe Bank & Trust Co., New York)
24	**Yasuda Trust & Banking Co., Ltd., Tokyo**	157,813	155,514	24		4,663	3,133	2.95	2.01	(Yasuda Bank & Trust Co., New York)
25	**Daiwa Bank, Ltd., Osaka**	155,495	156,169	23	-2	3,288	3,061	2.11	1.96	(Daiwa Bank Trust Co., New York)
26	**Dresdner Bank, Frankfurt**	145,666	129,340	27	+1	5,269	4,115[1]	3.62	3.18[1]	
27	**Compagnie Financiere de Paribas, Paris**	138,049	120,111	29	+2	4,269	5,258	3.07	4.38	Banque Paribas, Paris
28	**Hongkong & Shanghai Banking Corp.**	132,835	113,115	31	+3	6,742	4,599	5.08	4.07	(Marine Midland Bank NA, Buffalo, N.Y.)
29	**American Express Co., New York**	130,855	142,753	26	-3	5,691	5,023	4.35	3.52	American Express Bank Ltd., New York
30	**Compagnie Financiere de Suez, Paris (b)**	125,328	66,550	63	+33	6,524	4,822	5.21	7.25	Banque Indosuez, Paris
31	**Swiss Bank Corp., Basle**	123,539	102,482	34	+3	6,166	6,056	4.99	5.91	
32	**Toyo Trust & Banking Co., Ltd., Tokyo**	117,492	123,204	28	-4	2,582	2,163	2.20	1.76	
33	**Union Bank of Switzerland, Zurich**	114,096	110,778	32	-1	8,167	6,717	7.16	6.06	
34	**Nippon Credit Bank, Ltd., Tokyo**	113,890	118,784	30	-4	3,165	2,940	2.78	2.48	
35	**Commerzbank, Frankfurt**	113,017	104,217	35		3,877	3,162	3.43	3.03	
36	**Deutsche Genossenschaftsbank, Frankfurt**	109,354	73,789	58	+22	2,109	1,646	1.93	2.23	
37	**Istituto Bancario San Paolo di Torino, Turin**	107,664	81,699	52	+15	3,706	3,229	3.44	3.95	(First Los Angeles Bank)
38	**Chase Manhattan Corp., New York**	106,346	95,821	38		4,944	4,960	4.65	5.18	Chase Manhattan Bank NA, New York
39	**Banco do Brasil, Brasilia**	105,195	83,475	49	+10	7,000	5,270	6.65	6.31	
40	**Banca Nazionale del Lavoro, Rome**	104,490	91,025	43	+3	3,917	3,114	3.75	3.42	
41	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	104,325	92,100	41		3,064	2,318	2.94	2.52	
42	**Bayerische Vereinsbank, Munich**	102,306	90,965	44	+2	2,535	2,274	2.48	2.50	
43	**Midland Bank Plc, London**	100,591	100,758	36	-7	4,323	5,495	4.30	5.43	
44	**Saitama Bank Ltd., Urawa, Japan**	98,666	96,130	37	-7	2,838	2,600	2.88	2.70	
45	**Kyowa Bank, Ltd., Tokyo**	97,911	104,218	33	-12	3,168	2,728	3.24	2.62	(Kyowa Bank of Calif., Los Angeles)
46	**BankAmerica Corp., San Francisco**	97,231	93,386	40	-6	5,534	4,149	5.69	4.44	Bank of America NT & SA, San Francisco
47	**Amsterdam-Rotterdam Bank, Amsterdam (c)**	94,173	83,715	48	+1	3,478	2,939	3.69	3.51	
48	**Lloyds Bank Plc, London**	92,643	93,716	39	-9	3,808	5,198	4.11	5.55	
49	**Algemene Bank Nederland, Amsterdam (c)**	90,747	84,814	47	-2	3,398	2,995	3.74	3.53	(LaSalle National Bank, Chicago)
50	**Rabobank Nederland, Utrecht**	90,353	80,465	53	+3	5,336	4,622[1]	5.91	5.74[1]	
51	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	89,903	75,697	55	+4	2,631	2,105[1]	2.93	2.78[1]	
52	**Credit Suisse, Zurich**	89,116	75,400	57	+5	4,908	4,398	5.51	5.83	
53	**Banca Commerciale Italiana, Milan**	88,809	62,634	67	+14	3,419	3,174	3.85	5.07	
54	**Royal Bank of Canada, Montreal**	88,573	90,024	45	-9	4,926	4,161	5.56	4.62	(Royal Bank de Puerto Rico, San Juan)
55	**J.P. Morgan & Co., Inc., New York**	87,628	82,651	50	-5	4,495	5,778	5.13	6.99	Morgan Guaranty Trust Co., New York
56	**NMB Postbank Group, N.V., Amsterdam (d)**	84,508	73,311‡	59‡	+3	2,764	2,414‡	3.27	3.29‡	
57	**Security Pacific Corp., Los Angeles**	83,119	77,136	54	-3	4,637	3,843	5.58	4.98	Security Pacific National Bank, Los Angeles
58	**Bayerische Landesbank Girozentrale, Munich**	82,515	71,696	60	+2	1,951	1,749	2.36	2.44	
59	**Shoko Chukin Bank, Tokyo**	81,958	91,072	42	-17	2,048	2,232	2.50	2.45	
60	**Bank of Yokohama, Ltd.**	81,122	81,777	51	-9	2,798	2,562	3.45	3.13	
61	**Canadian Imperial Bank of Commerce, Toronto**	78,511	71,336	61		4,127	3,769	5.26	5.28	(Canadian Imperial Bank of Commerce (New York))
62	**Westpac Banking Corp., Sydney**	76,104	60,072	73	+11	4,917	4,288[1]	6.46	7.14[1]	
63	**Monte dei Paschi di Siena**	75,878	66,489	64	+1	3,410	3,621	4.49	5.45	
64	**Credito Italiano, Milan**	75,416	56,882	78	+14	2,620	2,434	3.47	4.28	
65	**Compagnie Financiere de Credit Ind'l et Comm'l, Paris**	74,824	62,241	69	+4	1,900	1,490[2]	2.54	2.39[2]	Credit Industriel et Commercial, Paris
66	**Bank Melli Iran, Tehran**	73,517	53,062	85	+19	350	520	0.48	0.98	
67	**Zenshinren Bank, Tokyo**	71,498	85,981	46	-21	1,430	1,651	2.00	1.92	
68	**Chemical Banking Corp., New York**	70,891	66,649	62	-6	3,705	3,967	5.23	5.95	Chemical Bank, New York
69	**Chuo Trust & Banking Co., Ltd., Tokyo**	70,684	72,641	59	-10	1,194	821	1.69	1.13	
70	**Hokkaido Takushoku Bank, Ltd., Sapporo**	70,062	75,430	56	-14	2,013	1,766	2.87	2.34	
71	**Generale Bank, Brussels**	67,966	62,006	70	-1	2,081	1,663	3.06	2.68	(Generale Investment Banking Corp., New York)
72	**Norddeutsche Landesbank Girozentrale, Hannover**	67,630	60,373	72		1,509	1,377	2.23	2.28	
73	**Banco di Napoli, Naples**	67,166	57,333	76	+3	975	975	1.45	1.70	
74	**Cassa di Risparmio delle Provincie Lombarde, Milan**	66,564	65,411	66	-8	4,088	3,731	6.14	5.70	
75	**NCNB Corp., Charlotte, N.C. (e)**	65,770	29,499	138	+63	2,962	1,942	4.50	6.58	NCNB Texas National Bank, Dallas
76	**Bank of Montreal**	64,873	61,616	71	-5	3,192	2,952	4.92	4.79	(Harris Trust & Savings Bank, Chicago)
77	**Groupe Des Banques Populaires, Paris**	64,787	55,243	80	+3	3,760	3,191	5.80	5.78	
78	**Banco di Roma, Rome**	64,628	54,699	82	+4	2,093	1,295	3.24	2.37	(Marine Bank, Chicago)
79	**Bank of Nova Scotia, Toronto**	62,341	56,460	79		2,933	2,434	4.70	4.60	(Scotiabank de Puerto Rico, San Juan)
80	**Manufacturers Hanover Trust Corp., New York**	59,509	71,475	65	-15	3,381	3,251	5.68	4.95	Manufacturers Hanover Trust Co., New York
81	**Skandinaviska Enskilda Banken, Stockholm**	58,868	47,133	87	+6	4,131	3,424	7.02	7.26	(Skandinaviska Enskilda Banking Corp., New York)
82	**First Interstate Bancorp., Los Angeles**	58,599	57,750	75	-7	2,339	2,240	3.99	3.88	First Interstate Bank of California, Los Angeles
83	**Chiba Bank, Ltd.**	57,990	58,138	74	-9	2,152	1,866	3.71	3.21	
84	**Hokuriku Bank Ltd., Toyama**	57,041	54,007	84		1,890	1,589	3.31	2.94	
85	**Danske Bank, Copenhagen (f)**	54,880	23,263	161	+76	3,431	1,569	6.25	6.74	
86	**Bankers Trust New York Corp.**	54,396	54,932	81	-5	2,386	3,499	4.39	6.37	Bankers Trust Co., New York
87	**Australia & New Zealand Banking Group, Ltd., Melbourne**	53,962	44,910	91	+4	3,106	3,056	5.76	6.80	
88	**Joyo Bank, Ltd., Mito**	53,958	50,777	86	-2	1,736	1,612	3.22	3.17	
89	**Banco Bilbao Vizcaya, Bilbao (g)**	51,843	62,465	68	-21	3,550	4,140	6.85	6.63	(Banquest First Nat'l Bank, Santa Fe, N.M.)
90	**National Australia Bank, Ltd, Melbourne**	51,209	40,807	99	+9	4,405	3,333	8.60	8.17	
91	**Banque Bruxelles Lambert, Brussels**	50,736	45,143	90	-1	1,158	894	2.28	1.98	
92	**PKbanken, Stockholm, Sweden**	50,245	39,730	105	+13	2,600	2,052	5.17	5.16	(PKBanken Int'l U.S. Banking, New York)
93	**Shizuoka Bank Ltd., Japan**	49,175	46,621	88	-5	2,195	2,002	4.46	4.29	
94	**Bank of Seoul, Korea**	48,592	37,270	115	+21	1,556	774	3.20	2.08	(Seoul Bank of Calif., Los Angeles)
95	**Wells Fargo & Co., San Francisco**	48,526	46,372	89	-6	2,861	2,574	5.90	5.55	Wells Fargo Bank NA, San Francisco
96	**Kredietbank N.V., Brussels**	47,856	38,639	111	+15	1,422	976	2.97	2.53	
97	**Toronto Dominion Bank**	47,771	43,102	95	-2	3,746	3,072	7.84	7.13	(Toronto Dominion B&T Co., New York)
98	**Bank of New York Co.**	47,467	45,522	90†	-8	2,764	2,793	5.82	6.14	Bank of New York
99	**State Bank of India, Bombay (h)**	47,176	44,667	92	-7	785	767	1.66	1.72	(State Bank of India (Calif.), Los Angeles)
100	**First Chicago Corp.**	47,040	43,573	93	-7	2,692	2,369	5.72	5.44	First National Bank, Chicago
	TOTALS FOR THE TOP 100 ($ BILLION)	**$11,927**	**$11,082**	+7.62%		**$434.8**	**$390.0**	**3.65%**	**3.52%**	

Data Source: American Banker's world bank survey. Data are checked against annual reports whenever possible. Consolidated data, including affiliates in which ownership exceeds 50%, are used whenever possible. **Date of figures:** Data for most banks are for yearend. **Exceptions:** Data for Japanese and Indian banks are for the fiscal year ended March 31, 1990; the Australian bank data are for fiscal year ended Sept. 30, 1989; and the Canadian bank data are for fiscal year ended Oct. 31, 1989. **Total assets** exclude contra accounts and contingent liabilities. **Equity Capital** is total shareholders' equity capital which includes the value of common and perpetual preferred stock, surplus, undivided profits, and capital reserves. Minority interest is excluded, whenever possible. **Equity Capital/Assets** is equity capital as a percentage of total assets. **(a)**— On April 1, Mitsui Bank and Taiyo Kobe Bank merged to form Taiyo Kobe Mitsui Bank. **(b)**— Acquired Victoire-Colonia Insurance Group in 1989. **(c)**— In March, Amsterdam-Rotterdam Bank and Algemene Bank Nederland began negotiations for a merger. **(d)**— Formed in 1989 by the merger of Nederlandsche Middenstandsbank (NMB Bank) and Postbank. **(e)**— In Aug. 1989, NCNB consolidated the operations of NCNB Texas National Bank, Dallas. **(f)**— The bank acquired Provinsbanken and Copenhagen HandelsBank at yearend 1989. **(g)**— The 1989 data are unconsolidated and the 1988 data are consolidated. **(h)**— Data were received too late for bank's inclusion in today's top 500 banks listing. **([1])**— Revised to exclude minority interest. **([2])**— revised. **(‡)**— Pro forma data for bank formed in 1989. **(†)**— Rank bank would have had, if it had been included.

Compiled by American Banker, Copyright 1990.

Equity Capital Ratios of the Top 100 Banking Companies in Assets

Equity/ Asset Rank		Equity/ Asset 12/31/89	Equity/ Asset 12/31/88
1	**National Australia Bank Ltd., Melbourne**	8.60	8.17
2	**Toronto Dominion Bank**	7.85	7.13
3	**Union Bank of Switzerland, Zurich**	7.16	6.06
4	**Skandinaviska Enskilda Banken, Stockholm**	7.02	7.26
5	**Banco Bilbao Vizcaya, Bilbao**	6.85	6.63
6	**Banco do Brasil, Brasilia**	6.65	6.31
7	**Westpac Banking Corp., Sydney**	6.46	7.14
8	**Danske Bank, Copenhagen**	6.25	6.74
9	**Cassa di Risparmio delle Provincie Lombarde, Milan**	6.14	5.70
10	**Rabobank Nederland, Utrecht**	5.91	5.74
11	**Wells Fargo & Co., San Francisco**	5.90	5.55
12	**Bank of New York Co.**	5.82	6.14
13	**Groupe Des Banques Populaires, Paris**	5.80	5.78
14	**Australia & New Zealand Banking Group Ltd., Melbourne**	5.76	6.80
15	**First Chicago Corp.**	5.72	5.44
16	**BankAmerica Corp., San Francisco**	5.69	4.44
17	**Manufacturers Hanover Trust Corp., New York**	5.68	4.95
18	**Security Pacific Corp., Los Angeles**	5.58	4.98
19	**Royal Bank of Canada, Montreal**	5.56	4.62
20	**Credit Suisse, Zurich**	5.51	5.83
21	**Canadian Imperial Bank of Commerce, Toronto**	5.26	5.28
22	**Chemical Banking Corp., New York**	5.23	5.95
23	**Compagnie Financiere de Suez, Paris**	5.21	7.25
24	**PKbanken Stockholm, Sweden**	5.17	5.16
25	**J.P. Morgan & Co. Inc., New York**	5.13	6.99
26	**Barclays Plc, London**	5.12	5.46
27	**National Westminster Bank Plc, London**	5.12	6.03
28	**Hongkong & Shanghai Banking Corp.**	5.08	4.07
29	**Swiss Bank Corp., Basle**	4.99	5.91
30	**Bank of Montreal**	4.92	4.79
31	**Credit Agricole Mutuel, Paris**	4.88	4.34
32	**Bank of Nova Scotia, Toronto**	4.70	4.60
33	**Chase Manhattan Corp., New York**	4.65	5.18
34	**NCNB Corp., Charlotte, N.C.**	4.50	6.58
35	**Monte dei Paschi di Siena**	4.49	5.45
36	**Shizuoka Bank Ltd., Japan**	4.46	4.29
37	**Citicorp, New York**	4.44	4.84
38	**Bankers Trust New York Corp.**	4.39	6.37
39	**American Express Co., New York**	4.35	3.52
40	**Midland Bank Plc, London**	4.30	5.43
41	**Deutsche Bank, Frankfurt**	4.18	3.79
42	**Lloyds Bank Plc, London**	4.11	5.55
43	**First Interstate Bancorp., Los Angeles**	3.99	3.88
44	**Banca Commerciale Italiana, Milan**	3.85	5.07
45	**Banca Nazionale del Lavoro, Rome**	3.75	3.42
46	**Algemene Bank Nederland, Amsterdam**	3.74	3.53
47	**Chiba Bank Ltd.**	3.71	3.21
48	**Amsterdam-Rotterdam Bank, Amsterdam**	3.69	3.51
49	**Dresdner Bank, Frankfurt**	3.62	3.18
50	**Long-Term Credit Bank of Japan Ltd., Tokyo**	3.50	2.92
51	**Sumitomo Bank Ltd., Osaka**	3.49	2.78
52	**Credito Italiano, Milan**	3.47	4.28
53	**Bank of Yokohama Ltd.**	3.45	3.13
54	**Istituto Bancario San Paolo di Torino, Turin**	3.44	3.95
55	**Commerzbank, Frankfurt**	3.43	3.03
56	**Hokuriku Bank Ltd., Toyama**	3.31	2.94
57	**NMB Postbank Group N.V., Amsterdam -a**	3.27	3.29
58	**Kyowa Bank Ltd., Tokyo**	3.24	2.62
59	**Banco di Roma, Rome**	3.24	2.37
60	**Joyo Bank Ltd., Mito**	3.22	3.17
61	**Bank of Seoul, Korea**	3.20	2.08
62	**Credit Lyonnais, Paris**	3.18	3.12
63	**Industrial Bank of Japan Ltd., Tokyo**	3.17	3.33
64	**Fuji Bank Ltd., Tokyo**	3.12	2.95
65	**Sanwa Bank Ltd., Osaka**	3.11	2.67
66	**Compagnie Financiere de Paribas, Paris**	3.07	4.38
67	**Generale Bank, Brussels**	3.06	2.68
68	**Kredietbank N.V., Brussels**	2.97	2.53
69	**Mitsubishi Trust & Banking Corp., Tokyo**	2.97	2.44
70	**Yasuda Trust & Banking Co. Ltd., Tokyo**	2.95	2.01
71	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	2.94	2.52
72	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	2.93	2.78
73	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	2.91	2.83
74	**Bank of Tokyo Ltd.**	2.90	2.64
75	**Mitsubishi Bank Ltd., Tokyo**	2.89	2.89
76	**Saitama Bank Ltd., Urawa, Japan**	2.88	2.70
77	**Hokkaido Takushoku Bank Ltd., Sapporo**	2.87	2.34
78	**Tokai Bank Ltd., Nagoya**	2.85	2.74
79	**Nippon Credit Bank Ltd., Tokyo**	2.78	2.48
80	**Mitsui Bank Ltd., Tokyo**	2.69	2.63
81	**Banque Nationale de Paris**	2.67	2.83
82	**Compagnie Financiere de Credit Ind'l et Comm'l, Paris**	2.54	2.39
83	**Shoko Chukin Bank, Tokyo**	2.50	2.45
84	**Bayerische Vereinsbank, Munich**	2.48	2.50
85	**Taiyo Kobe Bank Ltd., Kobe**	2.42	2.52
86	**Sumitomo Trust & Banking Co. Ltd., Osaka**	2.36	2.39
87	**Bayerische Landesbank Girozentrale, Munich**	2.36	2.44
88	**Societe Generale, Paris**	2.29	2.28
89	**Banque Bruxelles Lambert, Brussels**	2.28	1.98
90	**Norddeutsche Landesbank Girozentrale, Hannover**	2.23	2.28
91	**Toyo Trust & Banking Co. Ltd., Tokyo**	2.20	1.76
92	**Daiwa Bank Ltd., Osaka**	2.11	1.96
93	**Mitsui Trust & Banking Co. Ltd., Tokyo**	2.08	1.75
94	**Zenshinren Bank, Tokyo**	2.00	1.92
95	**Deutsche Genossenschaftsbank, Frankfurt**	1.93	2.23
96	**Chuo Trust & Banking Co. Ltd., Tokyo**	1.69	1.13
97	**State Bank of India, Bombay**	1.66	1.72
98	**Banco di Napoli, Naples**	1.45	1.70
99	**Norinchukin Bank, Tokyo**	0.57	0.57
100	**Bank Melli Iran, Tehran**	0.48	0.98

Data Source: American Banker's world bank survey. **Table Described:** The top 100 world banking companies in assets on Dec. 31, 1989 listed in order of their equity capital-to-assets ratio on Dec. 31, 1989. **Equity/Assets** is equity capital as a percentage of assets. **Assets:** Total assets less contra accounts and contingent liabilities.

Compiled by American Banker, Copyright, 1989.

Equity Capital Growth at Top 100 Banking Companies in Assets

Equity Growth Rank		Equity growth '88-'89	Asset growth '88-'89
1	**Danske Bank, Copenhagen**	118.67%	135.91%
2	**Bank of Seoul, Korea**	101.03	30.38
3	**Banco di Roma, Rome**	61.62	18.15
4	**NCNB Corp., Charlotte, N.C.**	52.52	122.96
5	**Yasuda Trust & Banking Co. Ltd., Tokyo**	48.83	1.48
6	**Hongkong & Shanghai Banking Corp.**	46.60	17.43
7	**Kredietbank N.V., Brussels**	45.70	23.85
8	**Chuo Trust & Banking Co. Ltd., Tokyo**	45.43	-2.69
9	**Compagnie Financiere de Suez, Paris**	35.30	88.32
10	**BankAmerica Corp., San Francisco**	33.38	4.12
11	**Banco do Brasil, Brasilia**	32.83	26.02
12	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	32.18	13.27
13	**National Australia Bank Ltd., Melbourne**	32.16	25.49
14	**Deutsche Bank, Frankfurt**	31.41	18.98
15	**Credit Agricole Mutuel, Paris**	30.86	16.50
16	**Banque Bruxelles Lambert, Brussels**	29.53	12.39
17	**Deutsche Genossenschaftsbank, Frankfurt**	28.13	48.20
18	**Dresdner Bank, Frankfurt**	28.04	12.62
19	**Compagnie Financiere de Credit Ind'l et Comm'l, Paris**	27.52	20.22
20	**Bank of Tokyo Ltd.**	27.21	15.54
21	**PKbanken Stockholm, Sweden**	26.71	26.47
22	**Banca Nazionale del Lavoro, Rome**	25.79	14.79
23	**Generale Bank, Brussels**	25.14	9.61
24	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	24.99	18.77
25	**Mitsubishi Trust & Banking Corp., Tokyo**	23.33	1.43
26	**Societe Generale, Paris**	23.30	22.36
27	**Sumitomo Bank Ltd., Osaka**	22.71	-2.11
28	**Commerzbank, Frankfurt**	22.61	8.44
29	**Toronto Dominion Bank**	21.94	10.83
30	**Credit Lyonnais, Paris**	21.75	19.44
31	**Union Bank of Switzerland, Zurich**	21.59	3.00
32	**Long-Term Credit Bank of Japan Ltd., Tokyo**	20.98	1.10
33	**Security Pacific Corp., Los Angeles**	20.66	7.76
34	**Skandinaviska Enskilda Banken, Stockholm**	20.65	24.90
35	**Bank of Nova Scotia, Toronto**	20.50	10.42
36	**Toyo Trust & Banking Co. Ltd., Tokyo**	19.37	-4.64
37	**Hokuriku Bank Ltd., Toyama**	18.94	5.62
38	**Royal Bank of Canada, Montreal**	18.39	-1.61
39	**Amsterdam-Rotterdam Bank, Amsterdam**	18.34	12.49
40	**Sanwa Bank Ltd., Osaka**	18.20	1.53
41	**Mitsui Trust & Banking Co. Ltd., Tokyo**	17.91	-0.68
42	**Groupe Des Banques Populaires, Paris**	17.83	17.28
43	**Kyowa Bank Ltd., Tokyo**	16.13	-6.05
44	**Rabobank Nederland, Utrecht**	15.45	12.29
45	**Chiba Bank Ltd.**	15.33	-0.25
46	**Istituto Bancario San Paolo di Torino, Turin**	14.77	31.78
47	**Westpac Banking Corp., Sydney**	14.67	26.69
48	**NMB Postbank Group N.V., Amsterdam**	14.50	15.27
49	**Hokkaido Takushoku Bank Ltd., Sapporo**	13.99	-7.12
50	**First Chicago Corp.**	13.63%	7.96%
51	**Algemene Bank Nederland, Amsterdam**	13.46	7.00
52	**American Express Co., New York**	13.30	-8.33
53	**Banque Nationale de Paris**	12.50	19.15
54	**Credit Suisse, Zurich**	11.60	18.19
55	**Bayerische Landesbank Girozentrale, Munich**	11.55	15.09
56	**Bayerische Vereinsbank, Munich**	11.48	12.47
57	**Wells Fargo & Co., San Francisco**	11.15	4.65
58	**Shizuoka Bank Ltd., Japan**	9.64	5.48
59	**Norddeutsche Landesbank Girozentrale, Hannover**	9.59	12.02
60	**Cassa di Risparmio delle Provincie Lombarde, Milan**	9.57	1.76
61	**Canadian Imperial Bank of Commerce, Toronto**	9.50	10.06
62	**Bank of Yokohama Ltd.**	9.21	-0.80
63	**Saitama Bank Ltd., Urawa, Japan**	9.15	2.64
64	**Bank of Montreal**	8.13	5.29
65	**Banca Commerciale Italiana, Milan**	7.72	41.79
66	**Joyo Bank Ltd., Mito**	7.69	6.26
67	**Nippon Credit Bank Ltd., Tokyo**	7.65	-4.12
68	**Credito Italiano, Milan**	7.64	32.58
69	**Daiwa Bank Ltd., Osaka**	7.42	-0.43
70	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	7.18	4.25
71	**Fuji Bank Ltd., Tokyo**	5.55	-0.40
72	**Tokai Bank Ltd., Nagoya**	5.31	1.16
73	**First Interstate Bancorp., Los Angeles**	4.42	1.47
74	**Manufacturers Hanover Trust Corp., New York**	4.00	-16.74
75	**Mitsubishi Bank Ltd., Tokyo**	2.61	2.48
76	**State Bank of India, Bombay**	2.35	5.62
77	**Citicorp, New York**	2.15	11.39
78	**Barclays Plc, London**	1.92	8.60
79	**Swiss Bank Corp., Basle**	1.82	20.55
80	**Australia & New Zealand Banking Group Ltd., Melbourne**	1.64	20.16
81	**Banco di Napoli, Naples**	0.00	17.15
82	**Chase Manhattan Corp., New York**	-0.32	10.98
83	**Bank of New York Co.**	-1.04	4.27
84	**Sumitomo Trust & Banking Co. Ltd., Osaka**	-4.11	-2.87
85	**Taiyo Kobe Bank Ltd., Kobe**	-4.52	-0.40
86	**Industrial Bank of Japan Ltd., Tokyo**	-5.12	-0.26
87	**Mitsui Bank Ltd., Tokyo**	-5.31	-7.45
88	**Monte dei Paschi di Siena**	-5.83	14.12
89	**Chemical Banking Corp., New York**	-6.60	6.36
90	**Shoko Chukin Bank, Tokyo**	-8.24	-10.01
91	**Norinchukin Bank, Tokyo**	-9.24	-9.16
92	**National Westminster Bank Plc, London**	-10.94	4.89
93	**Zenshinren Bank, Tokyo**	-13.39	-16.84
94	**Banco Bilbao Vizcaya, Bilbao**	-14.25	-17.00
95	**Compagnie Financiere de Paribas, Paris**	-18.81	14.93
96	**Midland Bank Plc, London**	-21.33	-0.17
97	**J.P. Morgan & Co. Inc., New York**	-22.20	6.02
98	**Lloyds Bank Plc, London**	-26.74	-1.14
99	**Bankers Trust New York Corp.**	-31.81	-0.98
100	**Bank Melli Iran, Tehran**	-32.69	38.55

Data Source: American Banker survey. **Table Described:** The top 100 world banking companies in assets listed in order of equity capital growth. **Equity growth** is the percentage change in equity capital from yearend 1988 to yearend 1989, expressed as a percentage. **Asset growth** is the percentage change in assets from yearend 1988 to yearend 1989.

Compiled by American Banker, Copyright, 1989.

Alphabetical Listing of Top 500 Banks in Assets

With asset and deposit ranks on Dec. 31, 1989

		Asset Rank	Deposit Rank
77 Bank, Ltd., Sendai	Japan	157	148
AN-HYP N.V., Antwerp	Belgium	477	445
ASLK-CGER Bank, Brussels	Belgium	105	88
Aichi Bank, Ltd., Nagoya	Japan	316	277
Akita Bank, Ltd.	Japan	333	309
Algemene Bank Nederland, Amsterdam	Netherlands	44	51
Allied Irish Banks Plc., Dublin	Ireland	152	140
AmSouth Bank NA, Birmingham, Ala.	United States	434	436
American Express Bank Ltd., New York	United States	207	195
American Express Centurion Bank, Newark	United States	389	734
American Savings Bank, Irvine, Calif.	United States	223	207
Ameritrust Co. NA, Cleveland	United States	387	369
Amsterdam-Rotterdam Bank, Amsterdam	Netherlands	42	45
Anchor Savings Bank, FSB, Northport, N.Y.	United States	385	371
Aomori Bank, Ltd.	Japan	365	322
Arab Bank Ltd., Amman	Jordan	350	290
Arab Banking Corp., Manama	Bahrain	176	162
Ashikaga Bank, Ltd., Utsunomiya	Japan	106	93
Atlantic Financial Federal, FA, Bala Cynwyd, Pa.	United States	467	498
Australia & New Zealand Banking Group, Ltd., Melbourne	Australia	79	91
Awa Bank, Ltd., Tokushima	Japan	299	268
BFG Luxembourg	Luxembourg	452	410
Baden-Wuerttembergische Bank, Stuttgart	Germany	391	328
Banca Catalana, Barcelona	Spain	418	363
Banca Commerciale Italiana, Milan	Italy	48	41
Banca Nazionale del Lavoro, Rome	Italy	36	36
Banca Nazionale dell'Agricoltura, Rome	Italy	142	159
Banca Popolare di Bergamo	Italy	323	384
Banca Popolare di Milano, Milan	Italy	158	160
Banca Popolare di Novara	Italy	135	142
Banca Popolare di Verona	Italy	464	526
Banca Provinciale Lombarda, Bergamo	Italy	338	378
Banca San Paolo di Brescia	Italy	468	489
Banca Serfin, Mexico City	Mexico	408	696
Banca Toscana, Florence	Italy	245	249
Banca d'America e d'Italia, Milan	Italy	400	411
Banca della Svizzera Italiana, Lugano	Switzerland	449	421
Banco Ambrosiano Veneto, Milan	Italy	172	185
Banco Atlantico, Barcelona	Spain	445	399
Banco Bilbao Vizcaya, Bilbao	Spain	83	75
Banco Brasileiro de Descontos, Sao Paulo	Brazil	154	331
Banco Central, Madrid	Spain	100	92
Banco Espanol de Credito, Madrid	Spain	127	114
Banco Espirito Santo e Comercial, Lisbon	Portugal	429	447
Banco Exterior de Espana, Madrid	Spain	171	154
Banco Hispano-Americano, Madrid	Spain	139	130
Banco Intercontinental Espanol, Madrid	Spain	340	385
Banco Itau, Sao Paulo	Brazil	210	497
Banco Lariano, Como	Italy	334	396
Banco Nacional de Mexico, Mexico City	Mexico	220	379
Banco Pastor, Coruna	Spain	487	442
Banco Pinto & Sotto Mayor, Lisbon	Portugal	486	493
Banco Popular Espanol, Madrid	Spain	185	170
Banco Portugues do Atlantico, Oporto	Portugal	369	362
Banco Real, Sao Paulo	Brazil	484	0
Banco Santander	Spain	109	101
Banco de Sabadell	Spain	414	372
Banco di Napoli, Naples	Italy	67	65
Banco di Roma, Rome	Italy	71	71
Banco di Santo Spirito, Rome	Italy	188	180
Banco di Sicilia, Palermo	Italy	119	112
Banco do Brasil, Brasilia	Brazil	35	95
Banco do Estado de Sao Paulo	Brazil	215	471
Bancomer, Mexico City	Mexico	234	198
Bangkok Bank, Ltd.	Thailand	225	226
Bank Bumi Daya, Jakarta	Indonesia	422	352
Bank Dagang Negara, Jakarta	Indonesia	471	543
Bank Hapoalim, Tel-Aviv	Israel	124	126
Bank Leu, Ltd., Zurich	Switzerland	353	325
Bank Leumi le-Israel, Tel-Aviv	Israel	132	127
Bank Mees & Hope, Amsterdam	Netherlands	273	289
Bank Melli Iran, Tehran	Iran	61	66
Bank Negara Indonesia 1946, Jakarta	Indonesia	336	509
Bank One, Texas NA, Dallas	United States	288	313
Bank Saderat Iran, Tehran	Iran	111	106
Bank fuer Arbeit und Wirtschaft, Vienna	Austria	229	191
Bank fuer Gemeinwirtschaft, Frankfurt	Germany	117	99
Bank of America NT&SA, San Francisco	United States	50	50
Bank of Baroda	India	393	351
Bank of California NA, San Francisco	United States	433	468
Bank of Communications, Taipei	Taiwan	349	424
Bank of Fukuoka, Ltd.	Japan	112	110
Bank of Hawaii, Honolulu	United States	419	377
Bank of Hiroshima, Ltd.	Japan	115	103
Bank of Ikeda, Ltd.	Japan	381	337
Bank of India, Bombay	India	339	299
Bank of Ireland, Dublin	Ireland	181	165
Bank of Iwate, Ltd., Morioka	Japan	319	298
Bank of Kansai, Ltd., Osaka	Japan	456	426
Bank of Kinki, Ltd., Osaka	Japan	233	208
Bank of Kyoto, Ltd.	Japan	179	161
Bank of Montreal	Canada	69	64
Bank of Nagoya, Ltd.	Japan	256	223
Bank of New England NA, Boston	United States	250	291
Bank of New York	United States	98	105
Bank of New Zealand, Ltd., Wellington	New Zealand	324	285
Bank of Nova Scotia, Toronto	Canada	73	68
Bank of Okinawa, Ltd., Naha	Japan	478	438
Bank of Osaka, Ltd.	Japan	263	252
Bank of Saga, Ltd.	Japan	409	359

		Asset Rank	Deposit Rank
Bank of Scotland, Edinburgh	United Kingdom	129	120
Bank of Seoul	Korea	89	83
Bank of Taiwan, Taipei	Taiwan	137	129
Bank of Tokyo Trust Co., New York	United States	424	434
Bank of Tokyo, Ltd.	Japan	16	19
Bank of Yokohama, Ltd.	Japan	56	58
Bank of the Ryukyus, Ltd., Naha	Japan	403	364
Bankers Trust Co., New York	United States	87	119
Banque Bruxelles Lambert, Brussels	Belgium	85	76
Banque Cantonale Vaudoise, Lausanne	Switzerland	442	398
Banque Cantonale de Berne	Switzerland	405	344
Banque Cantonale de St. Gallen	Switzerland	430	381
Banque Cantonale de Zurich	Switzerland	148	134
Banque Commerciale pour l'Europe du Nord, Paris	France	489	443
Banque Francaise du Commerce Exterieur, Paris	France	116	156
Banque Generale du Luxembourg	Luxembourg	270	242
Banque Indosuez, Paris	France	77	87
Banque Internationale a Luxembourg	Luxembourg	244	215
Banque Nationale de Paris	France	8	7
Banque Paribas Belgique, Brussels (q)	Belgium	356	318
Banque Paribas, Paris (q)	France	53	46
Banque Regionale d'Escompte et de Depots, Vincennes	France	296	321
Banque Sudameris, Paris	France	469	446
Banque Worms, Paris	France	292	279
Banque et Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	302	261
Barclays Bank Plc, London	United Kingdom	13	15
Bayerische Hypotheken-und Wechsel-Bank, Munich	Germany	46	38
Bayerische Landesbank Girozentrale, Munich	Germany	52	43
Bayerische Vereinsbank, Munich	Germany	38	33
Bergen Bank	Norway	239	267
Berliner Bank, Berlin	Germany	187	155
Berliner Handels und-Frankfurter Bank, Frankfurt	Germany	184	158
Biwako Bank, Ltd., Otsu	Japan	473	427
Boatmen's National Bank, St. Louis, Mo.	United States	427	485
Boston Safe Deposit & Trust Co.	United States	318	341
Bremer Landesbank, Bremen	Germany	203	174
C.O.B.-Caisse d'Epargne Privee, Brussels	Belgium	249	221
CIC-Union Europeenne, International & Cie, Paris	France	453	395
Caisse Centrale des Banques Populaires, Paris	France	174	176
Caixa Geral de Depositos, Lisbon	Portugal	209	216
Caja de Ahorros de Cataluna, Barcelona	Spain	425	389
Caja de Ahorros de Galicia, Coruna	Spain	490	484
Caja de Ahorros y Monte de Piedad de Barcelona	Spain	293	272
Caja de Ahorros y Monte de Piedad de Zaragoza	Spain	472	456
Caja de Madrid	Spain	195	192
Caja de Pensiones para la Vejez, Barcelona	Spain	125	116
California Federal Bank, FSB, Los Angeles	United States	162	189
Canadian Imperial Bank of Commerce, Toronto	Canada	57	52
Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	308	301
Cassa di Risparmio delle Provincie Lombarde, Milan	Italy	68	89
Cassa di Risparmio di Firenze, Florence	Italy	363	391
Cassa di Risparmio di Genova e Imperia, Genoa	Italy	446	451
Cassa di Risparmio di Padova e Rovigo, Padova	Italy	395	413
Cassa di Risparmio di Roma, Rome	Italy	149	183
Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	Italy	262	312
Cassa di Risparmio in Bologna	Italy	440	504
CenTrust Bank, SSB, Miami	United States	411	429
Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	Belgium	224	199
Chang Hwa Commercial Bank, Ltd., Taichung	Taiwan	165	164
Chase Lincoln First Bank NA, Rochester, N.Y.	United States	483	560
Chase Manhattan Bank (USA) NA, Wilmington, Del.	United States	364	680
Chase Manhattan Bank NA, New York	United States	54	60
Chemical Bank, New York	United States	101	109
Chiba Bank, Ltd.	Japan	75	70
Chiba Kogyo Bank, Ltd.	Japan	311	281
Cho Hung Bank Ltd., Seoul	Korea	194	220
Christiania Bank og Kreditkasse, Oslo	Norway	199	194
Chugoku Bank, Ltd., Okayama	Japan	143	136
Chukyo Bank, Ltd., Nagoya	Japan	335	296
Chuo Trust & Banking Co., Ltd., Tokyo	Japan	63	59
Citibank (Nevada) NA, Las Vegas	United States	399	0
Citibank (South Dakota) NA, Sioux Falls	United States	309	782
Citibank NA, New York	United States	24	27
Citicorp Savings, FS&LA, San Francisco	United States	443	495
Citizens & Southern National Bank, Atlanta	United States	286	286
Citizens & Southern National Bank, Fort Lauderdale, Fla.	United States	497	461
Citizens National Bank, Seoul	Korea	272	253
City Savings Bank, FSB, Somerset, N.J.	United States	392	409
Clydesdale Bank Plc, Glasgow	United Kingdom	462	430
Coast Savings & Loan Assn., Los Angeles	United States	306	302
Columbia Savings & Loan Assn., Beverly Hills	United States	367	338
Comerica Bank-Detroit	United States	329	350
Commercial Bank of Greece, Athens	Greece	450	401
Commercial Bank of Korea Ltd., Seoul	Korea	167	214
Commercial Bank of Kuwait	Kuwait	465	407
Commerzbank International, Luxembourg	Luxembourg	313	275
Commerzbank, Frankfurt	Germany	32	28
Commonwealth Bank of Australia, Sydney	Australia	93	124
Commonwealth Banking Corp., Sydney	Australia	114	118
Commonwealth Savings Bank of Australia, Sydney	Australia	253	219
Connecticut Bank & Trust Co. NA, Hartford	United States	351	315
Connecticut National Bank, Hartford	United States	282	324
Continental Bank NA, Chicago	United States	133	168
Coutts & Co., London	United Kingdom	421	347
Credit Agricole Mutuel, Paris	France	7	14
Credit Commercial de France, Paris	France	95	102
Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	321	368
Credit Industriel et Commercial, Paris (h)	France	254	256
Credit Lyonnais Bank Nederland, Rotterdam	Netherlands	216	187
Credit Lyonnais, Paris	France	12	12

WORLD BANKING

Alphabetical Listing of Top 500 Banks in Assets

With asset and deposit ranks on Dec. 31, 1989

		Asset Rank	Deposit Rank
Credit Suisse (Luxembourg)	Luxembourg	479	414
Credit Suisse, Zurich	Switzerland	47	62
Creditanstalt-Bankverein, Vienna	Austria	102	115
Credito Italiano, Milan	Italy	60	53
Credito Romagnolo, Bologna	Italy	247	269
Crestar Bank, Richmond	United States	327	345
CrossLand Savings FSB, Brooklyn, New York	United States	255	300
Dai-Ichi Kangyo Bank Ltd., Tokyo	Japan	2	1
Daisan Bank, Ltd., Matsuzaka	Japan	374	320
Daishi Bank, Ltd., Niigata	Japan	202	181
Daiwa Bank, Ltd., Osaka	Japan	25	25
Danske Bank, Copenhagen	Denmark	78	72
Deutsche Bank Luxembourg	Luxembourg	191	172
Deutsche Bank, Frankfurt	Germany	15	9
Deutsche Genossenschaftsbank, Frankfurt	Germany	33	49
Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	Germany	145	128
Deutsche Siedlungs und Landesrentenbank, Bonn	Germany	140	326
Development Bank of Singapore Ltd.	Singapore	218	209
Dime Savings Bank of New York, FSB, Garden City	United States	297	280
Dresdner Bank Berlin AG	Germany	431	370
Dresdner Bank Luxembourg	Luxembourg	265	238
Dresdner Bank, Frankfurt	Germany	26	23
Ehime Bank, Ltd., Matsuyama	Japan	384	333
Eighteenth Bank, Ltd., Nagasaki	Japan	332	307
Empire of America Federal Savings Bank, Buffalo, N.Y.	United States	**415**	**332**
Erste Oesterreichische Spar-Casse, Vienna	Austria	285	273
Farmers Bank of China, Taipei	Taiwan	371	432
Fidelity Bank NA, Philadelphia	United States	370	380
First Bank NA, Minneapolis	United States	281	294
First City Texas-Houston NA	United States	436	502
First Commercial Bank, Taipei	Taiwan	136	147
First Federal of Michigan, Detroit	United States	312	540
First Fidelity Bank NA, Newark, N.J.	United States	291	310
First Gibraltar Bank, FSB, Dallas	United States	347	354
First Interstate Bank of Arizona NA, Phoenix	United States	470	422
First Interstate Bank of California, Los Angeles	United States	186	173
First Interstate Bank of Oregon NA, Portland	United States	491	482
First Interstate Bank of Texas NA, Houston	United States	488	431
First National Bank of Maryland, Baltimore	United States	492	511
First National Bank of South Africa Ltd., Johannesburg	South **Africa**	**355**	**304**
First National Bank, Atlanta	United States	397	418
First National Bank, Boston	United States	131	143
First National Bank, Chicago	United States	122	123
First Nationwide Bank, FSB, San Francisco	United States	173	237
First Pennsylvania Bank NA, Philadelphia	United States	475	492
First Union National Bank of Florida, Jacksonville	United States	375	367
First Union National Bank, Charlotte, N.C.	United States	217	264
Fleet National Bank, Providence, R.I.	United States	354	420
Florida National Bank, Jacksonville	United States	426	425
Forsta Sparbanken, Stockholm	Sweden	416	360
Frankfurter Sparkasse, Frankfurt	Germany	326	278
Franklin Savings Assn., Ottawa, Kan.	United States	301	536
Fuji Bank, Ltd., Tokyo	Japan	3	4
Fukui Bank, Ltd.	Japan	268	247
Fukuoka City Bank, Ltd.	Japan	238	206
Fukutoku Bank, Ltd., Osaka	Japan	259	239
Generale Bank, Brussels	Belgium	65	57
Genossenschaftliche Zentralbank, Stuttgart	Germany	304	262
Gibraltar Savings, FA, Simi Valley, Calif.	United States	451	441
Girozentrale und Bank der Oesterreich. Sparkassen, Vienna	Austria	151	150
Glendale Federal Bank, FSB, Calif.	United States	159	184
Goldome, Buffalo, N.Y.	United States	271	287
Gotabanken, Stockholm	Sweden	322	314
Great American Bank, SSB, San Diego, Calif.	United States	266	295
Great Western Bank, FSB, Beverly Hills	United States	123	135
Greenwood Trust Co., New Castle, Del.	United States	459	459
Groupe Des Banques Populaires, Paris	France	70	69
Gulf Bank, Kuwait	Kuwait	476	428
Gulf International Bank, Manama	Bahrain	343	288
Gunma Bank, Ltd., Maebashi	Japan	128	122
Hachijuni Bank, Ltd., Nagano	Japan	121	111
Hamburger Sparkasse, Hamburg	Germany	221	188
Hamburgische Landesbank-Girozentrale, Hamburg	Germany	138	121
Hang Seng Bank Ltd., Hong Kong	Hong Kong	169	149
Hanil Bank Ltd., Seoul	Korea	177	212
Hanshin Bank, Ltd., Kobe	Japan	461	406
Harris Trust & Savings Bank, Chicago	United States	346	382
Hessische Landesbank-Girozentrale, Frankfurt	Germany	108	86
Hibernia National Bank, New Orleans, La.	United States	482	448
Higashi-Nippon Bank, Ltd., Tokyo	Japan	402	346
Higo Bank, Ltd., Kumamoto	Japan	235	210
Hill, Samuel Bank, Ltd., London	United Kingdom	200	467
Hiroshima-Sogo Bank, Ltd.	Japan	275	251
Hokkaido Bank, Ltd., Sapporo	Japan	175	163
Hokkaido Takushoku Bank, Ltd., Sapporo	Japan	64	63
Hokkoku Bank, Ltd., Kanazawa	Japan	237	211
Hokuetsu Bank, Ltd., Nagaoka	Japan	314	274
Hokuriku Bank Ltd., Toyama	Japan	76	74
Home Savings of America, FA, Irwindale, Calif.	United States	99	107
Homefed Bank, FSB, San Diego, Calif.	United States	208	217
Hongkong and Shanghai Banking Corp., Hong Kong	Hong Kong	27	26
Household Bank, FSB, Newport Beach, Calif.	United States	458	640
Hua Nan Commercial Bank, Ltd., Taipei	Taiwan	161	153
Huntington National Bank, Columbus, Ohio	United States	388	394
Hyakugo Bank, Ltd., Tsu	Japan	231	204
Hyakujushi Bank, Ltd., Takamatsu	Japan	189	177
Hyogo Bank, Ltd., Kobe	Japan	147	137
Imperial Savings Assn., San Diego, Calif.	United States	360	393
Industrial Bank of Japan, Ltd., Tokyo	Japan	6	6
Industrial Bank of Korea, Seoul	Korea	284	353
International Commercial Bank of China, Taipei	Taiwan	438	488
Israel Discount Bank, Ltd., Tel-Aviv	Israel	226	201
Istituto Bancario Italiano, Milan	Italy	376	402
Istituto Bancario San Paolo di Torino, Turin	Italy	34	39
Iyo Bank, Ltd., Matsuyama	Japan	198	175
Joyo Bank, Ltd., Mito	Japan	80	73
Juroku Bank, Ltd., Gifu	Japan	155	144
Jyske Bank, Silkeborg	Denmark	410	374
Kagoshima Bank, Ltd.	Japan	279	259
Kansallis-Osake Pankki, Helsinki	Finland	118	145
Keiyo Bank, Ltd., Chiba	Japan	283	257
Kiyo Bank, Ltd., Wakayama	Japan	213	193
Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	251	297
Kofuku Bank, Ltd., Osaka	Japan	260	231
Korea Development Bank, Seoul	Korea	156	342
Korea Exchange Bank, Seoul	Korea	166	243
Korea First Bank, Seoul	Korea	197	230
Korea Housing Bank, Seoul	Korea	303	390
Kredietbank N.V., Brussels	Belgium	90	80
Kredietbank S.A. Luxembourgeoise, Luxembourg	Luxembourg	289	260
Kreissparkasse Koeln, Cologne	Germany	448	388
Krung Thai Bank Ltd., Bangkok	Thailand	396	361
Kyowa Bank, Ltd., Tokyo	Japan	41	40
Kyushu Bank, Ltd., Sasebo	Japan	474	417
Land Bank of Taiwan, Taipei	Taiwan	190	179
Landesbank Rheinland-Pfalz Girozentrale, Mainz	Germany	141	131
Landesbank Saar-Girozentrale, Saarbrucken	Germany	498	836
Landesbank Schleswig-Holstein Girozentrale, Kiel	Germany	168	308
Landesgirokasse, Stuttgart	Germany	277	244
Ljubljanska Banka, Ljubljana	Yugoslavia	437	553
Lloyds Bank Plc, London	United Kingdom	43	37
Long-Term Credit Bank of Japan Ltd., Tokyo	Japan	21	20
Luzerner Kantonalbank, Lucerne	Switzerland	439	387
Lyonnaise de Banque, Lyon	France	358	339
Malayan Banking Berhad, Kuala Lumpur	Malaysia	325	305
Manufacturers Hanover Trust Co., New York	United States	81	79
Manufacturers National Bank, Detroit	United States	390	376
Marine Midland Bank NA, Buffalo, N.Y.	United States	178	169
Maryland National Bank, Baltimore	United States	383	392
Medium Business Bank of Taiwan, Taipei	Taiwan	211	235
Mellon Bank NA, Pittsburgh	United States	170	190
MeraBank, FSB, Phoenix, Ariz.	United States	485	512
Meridian Bank, Reading, Pa.	United States	330	317
Meritor Savings Bank, Philadelphia	United States	276	265
Michigan National Bank, Farmington Hills	United States	344	336
Michinoku Bank, Ltd., Aomori	Japan	412	356
Midland Bank Plc, London	United Kingdom	39	35
Midlantic National Bank, Newark, N.J.	United States	348	340
Mitsubishi Bank Ltd., Tokyo	Japan	4	3
Mitsubishi Trust & Banking Corp., Tokyo	Japan	11	8
Mitsui Bank, Ltd., Tokyo	Japan	14	18
Mitsui Trust & Banking Co., Ltd., Tokyo	Japan	19	17
Miyazaki Bank, Ltd.	Japan	401	366
Monte dei Paschi di Siena	Italy	59	61
Morgan Grenfell & Co. Ltd., London	United Kingdom	328	343
Morgan Guaranty Trust Co., New York	United States	72	82
Motherwell District Municipal Bank Ltd.	United Kingdom	495	415
Musashino Bank, Ltd., Omiya	Japan	294	258
NCNB National Bank of Florida, Tampa	United States	295	284
NCNB National Bank of North Carolina, Charlotte	United States	192	263
NCNB Texas National Bank, Dallas	United States	126	125
NMB Postbank Group, N.V., Amsterdam	Netherlands	51	48
Nanto Bank, Ltd., Nara	Japan	182	167
Nassauische Sparkasse Wiesbaden, Wiesbaden	Germany	432	365
National Australia Bank, Ltd, Melbourne	Australia	84	94
National Bank of Canada, Montreal	Canada	134	139
National Bank of Detroit	United States	214	232
National Bank of Dubai Ltd., Dubai	United Arab Emirate	494	472
National Bank of Egypt, Cairo	Egypt	454	435
National Bank of Greece, Athens	Greece	144	133
National Bank of Kuwait	Kuwait	269	234
National City Bank, Cleveland	United States	413	455
National Commercial Bank, Jeddah	Saudi Arabia	163	146
National Westminster Bank Plc, London	United Kingdom	18	16
National Westminster Bank USA, New York	United States	248	225
Nedcor Ltd., Johannesburg	South Africa	377	311
Nippon Credit Bank, Ltd., Tokyo	Japan	31	34
Nippon Trust Bank, Ltd., Tokyo	Japan	146	151
Nishi-Nippon Bank, Ltd., Fukuoka	Japan	160	152
Nordbanken, Stockholm	Sweden	372	334
Norddeutsche Landesbank Girozentrale, Hannover	Germany	66	55
Norinchukin Bank, Tokyo	Japan	10	11
Norske Creditbank, Oslo	Norway	243	254
North Pacific Bank, Ltd., Sapporo	Japan	380	327
Northern Trust Co., Chicago	United States	394	473
Norwest Bank Minnesota NA, Minneapolis	United States	398	444
Oesterreichische Laenderbank, Vienna	Austria	164	157
Oesterreichische Postsparkasse, Vienna	Austria	240	218
Ogaki-Kyoritsu Bank, Ltd., Ogaki	Japan	227	202
Oita Bank, Ltd.	Japan	307	271
Osuuspankkien Keskuspankki Oy, Helsinki	Finland	267	496
Oversea-Chinese Banking Corp., Ltd., Singapore	Singapore	341	335
Overseas Union Bank, Ltd., Singapore	Singapore	496	531
PKbanken, Stockholm	Sweden	86	97
Peoples Bank, Bridgeport, Conn.	United States	460	450
Philadelphia National Bank	United States	359	358
Pittsburgh National Bank	United States	228	266
Postipankki, Helsinki	Finland	193	203
Provident National Bank, Philadelphia	United States	407	440
Rabobank Nederland, Utrecht	Netherlands	45	56

Alphabetical Listing of Top 500 Banks in Assets

With asset and deposit ranks on Dec. 31, 1989

		Asset Rank	Deposit Rank
Rafidain Bank, Baghdad	Iraq	97	85
Raiffeisen Zentralbank Oesterreich AG, Vienna	Austria	219	228
Republic National Bank, New York	United States	205	200
Riggs National Bank, Washington, D.C.	United States	481	439
Riyad Bank Ltd., Jeddah	Saudi Arabia	305	292
Royal Bank of Canada, Montreal	Canada	49	44
Royal Bank of Scotland Plc., Edinburgh	United Kingdom	103	90
S.G. Warburg & Co., Ltd., London	United Kingdom	342	293
Saitama Bank Ltd., Urawa	Japan	40	42
San-in Godo Bank, Ltd., Matsue	Japan	252	229
Sanwa Bank California, San Francisco	United States	466	453
Sanwa Bank Ltd., Osaka	Japan	5	5
Saudi American Bank, Riyadh	Saudi Arabia	455	458
Seattle-First National Bank	United States	290	283
Security Pacific Bank Washington, Seattle	United States	420	400
Security Pacific National Bank, Los Angeles	United States	82	84
Senshu Bank, Ltd., Kishiwada	Japan	379	329
Shawmut Bank NA, Boston	United States	373	460
Shiga Bank, Ltd., Otsu	Japan	204	178
Shikoku Bank, Ltd., Kochi	Japan	287	255
Shinhan Bank, Seoul	Korea	300	437
Shinwa Bank, Ltd., Sasebo	Japan	382	330
Shizuoka Bank Ltd.	Japan	88	78
Shoko Chukin Bank, Tokyo	Japan	55	47
Signet Bank/Virginia, Richmond	United States	386	474
Skandinaviska Enskilda Banken, Stockholm	Sweden	74	108
Skopbank, Helsinki	Finland	180	316
Societe Generale Alsacienne de Banque, Strasbourg	France	257	224
Societe Generale, Paris	France	20	21
Societe Nationale de Credit a l'Industrie, Brussels	Belgium	246	222
Society National Bank, Cleveland	United States	417	412
Southeast Bank NA, Miami	United States	232	227
Sovran Bank NA, Richmond	United States	258	270
Sparbankernas Bank, Stockholm	Sweden	94	197
Sparekassen Bikuben, Copenhagen	Denmark	317	355
Sparkasse der Stadt Berlin West, Berlin	Germany	264	233
Sparkasse in Bremen	Germany	500	507
Stadtsparkasse Koeln, Cologne	Germany	352	323
Stadtsparkasse Munchen, Munich	Germany	435	375
Standard Bank of South Africa Ltd., Johannesburg	South Africa	320	276
Standard Chartered Bank, London	United Kingdom	113	100
Standard Federal Bank, Troy, Mich.	United States	357	416
State Bank Victoria, Melbourne	Australia	222	213
State Bank of New South Wales, Sydney	Australia	315	349
State Bank of South Australia, Adelaide	Australia	280	245
State Street Bank & Trust Co., Boston	United States	331	419
Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	Germany	236	205
Sudwestdeutsche Landesbank, Stuttgart	Germany	92	77
Sumitomo Bank Ltd., Osaka	Japan	1	2
Sumitomo Trust & Banking Co., Ltd., Osaka	Japan	17	13
Sunbelt Savings, FSB, Dallas	United States	378	598
Suruga Bank, Ltd., Numazu	Japan	206	182
Svenska Handelsbanken, Stockholm	Sweden	104	113
Swiss Bank Corp., Basle	Switzerland	28	29
Swiss Volksbank, Berne	Switzerland	153	138
TSB Bank, Plc., London	United Kingdom	110	104
Taiwan Cooperative Bank, Taipei	Taiwan	130	117
Taiyo Kobe Bank, Ltd., Kobe	Japan	22	22
Texas Commerce Bank NA, Houston	United States	298	405
Thai Farmers Bank, Bangkok	Thailand	428	397
Tochigi Bank, Ltd., Utsunomiya	Japan	447	403
Toho Bank, Ltd., Fukushima	Japan	274	250
Tokai Bank Ltd., Nagoya	Japan	9	10
Tokyo Sowa Bank, Ltd.	Japan	183	166
Tokyo Tomin Bank, Ltd.	Japan	261	236
Toronto Dominion Bank	Canada	91	81
Towa Bank, Ltd., Maebashi	Japan	345	303
Toyo Trust & Banking Co. Ltd., Tokyo	Japan	29	30
Trust Company Bank, Atlanta	United States	493	606
Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	Turkey	361	408
Ulster Bank Ltd., Belfast	United Kingdom	499	454
Uniao de Bancos Brasileiros, Sao Paulo	Brazil	444	973
Unibank, Copenhagen	Denmark	107	98
Union Bank of Finland, Ltd., Helsinki	Finland	120	132
Union Bank of Norway, Oslo	Norway	463	452
Union Bank of Switzerland (Luxembourg)	Luxembourg	368	306
Union Bank of Switzerland, Zurich	Switzerland	30	31
Union Bank, San Francisco	United States	241	241
Union de Banques Arabes et Francaises, Neuilly (w)	France	423	383
United Mizrahi Bank Ltd., Tel-Aviv	Israel	441	404
United Overseas Bank Ltd., Singapore	Singapore	362	348
United States National Bank, Portland	United States	337	373
United World Chinese Commercial Bank, Taipei	Taiwan	406	386
Valley National Bank, Phoenix	United States	366	319
Vereins-und Westbank, Hamburg	Germany	278	240
Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	United States	242	248
Wells Fargo Bank NA, San Francisco	United States	96	96
West LB International, Luxembourg	Luxembourg	457	423
Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	Germany	212	196
Westdeutsche Landesbank Girozentrale, Duesseldorf	Germany	37	32
Westfalenbank, Bochum	Germany	230	186
Westpac Banking Corp., Sydney	Australia	58	67
World Savings, FS&LA, Oakland, Calif.	United States	201	246
Yamagata Bank, Ltd.	Japan	404	357
Yamaguchi Bank, Ltd., Shimonoseki	Japan	150	141
Yamanashi Chuo Bank, Ltd., Kofu	Japan	310	282
Yasuda Trust & Banking Co. Ltd., Tokyo	Japan	23	24
Yorkshire Bank Plc, Leeds	United Kingdom	480	433
Zenshinren Bank, Tokyo	Japan	62	54
Zentralsparkasse und Kommerzialbank, Vienna	Austria	196	171

Foreign Currency Exchange Guide and Exchange Rate Comparisons

Name of Country	Currency	Symbol	Rate 12/31/89	Rate 12/31/88	Gain /Loss
Argentina	Austral	AP	0.000735	0.061300	–98.80
Australia	Dollar	A$	0.776000[1]	0.783000[1]	-0.88
Austria	Shilling	AS	0.084000	0.080000	+5.00
Bahamas	Dollar	B$	1.000000	1.000000	00.00
Bahrain	Dinar	BaD	2.650000	2.640000	+0.38
Belgium	Franc	BF	0.028100	0.026800	+4.85
Brazil	New Cruzado	BC	0.112000[2]	0.001360	+8,135[2]
Canada	Dollar	C$	0.852000[3]	0.818000[3]	+4.16
Chile	Peso	CP	0.003000	0.004000	–25.00
Denmark	Krone	DK	0.151000	0.145000	+4.14
Egypt	Pound	EP	0.386000[4]	0.432000[4]	–10.65
Ethiopia	Birr	EB	0.483000	0.482000	+0.21
Finland	Markka	FM	0.246000	0.240000	+2.50
France	Franc	FF	0.173000	0.163000	+6.13
Germany	Deutsche Mark	DM	0.590000	0.560000	+5.36
Greece	Drachma	GD	0.006300	0.006700	–5.97
Hong Kong	Dollar	H$	0.128000	0.128000	.....
India	Rupee	InR	0.058000[5]	0.064390[5]	–9.92
Indonesia	Rupiah	IR	0.000560	0.000579	–3.28
Iran	Rial	Ri	0.014000[6]	0.014000[6]	.....
Iraq	Dinar	ID	3.100000	3.200000	–3.13
Ireland	Pound	IP	1.580000[5]	1.431000[5]	+10.41
Israel	Shekel	IS	0.530000	0.626000	–15.34
Italy	Lira	L	0.000789	0.000765	+3.14
Japan	Yen	Y	0.006289[5]	0.007508[5]	–16.24
Jordan	Dinar	JD	1.560000	2.100000	–25.71
Korea	Won	KW	0.001470	0.001400	+5.00
Kuwait	Dinar	KD	3.410000	3.550000	–3.94
Liechtenstein	**(a)**	...	....	....	.....
Luxembourg	Franc	LF	0.028000	0.026700	+4.87
Malaysia	Dollar	M$	0.370000	0.383000	–3.39
Mexico	Peso	MP	0.000372	0.000431	–13.69
Morocco	Dirham	MD	0.122000	0.122000	.....
Netherlands	Guilder	G	0.524000	0.498000	+5.22
New Zealand	Dollar	N$	0.590000[1]	0.613000[1]	–3.75
Norway	Krone	NK	0.151000	0.152000	–0.66
Pakistan	Rupee	PR	0.047000	0.054000	–12.96
Philippines	Peso	PP	0.045900	0.048300	–4.97
Portugal	Escudo	PE	0.006680	0.006810	–1.91
Qatar	Riyal	QR	0.274000	0.274000	.....
Saudi Arabia	Riyal	SAR	0.266000	0.260000	+2.31
Singapore	Dollar	S$	0.526000	0.513000	+2.53
South Africa	Rand	SR	0.371000[1]	0.401000[1]	–7.48
Spain	Peseta	SP	0.009130	0.008820	+3.51
Sweden	Krona	SK	0.161000	0.163000	–1.23
Switzenand	Franc	SF	0.648000	0.665000	–2.56
Syria	Pound	SyP	0.047000	0.088000	–46.59
Taiwan	NT Dollar	T$	0.038380	0.034600	+10.92
Thailand	Baht	TB	0.039000	0.039690	–1.74
Turkey	Pound	TP	0.000436	0.000550	–20.73
United Arab Emirates	Dirham	UD	0.272000	0.272000	.....
United Kingdom	Pound	P	1.610000	1.808000	–10.95
Yugoslavia	Dinar	YD	0.000008[7]	0.000190	–95.79

Figures shown are the dollar values per unit of foreign currency. Most of the currencies are converted into dollars using the New York cable rate for the date shown. Unless otherwise noted, the exchange rates shown are for yearend 1989 and 1988, respectively. Exchange rates for dates other than 12/31/89 and 12/31/88 indicate that most or all banks in a country reported data as of the date indicated. **(a)**— Banks in country use Swiss francs. **(1)**— As of 9/30/89 and 9/30/88, respectively. **(2)**— The official rate for the new cruzado at yearend was $0.088. Since yearend, the market rate of the new cruzado has fallen 85% to $0.0166 as of 6/29/90. **(3)**— As of 10/31/89 and 10/31/88, respectively. **(4)**— As of 6/30/89 and 6/30/88, respectively. **(5)**— As of 3/31/90 and 3/31/89, respectively. **(6)**— As of 3/20/89 and 3/20/88, respectively. **(7)**— Dinar was devalued 10,000-to-1 shortly after yearend.

Compiled by American Banker, Copyright 1990.

GLOBAL *dispatches...*

Brazil Won't Pay Arrears Before Start of Debt Talks

Reuters

RIO DE JANEIRO — Brazil's chief debt negotiator, Jorio Dauster, reiterated that the government would not pay arrears on its huge foreign debt before the start of negotiations with creditors.

"At this moment the government is not contemplating making any payment of arrears before starting negotiations," Mr. Dauster told a news conference here.

The government announced late Tuesday that an International Monetary Fund team would arrive in Brazil on Aug. 1 to begin a review of the country's economy and to initiate talks on a standby loan agreement.

Mr. Dauster said commercial bank creditors seeking payment of arrears would have to take their place in line behind international agencies and government lenders.

Payment Order Given

"First we are going to fix how much Brazil can pay," he said. "Then there exists a priority, a seniority of whom to pay."

First comes the IMF, Mr. Dauster added, because "whoever doesn't pay the IMF is dead." Next come international agencies such as the World Bank and the Inter-American Development Bank, which "cooperate with Brazil and bring new money."

Third comes the Paris Club of government creditors.

"I will only know what can be paid to [commercial] banks after I know what has been agreed with the other three groups because they are at the head of the queue," Mr. Dauster said.

Sumitomo Plans New York Unit

TOKYO — **Sumitomo Bank** Ltd. will set up a wholly owned subsidiary in New York in mid-1992 to control its fund management, securities, leasing, trust, and capital markets business in the United States.

The controlling unit, as yet unnamed, will be capitalized at $3 million, the Japanese city bank said in a statement.

Sumitomo also said it plans to establish in New York a fund management subsidiary capitalized at $40 million; a securities unit capitalized at $40 million; and a leasing subsidiary capitalized at $240 million. The parent company will directly own 90% of each of the three companies, and its controlling unit the other 10%.

The controlling subsidiary also will own 10% each of Sumitomo's wholly owned Sumitomo Bank Capital Markets Inc. and Sumitomo Bank of New York Trust Co.

— **Reuters**

IDB

Israel Discount Bank of New York

A Member of the IDB Bankholding Group

Statement of Condition
as at June 30, 1990

Assets	
Cash and Due from Banks	$3,201,838,000
Federal Funds Sold	176,000,000
State, Municipal & Other Securities	406,001,000
Loans	992,297,000
Less: Allowance for Possible Loan Losses	20,391,000
Loans, Net	971,906,000
Customers' Liability on Acceptances	8,462,000
Premises & Equipment, Net	11,670,000
Other Assets	51,692,000
Total Assets	$4,827,569,000
Liabilities	
Deposits	$4,461,671,000
Acceptances Outstanding	8,462,000
Other Liabilities	55,036,000
Subordinated Capital Notes	27,000,000
Convertible Subordinated Capital Notes	7,333,000
Total Liabilities	4,559,502,000
Stockholders' Equity	
Common Stock	80,689,000
Surplus	38,595,000
Undivided Profits	148,783,000
Total Stockholders' Equity	268,067,000
Total Liabilities & Stockholders' Equity	$4,827,569,000

Standby Letters of Credit $66,053,000

AN AMERICAN BANK WITH INTERNATIONAL EXPERIENCE

MAIN OFFICE: 511 FIFTH AVENUE, NEW YORK (212) 551-8500
BRANCH: 1350 BROADWAY, NEW YORK
INTERNATIONAL BANKING FACILITY: 511 FIFTH AVENUE, NEW YORK
Cayman/London/Montevideo/Montreal/Toronto

Member Federal Deposit Insurance Corporation

Europe's Banks Lead in Growth

Hard Times Cramp Top Japanese, U.S. Institutions

Continued from *page* **1**

bank assets, they failed to repeat the previous year's sweep of the top 10 places.

Dai-Ichi Kangyo Still No. 1

Once again leviathan Dai-Ichi Kangyo Bank Ltd., Tokyo was the world's largest bank, with $403.4 billion in assets.

But two French banks, $242.3 billion-asset Credit Agricole Mutuel and $231.8 billion-asset Banque Nationale de Paris, jumped into seventh and eighth places, respectively, from 11th and 14th.

Citicorp Wins Back No. 10 Spot

Citicorp, the largest U.S. institution, with assets of $227 billion at yearend 1989, regained the No. 10 spot, which it had held two years before.

Other strong gainers included $211 billion-asset Credit Lyonnais, Paris, which moved up five notches to 13th place, and $202.6 billion-asset Deutsche Bank, Frankfurt, up six spots to 16th.

Japan's Banks Take a Beating

Although Japanese banks built assets substantially in yen terms, 1989 was their toughest recent year. They were battered by rising interest rates, declining margins, lower profitability, and a capital shortfall three years before the deadline for meeting the 8% capital standard of the Bank for International Settlements.

Despite these problems, the Japanese had great success in raising capital. *American Banker* calculates that in 1989 the 30 largest Japanese banks boosted shareholder equity 9.97% in dollar terms, despite the fall in the yen.

'Hidden Assets' Deteriorate

A decline in Japanese stock prices this year has added to the banks' woes. The decline wiped out part of their "hidden assets" – unrealized gains on their stock holdings that represent an important part of their capital structure.

Although the Tokyo stock market has recovered much of its losses, the banks got a vivid demonstration of their vulnerability, a lesson that has made them more cautious about expansion.

U.S. banks, meanwhile, have been hobbled by a sluggish economy, poor profitability, rapidly deteriorating credit quality, and a hostile market for raising equity – trends that became visible in 1989 and accelerated this year.

The most ominous sign for U.S. institutions has been how little their capital has increased. In 1989 the equity of the 14 largest U.S. banking companies rose only 3.94%; their top competitors abroad boosted equity 12.8%.

> **"Our banks are basically operating with huge anchors around their necks. No matter how hard they run, they can't stay in place – because everybody else is moving faster."**
>
> **Robert Litan**
> *Brookings Institution*

'Everybody Else Moving Faster'

"Our banks are basically operating with huge anchors around their necks," said Robert Litan, a Brookings Institution banking expert. "No matter how hard they run, they can't stay in place – because everybody else is moving faster."

As a result, most large U.S. banking companies added assets slowly or not at all, and most dropped in rank in the *American Banker* survey.

BankAmerica and Morgan Slip

BankAmerica Corp., once the world's largest banking company, had assets of $97.2 billion at the end of 1989, slipping from the 40th to the 48th spot. J.P. Morgan & Co., with assets of $87.6 billion, dropped five places to 55th. And Security Pacific Corp., with $83.1 billion, slid three notches to 57th.

The only big U.S. gainer was NCNB Corp., with assets of $65.8 billion. NCNB, which absorbed First RepublicBank Corp. in Texas., more than doubled in size, becoming the world's 75th-largest banking company.

Strength in Europe

Banks in major European countries except Great Britain have benefited from a strong economic climate and healthy banking conditions.

"Generally, [European] banks have had quite good asset quality, lower levels of bankruptcy, quite strong loan growth, and favorable interest rate environments," said Sasha Serafimovski, an analyst with Morgan Stanley International, London.

Consolidation Trend

Much of the asset growth of the continent's largest institutions came from mergers, acquisitions, joint ventures, strategic alliances, and other moves to shore up their home markets and build beachheads elsewhere in preparation for European economic integration and the opening of the Eastern bloc.

In the past year, European banks have tried "to position themselves as major players in a united Europe," said Estela Piscope, an analyst with BHF Securities Corp., New York. "Many of the banks have proceeded to buy up smaller operations across borders."

For example, Banque Nationale de Paris, which increased assets 19.1% in 1989, acquired a 2% stake in Italy's Credito Romagnolo, opened 15 branches in Spain, built a strategic alliance with Germany's Dresdner Bank by exchanging directors, and established a joint venture leasing firm in Greece. In France, BNP bought the 78-branch Banque de Bretagne.

To back up their growth, European banks have added capital fast.

American Banker calculates that in 1989 German banks built equity by 24.71%, French banks by 18.72%, and Italian banks by 12.31%.

However, in the French and Italian cases, equity growth lagged behind the increase in assets. The ability to raise capital will be the most important restraint on banks' further growth in those countries. ☐

Key International Rates *

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	7/25	7/24	7/18	7/25	7/24	7/18	7/25	7/24	7/18	7/25	7/24	7/18	7/25	7/24	7/18
United States	8.06	8.06	8.06	8.12	8.12	8.18	8.12	8.12	8.18	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.50	7.50	7.43	7.72	7.71	7.71	7.81	7.81	7.75	5.25	5.25	5.25	7.13	7.13	7.13
Canada	13.50	13.25	13.75	13.25	13.50	13.50	13.12	13.37	13.37	13.59	13.59	13.67	14.75	14.75	14.75
U.K.	15.00	15.00	15.00	15.06	15.00	14.93	15.00	14.87	14.81	14.31	14.31	14.30	15.00	15.00	15.00
West Germany	8.12	8.06	8.12	8.25	8.25	8.31	8.43	8.43	8.50	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.00	9.00	8.37	9.00	9.00	9.00	8.93	9.00	8.93	6.00	6.00	6.00	11.25	11.25	11.25
France	10.12	9.93	9.87	10.06	9.93	9.93	10.06	10.06	10.06	9.50	9.50	9.50	10.50	10.50	10.50
Italy	11.75	12.25	10.50	11.37	11.37	11.12	11.37	11.50	11.25	12.50	12.50	12.50	13.00	13.00	13.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	7.97	14.43	8.43	8.68	7.75
6 to 12 months	8.07	13.49	8.65	8.08	7.72
12 to 24 months	8.74	12.80	8.90	7.35	7.44

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

800

C0175-1

TOP 500 BANKS IN THE WORLD, BY DEPOSITS
Rankings begin on page 18A

AMERICAN B

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ~ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 146 · Friday, July 27, 1990 · 155th year

Analysts Seek Better Way to Size Up Banks

By FRED VOGELSTEIN

Reacting to one of the worst slumps in bank stocks since the real estate debacle of the early 1970s, a growing number of analysts are rethinking the way they examine banks.

They say the recent spate of large, unexpected changes in bank fundamentals has made their current set of financial tests less effective and some of their predictions no more accurate than weather forecasts.

"It's becoming increasingly clear that credit quality considerations are driving the stocks more than traditional factors like predictions of net interest margin or probability of expansion or takeover," said Raphael Soifer, at Brown Brothers Harriman & Co., New York.

ANALYSIS: *Follow-up on the news*

"We felt the only way one can really look at asset quality" is to come up with a new test, Mr. Soifer said.

Fleet/Norstar Shock

Most analysts agree that the changes in fundamentals are consequences of stiff regulatory examinations amid declining real estate values and souring leveraged loans.

Analysts and investors still talk with frustration about reports from Fleet/Norstar Financial Corp., for example, which surprised them in April, after an exam by regulators, by reporting a $600 million increase in problem loans for the first quarter.

"No one quite knows how to think about bank stocks anymore," said Roger Hillas, chairman of Meritor Savings Bank, Philadelphia, and a manager of two regional bank stock funds. "You think something is doing well, and then the roof caves in."

The Surprise Index

Mr. Soifer said he and his colleagues at Brown Brothers developed their new tool with such examples in mind. Their Surprise Index attempts to gauge how well banks have done over time at avoiding bad loans.

The index is based on two five-year sets of data from 1980 to 1989. It is meant to suggest how likely a bank is to make bad loans, or deal well with current problem loans.

"The thinking is that banks with better credit processes will deal with those problems better than others," Mr. Soifer said.

Focusing on Dividend Safety

Analysts at Shearson Lehman Brothers Holdings Inc. are fo-

See **ANALYSTS** *back page*

INSIDE NEWS

SPECIAL REPORT

JAPANESE BANKS in the U.S. are shifting gears to emphasize earnings from non-asset-related businesses. Meanwhile, most U.S. banks in Japan are treading water in a choppy sea. *Page 1A*

INTERNATIONAL

MAVERICK Japanese politicians are rushing into China with promises of loans. *Page 10*

EARNINGS

BANK OF BOSTON Corp. announced that its second-quarter profits plummeted 96% from the year-earlier level to $4 million. *Page 2*

TECHNOLOGY

SHAMUT NATIONAL continues cutting costs, intent on becoming a low-cost provider of services. *Page 3*

CONSUMER

A CONSTRUCTION LOAN controls system is being touted as a boon for newly cautious lenders. *Page 8*

MORTGAGES

A WHISTLE-BLOWER'S report, which has met with official skepticism, is spurring examiners to take a closer look at how thrifts adjust rates on variable loans. *Page 6*

FINANCE

BANC ONE filed a shelf registration to issue $300 million in new bonds. *Page 20*

COMMENT

MORTGAGE SECURITIES have fundamental value at current levels of yield spreads to Treasuries, according to Joseph C. Hu. *Page 4*

INDEX

Company Index 2
Funny Money 4
Classified Advertising 16
Bank and Thrift Stocks 19

2 Bills Seek To End Curbs On Branching

By LOUIS GERHARDSTEIN

WASHINGTON — Moving to lift the remaining geographic restrictions on U.S. banks and speed the industry's consolidation, two key legislators introduced bills Thursday to allow full interstate banking and branching by 1994.

Observers said the legislation could prove the most significant affecting interstate expansion since the establishment of regional banking compacts in the early 1980s.

Those reciprocal multistate agreements spurred the creation of a new class of banking company, the superregional.

Tearing Down Walls

Sponsors of the bills introduced Thursday said the measures would tear down "the old, archaic walls between states" and increase the size and international competitiveness of U.S. banks.

"The legislation would relax most current restrictions on interstate banking," said Rep. Charles E. Schumer, D-NY, sponsor of the legislation in the House. He said his measure would "allow acquisition of banks by out-of-state holding companies after 1992 and authorize interstate branching after 1993."

Appearing at a Capitol Hill press conference with Sen. Christopher Dodd, D-Conn., who introduced an identical bill in the Senate, Mr. Schumer

See page **12**

Norwest Agrees to Buy United Banks of Denver

By NANINE ALEXANDER

CHICAGO — Norwest Corp. said on Thursday that it had agreed to acquire United Banks of Colorado Inc. in a stock swap valued at about $440 million.

The disclosure came as United announced that it lost $89.7 million in the second quarter, after taking a $95 million provision for problem loans. The Denver company also said it would take a $95 million charge in the second half, relating to problem loans and merger-related expenses.

A Big-Time Merger

Norwest's stock closed Thursday at $19.50, down 87.5 cents. United Banks rose $1.375 to $21.125.

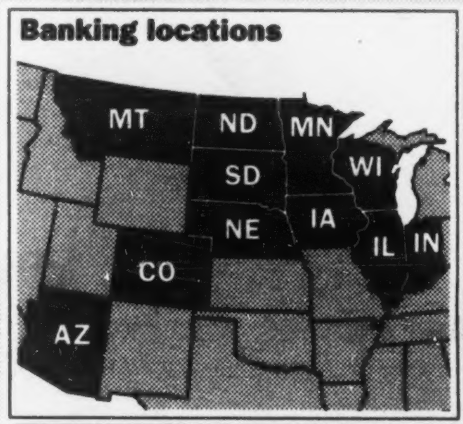
A merger between the two

See **NORWEST** *page* **17**

How Merged Bank Would Stack Up

Head office	Minneapolis
Assets	$33.1 billion
Rank by assets	20
Deposits	$21.8 billion
Employees	22,100
Banks and branches	321

Banking locations



Student Lenders See No Crisis

By YVETTE D. KANTROW

NEW YORK — The financial woes of a Midwest company that issues guarantees on student loans is another in a series of blows to the government-backed program, but bankers see no cause for alarm.

Lenders and others in the business remain confident that the U.S. Department of Education is acting swiftly to resolve the problems of the Higher Education Assistance Foundation, a nonprofit corporation in Overland Park, Kan.

They say they are heartened by a quick decision made earlier this week by the Department of Education and the Office of Management and Budget to send a team to the foundation's computer facilities in Minnesota to review its financial records.

The foundation is struggling because of high default rates on loans. Its failure could result in losses at banks, which could not recoup from the company when student loans go into default.

Citicorp, the nation's largest

See **STUDENT** *page* **8**

U.S. Banks Retreat from Global Ambitions

By JAMES R. KRAUS

Having spent decades expanding their overseas operations, America's big banks are heading into the 1990s dismantling them.

Tougher capital requirements, mounting credit problems, and heightened competition are forcing U.S. banks to scale back their overseas activities. Increasingly, they will have to rely on correspondent banking relationships for their international transactions.

No More Bandwagon

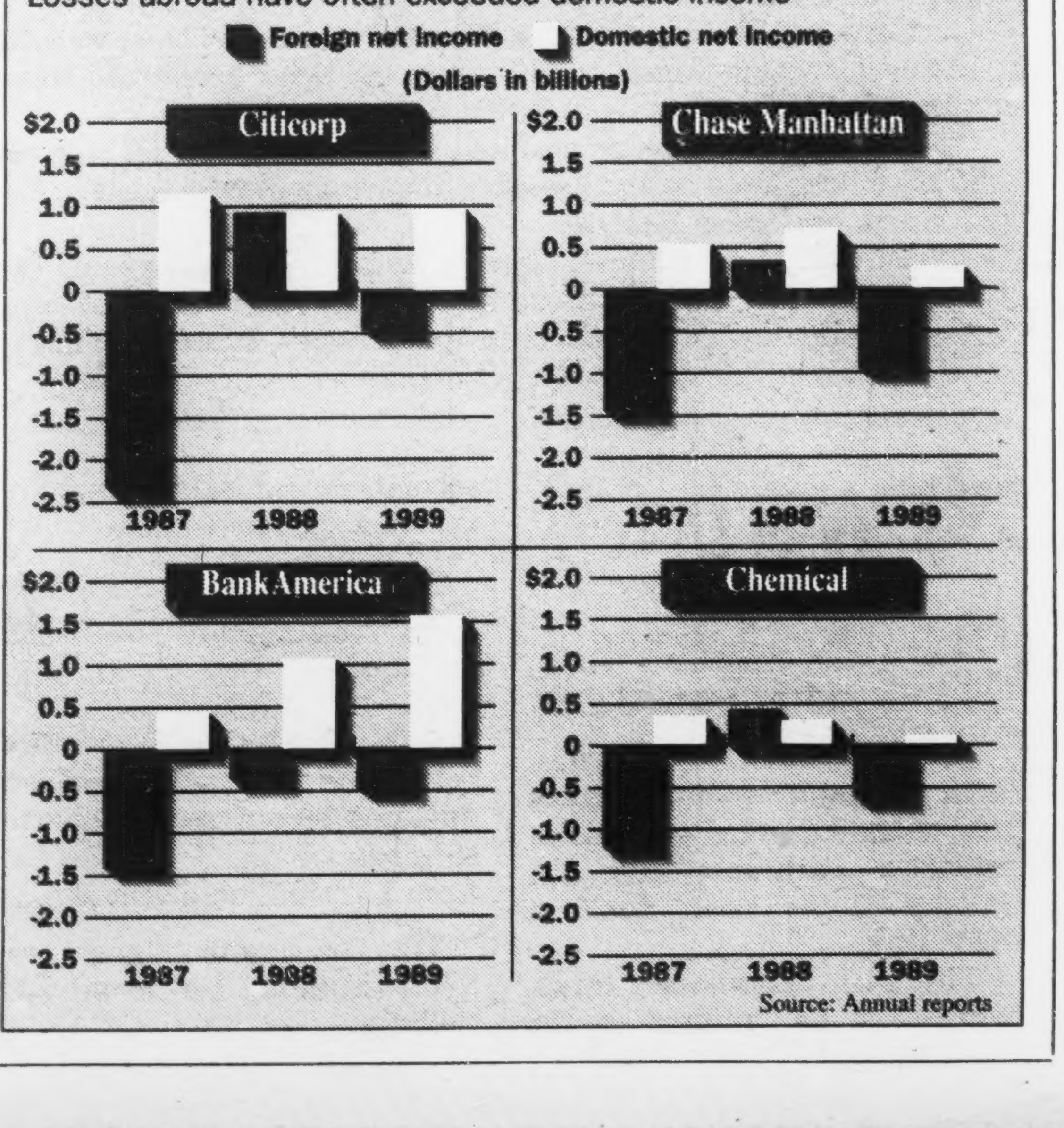
"Money-centers are coming off a decade of troubles in the international arena," John F. McGillicuddy, chairman of Manufacturers Hanover Corp., told bankers at the annual convention of the Bankers Association for Foreign Trade in April.

"So whereas 20 years ago, everyone was trying to get on the

See **U.S.** *page* **10**

Why U.S. Banks Are Retreating from Overseas

Losses abroad have often exceeded domestic income



Source: Annual reports

COMMENT/*By Joseph C. Hu*

Mortgage-Backed Securities Show Impressive Resiliency

Defying the wide market fear, mortgage-backed securities have performed exceedingly well so far this year versus Treasuries of comparable average lives.

The yield spread between benchmark-coupon GNMAs and the 10-year Treasury has tightened to 118 basis points from 141 basis points at the end of 1989. This tightening was even more impressive in view of the lingering uncertainties caused by pending actions from various federal agencies that could significantly depress prices of mortgage securities.

Further, since early May, the market sentiment has turned more bullish with a 50-basis-point rally in long Treasury yields, and volatility has rebounded to cyclical highs. Both events normally cause mortgage-to-Treasury spreads to widen.

Questions that Investors Ask

Against this background, investors generally ask the following questions:

- At their current yield spreads, are mortgage securities rich to the comparable Treasuries?
- If the present adversary conditions continue, should mortgage securities be sold?
- Even if mortgage securities are rich at current levels of yield spreads, do they continue to have fundamental value? If they do, what sector among them is most attractive?

Belief in Fundamental Value

This article addresses these questions. I continue to believe that, at their current levels of yield spreads to Treasuries, mortgage securities have fundamental value.

While these spreads will no doubt oscillate in the short run, they will continue the tightening trend that started about a year ago.

Any significant widening in yield spreads in the future therefore represents buying opportunity for mortgage securities. The yield spread between benchmark-coupon GNMAs and the 10-year Treasury will narrow further, reaching 100 basis points by the end of this year. In my view, current-coupon passthroughs and certain sequential-pay and companion CMOs present value.

All But Quiet on the MBS Front

In recent weeks, the mortgage-backed securities market has been battered by more than its fair share of bad news. First, there were constant rumors about the liquidation of mortgage securities by the Resolution Trust Corp.

Rarely were the rumors confirmed; even when they were, the amount of rumored liquidation was always grossly exaggerated. The overhang of RTC action has deterred many investors from actively investing in mortgage securities.

Then, there was the growing doubt among investors concerning the continual robustness in the CMO market. The doubt was caused by a report that was unofficially confirmed by the Office of the Comptroller of the Currency that it will soon issue guidelines restricting commercial banks' investments in exotic CMO securities.

> **"At their current levels of yield spreads to Treasuries, mortgage securities have fundamental value."**

In the past year, commercial banks have been an important factor contributing to tightening mortgage-to-Treasury yield spreads through their investments in CMOs.

Capital Adequacy Revisited

As if things were not bad enough, the Treasury Department and the General Accounting Office recently revisited the issue of capital adequacy at government sponsored enterprises such as Fannie Mae and Freddie Mac.

They openly wondered whether, in order to minimize costs to taxpayers, these enterprises should obtain a top credit rating – otherwise, these enterprises should face termination of government support.

While the concern of capital adequacy is perfectly legitimate, the issue of severing federal government ties to these enterprises has caused some investors to hesitate purchasing securities guaranteed by Fannie Mae and Freddie Mac.

Worse still, in the past two months, the bond market rallied by nearly 50 basis points with Treasury yield volatility rebounding to cyclical highs of recent years. In general, as bearish instruments with mostly negative convexity, mortgage securities usually lag Treasuries in performance in a bullish and volatile environment.

Realizing Relative Value

Despite all the bad news, however, mortgage securities have performed well against Treasuries with comparable average lives. A little more than two months ago, when both the 10-year and 30-year Treasuries were yielding slightly above 9%, the yield spread between the benchmark-coupon GNMA and the 10-year Treasury hovered around 130 basis points.

This spread has actually tightened more than 10 basis points in recent trading sessions. There are at least three fundamental reasons that the relative value of

See **COMMENT** *page* **9**

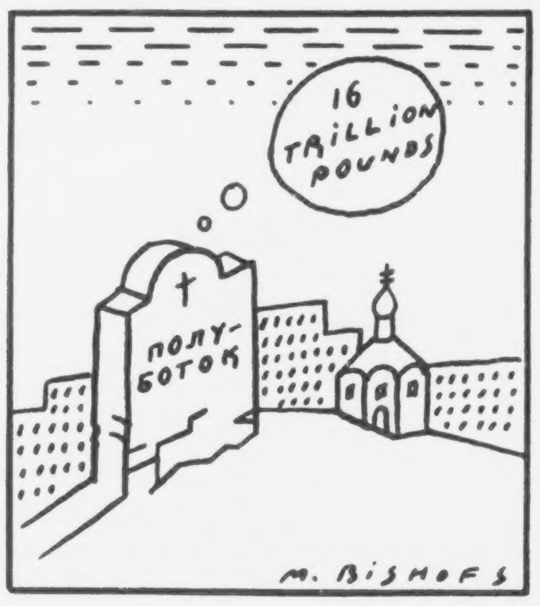
Mr. Hu is senior vice president and head of mortgage research in the mortgage-backed securities department of Nomura Securities International Inc., New York.

FUNNY MONEY/*By Tom Leander*

No Ticket, No Wash

The Bank of England has started rummaging through its musty archives, looking for a paper trail that could lead to a barrel of gold allegedly deposited there 270 years ago by a Ukrainian soldier.

Vladimir Yvorivsky, a member of the Ukraine's new parliament, estimates that the soldier's legacy of gold would have grown in value by now to about 16 trillion British pounds – or $29 trillion. The Ukrainian Soviet republic can't find the receipt, but it could use the money.



Maris Bishofs

LEGACY: Did a Ukrainian patriot leave a barrel of gold to his country almost 300 years ago?

Pavel Plubotok, a Ukrainian military leader, bequeathed the gold in his will to support a sovereign and independent Ukraine. On a visit to St. Petersburgh to negotiate Ukrainian independence with Czar Peter the Great, Mr. Polubotok was thrown in prison – and died there.

A spokesmen for the Bank of England, as reported by Reuters, issued a dry-as-dust statement last week saying that the bank, too, has been unable to find any record of the alleged deposit – or the treasure itself. "Now we're digging in our archives to see if we can trace the relevant account relationship," the spokesman said.

So far, the Ukrainian parliament has not demanded the return of the gold from the Old Lady of Threadneedle Street, as Britons affectionately call their central bank. But Mr. Yvorivsky told his fellow legislators that he intends to file an official request in the near future.

Mr. Yvorivsky's valuation of the barrel takes into account accrued interest over nearly three centuries. The Bank of England's spokesman, however, characterized the estimate as "fanciful – to say the least."

* * *

Sybil Made Her Do It

Lawyers who represent accused bank robbers may want to consider adding the "Sybil" defense to their arsenal of strategies.

"Sybil," a popular book published in 1974, tells the unhappy story of a woman afflicted with multiple personalities who led many separate lives.

Juanita Maxwell, 34, told a Florida judge that she suffers from the same malady: She robbed a bank when she was actually somebody else.

Ms. Maxwell, of Clearwater, Fla., is accused of robbing two branches of First Florida Bank in 1988. In pretrial hearings, she claimed she was powerless to prevent the bank jobs because they were actually pulled by "Wanda," one of her alternate personalities. She moved for acquittal on grounds of insanity. Pending the judge's decision, the trial begins next week.

"Wanda" and her other personalities have already helped Ms. Maxwell win an acquittal in a 1979 murder trial. Her pretrial arguments in this case persuaded Circuit Judge R. Grable Stoutamire to allow the jury to hear the unusual insanity defense.

To the prosecutors, it doesn't matter whether Ms. Maxwell knew of the robberies. Their concern is whether "Wanda" knew right from wrong when she held up the two bank branches.

* * *

Thornburgh Bunts

Attorney General Dick Thornburgh has been getting the raspberry lately from spectators who say that the Justice Department is not hustling enough in its offensive against fraud in the savings and loan industry.

Louise Krafft

Dick Thornburgh
U.S. attorney general

Mr. Thornburgh came out of the dugout swinging a heavy bat on Wednesday at the National Press Club in Washington, using some of baseball's colorful lingo to defend his record of runs, hits, and errors.

"There is one bit of 'inside baseball' I should notice," said the attorney general – an avid baseball fan – "since somebody is clearly throwing right at my head. That is the charge about a 'do-nothing' Justice Department.' "

Much of the alleged fraud in the thrift crisis took place in the mid-1980s. The clock is running out for the Justice Department because the statute of limitations on these cases will soon expire.

The attorney general took his warm-ups by describing the criticism as partisan "beanball," played by politicians from both parties looking for votes.

Defending his record, and the slowness of the pace, he said: "A baseball fan will sit through many a dull inning because he understands the game – and the ever-present chance of a game-winning home run or a ninth-inning rally." □

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Ellen Memmelaar, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

GLOBAL *dispatches...*

Japan's Politicians Leak Details of Loans to China

By IRENE KUNII
Reuters

TOKYO — Maverick Japanese politicians, eager to score political points, are rushing into China with promises of official loans. Meanwhile, angry government officials watch powerlessly from their offices.

On Wednesday, Kiichi Miyazawa, a leading member of the ruling Liberal Democratic Party, told Chinese Premier Li Peng in Beijing that Japan and China could exchange notes on the first tranche of an $5.4 billion loan package to Beijing in October.

One week earlier, a former foreign minister, Hiroshi Mitsuzaka, also visiting Beijing, told Chinese leaders that they could expect to receive the first loan installment in September and another early next year.

Government Disputes the Statements

None of this has been officially announced by the government in Tokyo, which insists that the timing and details have not yet been set and that an official envoy, yet to be appointed, would carry the news formally to Beijing.

"They're given a rundown of our policy plans before they leave, but they're not expected to speak out on behalf of the government," one official commented.

Chief Cabinet Secretary Misoji Sakamoto, commenting on Mr. Miyazawa's pledge in Beijing, said: "We won't be able to stop them [from talking], but I'm going to ask the Foreign Ministry to try and streamline traffic." Mr. Sakamoto is the government's top spokesman.

Legislators' Power Noted

The official said there was little that government officials could do about the unsanctioned comments because of the power wielded by the legislators.

At the Houston summit meeting of the Group Of Seven industrialized nations July 9 to 11, Prime Minister Toshiki Kaifu announced Japan would begin releasing the $5.4 billion in loans covering 1990 to 1995.

The package was frozen for about a year to protest Beijing's brutal suppression of a pro-democracy movement in June 1989.

But the other summit nations – the United States, Canada, Britain, France, West Germany, and Italy – declined to lift sanctions against China.

"Japan has just got the summit nations to agree to our loan resumption, but we're not much further along than that," said an official in the ministry's China section. "The resumption plan is under study, and it will take some time."

... by country

THE PHILIPPINES

The Philippines is considering options to ease foreign debt payments so that the money can be diverted to rebuilding the country, devastated by last week's earthquake, but President Corazon Aquino wants any action to be agreed upon in advance by creditors, a spokesman said Wednesday.

Any move should not be unilateral, a presidential spokesman, Adolfo Azcuna, told reporters. — **Reuters**

ENGLAND

The debt rating of London-based **Standard Chartered Bank** has been downgraded by the rating agency **Moody's Investors Service.**

Long-term deposits and senior debt were reduced from A1 to A2, and subordinated debt from A3 to Baa2. About $2 billion is affected. — **EMMA**

UNITED STATES

London-based Morgan Grenfell, the merchant bank unit of **Deutsche Bank,** is to set up a joint company with the New York firm of **Gleacher** & Co. to specialize in international mergers and acquisitions as well as corporate advice.

The arrangement will allow Morgan Grenfell to handle U.S. deals that were previously beyond its scope because of poor representation, the company said. — **EMMA**

JAPAN

First Wachovia Corp. announced Thursday that two of its primary banks, First National Bank of Atlanta and Wachovia Bank and Trust Co., have received authorization from Japan's Ministry of Finance to establish a representative office in Tokyo. The office is expected to open early in 1991.

John G. Medlin Jr., chief executive officer of First Wachovia, said the Tokyo office would assist First Wachovia customers doing business with Japan as well as Japanese companies investing in the United States.

"The growth of Japanese direct investment in the United States, particularly in the Southeast, and the trading activities of our domestic customers with Japan have provided First Wachovia attractive business, which will be enhanced by the new office," Mr. Medlin said.

European Media Monitor and Analysis is a Brussels-based news service that provides abstracts from the European financial and business press.

U.S. Banks Retreat from Global Ambitions

Continued from *page* **1**

international bandwagon, now the reverse is true."

The latest casualty is Chase Manhattan Corp., one of the most ardent proponents of full-service global banking in the 1980s. The bank last month announced it was slashing operations overseas to reduce costs.

Chase did not provide details, but analysts predicted the cutbacks would fall heavily on Chase's corporate finance operations overseas, especially out of London, where profits have been slim over the past few years.

Regionals Are Challengers

The international downsizing of U.S. money-center banks is part of a broader restructuring aimed at focusing on their home markets, where many face a growing challenge from better-capitalized and more profitable regional banks.

BankAmerica Corp. and Wells Fargo & Co., for example, focus mainly on retail banking in California, while Chemical Banking Corp. has emphasized building its consumer business and and middle-market lending.

"With the steady march toward interstate banking, American banks have to look much more closely at their home market," said John Kriz, a securities analyst with Moody's Investors Service.

Commercial Operations Go

Most big U.S. banks began their overseas retreat in the mid-1980s, when they began selling or closing their overseas commercial operations.

Bankers Trust Co. and J.P. Morgan & Co. led the way, when they both eliminated their commercial lending operations in the early 1980s. The moves were followed to varying degrees by Chemical, BankAmerica, Manufacturers Hanover Trust Co., Wells Fargo, First Chicago Corp. and Continental Bank Corp.

The single exception to the trend is Citicorp, which continues to expand overseas.

Earnings a Problem

The overseas retreat is reflected in U.S. bank earnings.

Almost all major U.S. banks posted massive losses on their international operations last year. For Chase, the loss ran to $943 million; Manufacturers Hanover, $919 million; Chemical, $615 million; BankAmerica, $477 million; and Citicorp, $467 million.

Peter Rona, who will resign Aug. 3 as president of IBJ Schroder Bank and Trust Co. to set up his own consulting company, believes that capital shortages and inefficiencies in U.S. banking are constraining U.S. banks activities overseas and may ultimately reduce American banks to a relatively insignificant role abroad.

> **"U.S. financial firms, particularly banks, have not fared well in today's sophisticated global environment."**
>
> **Rep. John LaFalce**
> *Democrat of New York*

Unusual Situation

"It would be historically unprecedented for a large capital-importing nation to at the same time support a growing international banking industry," Mr. Rona said.

As U.S. banks reduced their commercial banking activities, many have chosen to concentrate on investment banking in the three major capital markets – New York, Tokyo, and London. But even that strategy has run into problems.

In London, Chase, Security Pacific Corp., and Citicorp have closed various market-making operations in government securities, equities, and Eurobonds. In Tokyo, Citicorp and Security Pacific have cut back operations in Japanese equities.

Misjudgment Noted

Although banks say they are only selectively eliminating their securities-related operations, the cutbacks show that many seriously misjudged the cost and complexities of launching a global investment network.

"There is an unmistakable – and disturbing – trend. U.S. financial firms, particularly banks, have not fared well in today's sophisticated global environment and are playing a diminished role in world markets," Congressman John La Falce, D-N.Y., told the Bankers Association convention.

"It is ironic that, as the market becomes more global, U.S. financial institutions are becoming more national in their orientation."

Mr. La Falce is chairman of the House task force on the international competitiveness of U.S. financial institutions.

"While there will be some dislocations short-term, long-term I believe the current restructuring of American banking will result in a better-organized and more profitable industry in the U.S.," said Moody's Mr. Kriz.

John Evans in London contributed to this article.

Reed Warns of World Capital Crunch

MEXICO CITY – Radical political and economic reforms in Eastern Europe are likely to cause a global shortage of the investment capital needed to satisfy growing demands for prosperity and development, said Citicorp's chairman and chief executive officer, John S. Reed.

The fall of the Berlin Wall and the remaking of Europe and the Soviet Union have added 425 million people to the millions in the developing world already competing for a higher standard of living, Mr. Reed said this week at a luncheon meeting of the American Chamber of Commerce.

"You need $40 trillion of capital to support the desires of those people," he said. "It certainly says to you that we are going to be capital short."

Mr. Reed said the rise of democratic governments in Latin America has led Washington to consider closer trade and investment ties. He cited a proposed free-trade agreement between the United States and Mexico.

Mr. Reed, who led the committee that negotiated a key debt-reduction accord with Mexico last year, dismissed its $93 billion debt as "not an issue." But he predicted that investors who took their capital abroad during the 1980s debt crisis will not bring it back to Mexico soon. — **Reuters**

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	7/26	7/25	7/19	7/26	7/25	7/19	7/26	7/25	7/19	7/26	7/25	7/19	7/26	7/25	7/19
United States	8.00	8.06	8.06	8.12	8.12	8.18	8.12	8.12	8.18	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.56	7.50	7.43	7.75	7.72	7.75	7.87	7.81	7.78	5.25	5.25	5.25	7.13	7.13	7.13
Canada	13.50	13.50	13.75	13.25	13.25	13.50	13.12	13.12	13.37	13.59	13.59	13.67	14.75	14.75	14.75
U.K.	14.93	15.00	15.00	15.06	15.06	15.00	15.00	15.00	14.93	14.31	14.31	14.30	15.00	15.00	15.00
West Germany	8.00	8.12	8.12	8.25	8.25	8.31	8.43	8.43	8.43	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.00	9.00	8.25	9.06	9.00	8.93	9.00	8.93	8.87	6.00	6.00	6.00	11.25	11.25	11.25
France	10.12	10.12	9.68	9.93	10.06	10.00	10.00	10.06	10.06	9.50	9.50	9.50	10.50	10.50	10.50
Italy	11.75	11.75	11.00	11.37	11.37	11.37	11.37	11.37	11.37	12.50	12.50	12.50	13.00	13.00	13.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.02	14.43	8.43	8.75	7.80
6 to 12 months	8.09	13.46	8.65	8.15	7.80
12 to 24 months	8.72	12.79	8.84	7.45	7.50

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York.

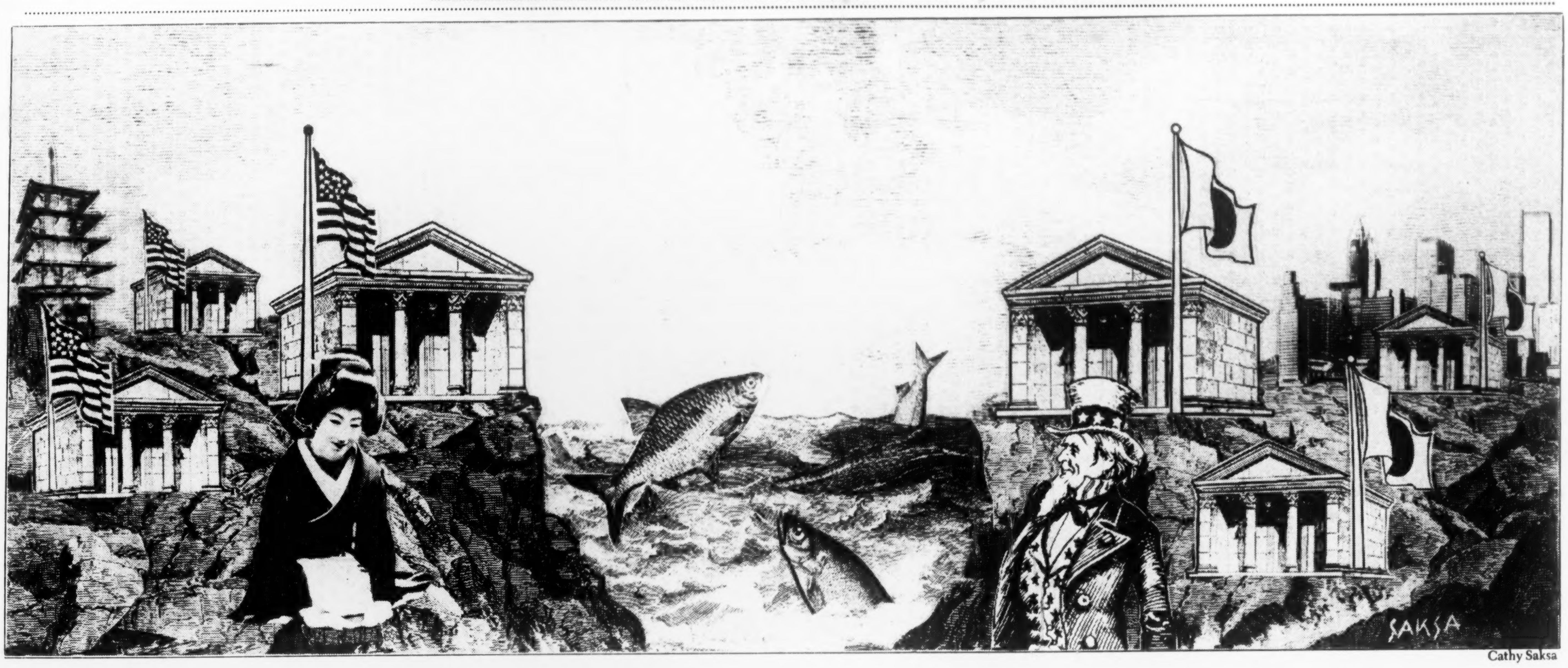
SPECIAL
REPORT

AMERICAN BANKER

JAPAN/U.S. BANKING

A NEW ERA OF COMPETITION

TOP BANKS
Rankings of the top 500 banks in the world, by deposits, starting on page 18A.



Cathy Saksa

Stormy Forecast

U.S. Banks Are Struggling To Find a Role in Japan

By JOHN EVANS

TOKYO — In the land of the rising sun, U.S. banks are encountering some stormy weather.

The reasons aren't hard to find. Hamstrung partly by regulatory constraints at home, U.S. banks here often are pitted against Japanese institutions many times their size.

The high cost of living and stratospheric real estate values in land-hungry Japan keep relentless upward pressure on overhead. Foreigners say the Japanese have been reticent to open their markets.

And over the last several years, U.S. banks also have had to face a special disadvantage: the historic decline of the dollar against the yen.

Putting Strategy First

With strategic considerations paramount, some banks likely will keep paddling to remain afloat in a sea of red ink. But many less able to ignore the bottom line are bailing out, seeking refuge in niches – such as securities dealing and investment management – or curtailing operations and slicing costs to the bone.

Of course, cutting costs only goes so far. The Japanese branches of six leading U.S. banks posted net losses in fiscal 1989, including BankAmerica, First Interstate and ContinentalBank Corp. And at least for the foreseeable future, the pickings in Japan likely will remain painfully thin.

"Out of 82 foreign banks here, no more than 10 will prove successful," said Michael Connors, managing director of Barclays Bank PLC in Tokyo.

Another measure of how tough it is to make money in Japan is the earnings data on the foreign institutions operating here. Despite combined assets of $140 billion, the 82 foreign banks here earned a miserly $1.34 million apiece last year – down from an average of $2.2 million in 1988, according to calculations by KPMG Peat Marwick, the international accounting firm.

Citing one reason for the sagging performance, BankAmerica Corp.'s senior vice president in Japan, Robert Johnson, calculates that between 1985 and 1989, the cost base of American banks here doubled because of the yen's big surge against the greenback. In 1985, the yen traded at about 238 to the dollar. Now, the exchange rate is about 150 to the dollar.

Problem of Access

Foreign bankers also grouse about limited access to the Japanese marketplace. Indeed, U.S. banks control less than 1% of banking assets in Japan, while the Japanese have a 15% share of

See page **3A**

Slowing Asset Growth

Japanese Banks Alter U.S. Plans

By SAM ZUCKERMAN

SAN FRANCISCO — Japanese banks hit the United States like a tsunami in the 1980s. But this year, with the Japanese pounded by economic problems at home, the tidal wave is losing force.

"They are reassessing their strategy," said Donald W. Magnusen, executive vice president and capital markets group manager for Portland, Ore.-based U.S. Bancorp. "They seem to be less aggressive in their pricing and less aggressive in their asset building."

The current slowdown is probably no more than a trough until the next swell washes through, bankers and analysts said. In short, the Japanese are here to stay.

But at least in the near-term, they said, Japanese banks will emphasize higher-yielding assets and fee income rather than simply an increase in size.

"We're not very anxious to increase assets. Earnings from nonasset-related businesses are growing faster," said one Japanese banker, citing real estate investments, corporate acquisitions, project finance and trade finance as among the businesses his bank is targeting.

Startling Growth

Even as they slow their asset growth, however, the Japanese are building for the future. According to an internal memo of the Ministry of Finance – a copy of which was obtained by American Banker – 15 Japanese banks are planning to open or upgrade 27 offices in 13 cities across the United States.

Said Anthony Walton, general manager of stateside operations for Australia's Westpac Banking Corp.: "The Japanese have pinpointed the U.S. as an absolute key target market. They are going to be a dominating force in the year 2000."

Among the 15 banks planning to expand their assets here, the memo said, Mitsubishi BankLtd. – the world's fourth

See next page

INSIDE: *Japan/U.S. Banking*

CASE STUDIES:
Japanese banks in the U.S. have unique styles but share common goals.......... **4A**
PEOPLE TO WATCH IN THE U.S.:
Three top Japanese bankers here are using fresh strategies.......... **6A**
PEOPLE TO WATCH IN JAPAN:
An eclectic group of CEOs set their sights on the future. **8A**
DEREGULATION IN JAPAN:
As the walls come tumbling down, banks will wield securities powers.......... **9A**
REGIONAL BANK OUTLOOK:
Smaller banks are squeezed as structural changes in Japan continue. **10A**
CONFRONTING REAL ESTATE CONCERNS:
A leading banker sees an answer in strict regulations. **10A**
POLISHING AN IMAGE:
Japanese banks are seeking distinctive images in the U.S. **11A**
WANTED: SKILLED EXECUTIVES
The Japanese are gaining savvy in the hunt for U.S. talent. **12A**
THE COMMUNICATIONS GAP:
U.S. employees of Japanese banks often know little of corporate goals. **13A**
BUILDING THE PERFECT EXECUTIVE:
Japanese personnel departments are training foreign managers in Japan. **14A**
CULTURES CLASH ON COMPENSATION:
Americans and Japanese differ on performance-based incentives. **15A**
THE REGULATORY HURDLE:
Japanese in the U.S. are encountering regulatory barriers. **16A**
HAVE CLIENT, WILL TRAVEL:
Regional banks hit the beach in the U.S. **16A**

Continued from *page* **1 A**

largest with $360 billion in assets – has the most ambitious plans. Mitsubishi reportedly is planning to open loan production offices in Atlanta, Philadelphia, Boston, Minneapolis, Detroit, Dallas and St. Louis.

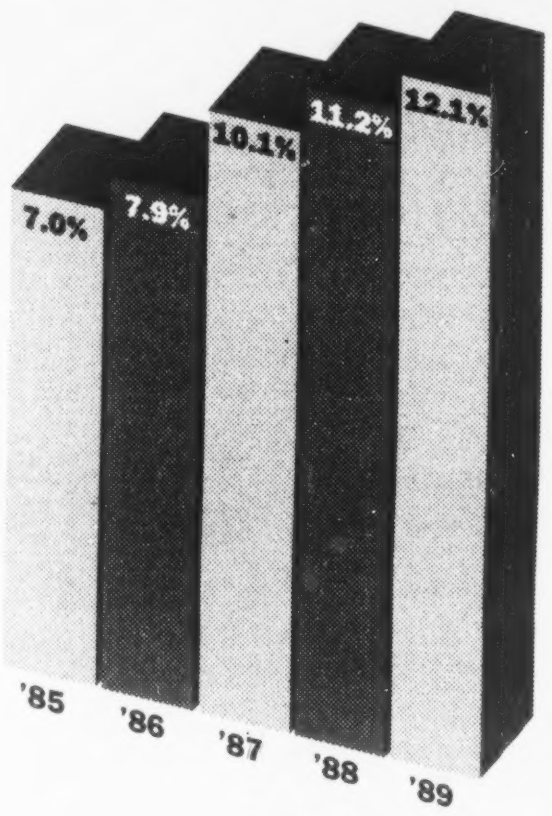
Japanese banking sources said the expansion was intended to broaden the banks' relationship with medium-size businesses in the United States and Japanese subsidiaries around the country. Japanese banks also want a network they can use to do business nationwide as barriers to interstate banking fall.

From 1982 to 1989 Japanese bank assets in this country more than quadrupled to $421 billion – more than 12% of total U.S. banking assets – according to Federal Reserve data. The growth rate exceeded 19% a year.

During the decade, the 15 or so major Japanese city banks were joined by more than 30 regional banks and trust companies.

Market Share Rising

Japanese banks' share of total banking assets in the United States



Source: American Banker

By 1989, 41 Japanese banks – from leviathan Dai-Ichi Kangyo Bank Ltd., the world's largest, to the relatively small Tokyo Tomin Bank Ltd. – were operating a total of 198 branches, agencies, subsidiaries, representative offices, and other offices in 14 states and the District of Columbia.

But this year, rising interest rates, a soft yen, volatile stock market conditions at home, and rocky banking conditions here have caused some Japanese banks to downshift – at least temporarily. Thus, while in the fiscal year ended June 1990 the banks will show continued strong expansion as a result of major acquisitions late last year, experts predict Japanese bank-asset growth in the United States could slow to the low single digits in fiscal 1991, the lowest in years.

"Some bank headquarters are thinking seriously about decreasing total assets" in this country, said Juichi Tsuda, who manages the Los Angeles agency of Industrial Bank of Japan (IBJ).

Said a branch manager of a major Japanese bank: "Headquarters is very nervous. They have told branch managers to be prepared to sell assets."

American banks, saddled with poor earnings and portfolios filled with problem loans, are in no position to take advantage of the Japanese retrenchment by aggressively adding assets.

"There is an opportunity, but it's an opportunity that very few [banks] will have the potential to realize," said S. Waite Rawls, vice chairman and international capital markets chief for Chicago-based Continental Bank Corp.

Barrage of Blows

Japanese banks are readjusting in reaction to a series of blows that has hit them just as beefed up capital adequacy regulations of the Bank for International Settlements are being phased in. The BIS' total capital standard of 8% becomes mandatory early in 1993.

Banks in Japan have historically been less profitable than their U.S. or European counterparts, with returns on assets typically under 0.4%. They compensated with high leverage ratios and tremendous capitalization on the Japanese stock market, where price/earnings multiples of 40 or 50 were common.

Now some of those props have disappeared.

A Sea of Problems

The main problems Japanese banks face include:

- Skyrocketing domestic interest rates. Late last year the central bank, the Bank of Japan, fearful of inflation, forced short-term interest rates above 7% – higher than they'd been in years. Though banks had to pay more for funds, interest rates charged to customers moved up more slowly, creating "extreme pressure on margins," said Thomas E. Gove, an analyst with Thomson Bankwatch Inc., owned by the company that publishes American Banker.
- Weakness in the stock market. In the five months that ended in April, the Nikkei average, the Tokyo stock market's main index, plunged nearly 30%. Though prices have partly recovered, banks – among the biggest institutional shareholders – were badly shaken. "We're very nervous about the stock market," said a Japanese banker in California.

Much of the value of Japanese banks' "hidden assets" – unrealized gains on their stock – was wiped out. Under BIS regulations, 45% of those gains count as capital, so the market plunge eliminated large chunks of capital.

Meanwhile, analysts said the recovery in share prices in Tokyo over the last few months had bolstered Japanese banks' capital ratios.

In fact, said Thomas Hanley, banking analyst at New York-based Salomon Brothers Inc., 11 of Japan's 15 biggest banks have already met or surpassed the minimum 8% BIS ratio.

- Falling yen. For the first time in years, the Japanese have had to deal with a weak currency. The yen has dropped about 15% against the dollar in the past year. That has raised the value of dollar-denominated international assets and lowered that of yen-denominated capital, eroding capital-to-asset ratios.

These factors – combined with the possibility that Japan's inflated real estate prices may be due for a correction – are putting tremendous pressure on Japanese banks to raise more money. But under current conditions, it's tough to sell stock.

Japanese banks "have been able to raise very little," said David D. Hale, chief economist at Kemper Financial Services Inc. The Japanese government recently announced a plan to let banks sell subordinated notes, but capital raised this way will cost much more than equity.

Thinking the Unthinkable

Short of capital and with no easy way to build it, some Japanese banks find themselves operating for the first time with an asset growth limit.

"Some Japanese banks are intentionally reducing assets worldwide, especially in international business," said Keizo Yoshida, president and chief executive of Sumitomo Bankof California.

"Within the past year, the major change [for Sumitomo Bank's branches and agencies in the United States] is a limit on the increase of the loan portfolio," Mr. Yoshida said. "Ten percent would be the ceiling. In the past, we increased much more."

Problems in the home market, of course, are not the only ones Japanese banks have confronted. In the past year, market conditions in the U.S. have deteriorated, especially in commercial real estate and leveraged transactions where the Japanese have big stakes.

Like their U.S. counterparts, the Japanese are setting tougher standards for real estate and leveraged transaction loans, and rejecting deals they previously would have jumped at.

"They are reacting to the same problems we're reacting to," said U.S. Bancorp's Mr. Magnusen.

Credit quality problems are increasing at precisely the time when the Japanese are putting more stress on profitability and higher margins.

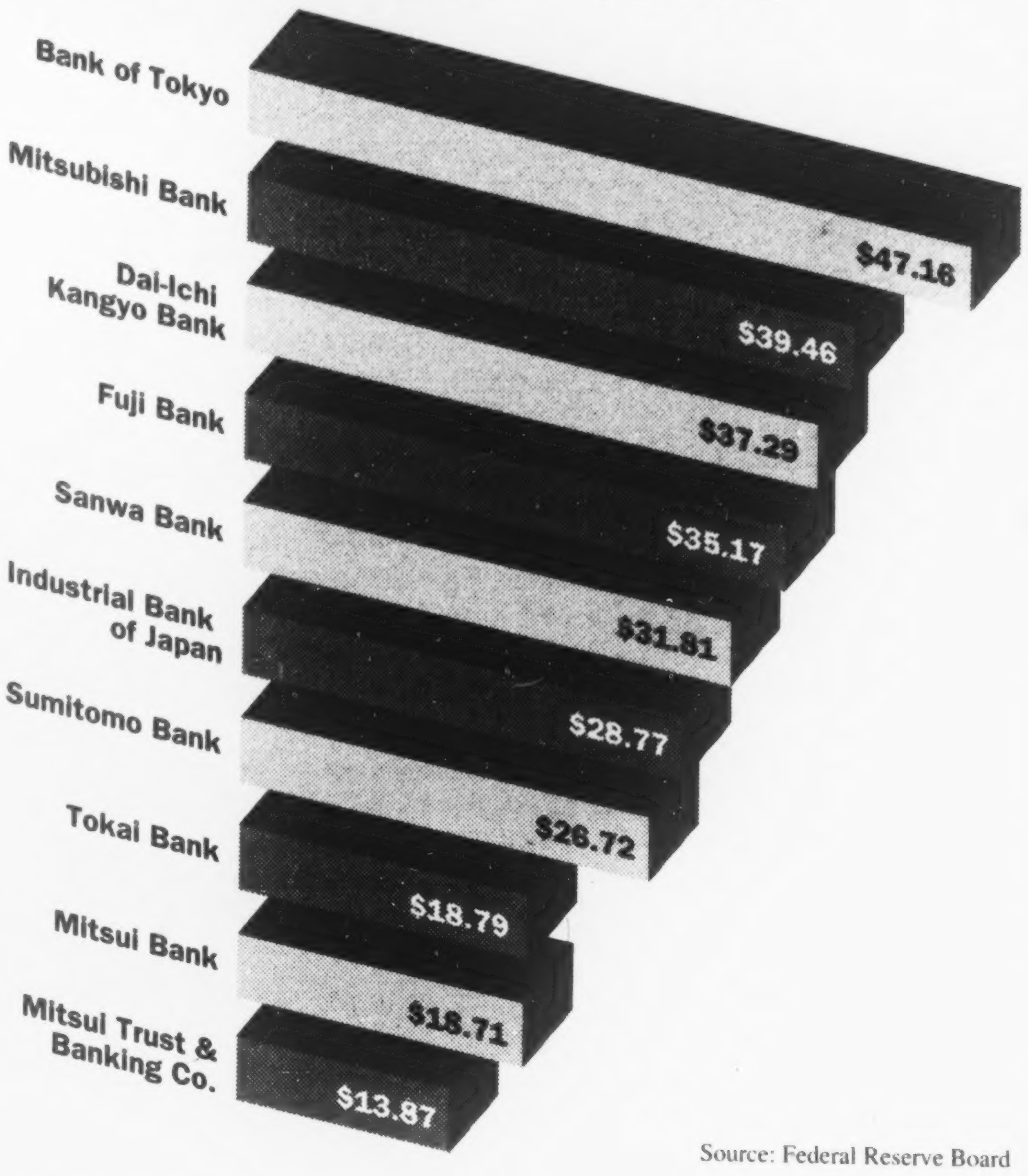
Bankers' Dilemma

Today, Japanese bankers in this country find are torn between desire for the kinds of profits to be had in highly leveraged transactions and the real estate markets and their concern for credit quality. For most of them, there is no easy way out.

"After leveraged buyouts, they have been trying very hard to find a new way to go," said Sumitomo Bank's Mr. Yoshida. "I don't believe they have found it."

Japanese Banks in the United States

Ten largest ranked by total assets, in billions of dollars



Source: Federal Reserve Board

Campeau Shock

The collapse of Robert Campeau's Federated Department Stores buyout was a watershed event for the Japanese. The credits were widely syndicated among city bank and second tier institutions, and buyers were said to be shocked to find themselves holding the bag.

Since then, the Japanese have become "more selective in participating in syndications," said Haruo Moto, a strategic planner at Union Bank, San Francisco, which is 77% owned by Bank of Tokyo.

In the recent $775 million buyout of Saks & Co. by Investcorp., the only Japanese institutions to participate were Bank of Tokyo and Sumitomo Trust & Banking Co. Ltd. Bank of Tokyo bought a $30 million stake and Sumitomo a $25 million, according to sources familiar with the deal.

Caution on Real Estate

The Japanese are not abandoning real estate lending. "We are accustomed to this market. We have expertise," said one Japanese banker.

Nevertheless, pressure from regulators and overbuilding in some markets have forced them, like their U.S. counterparts, to proceed with extra caution. Underwriting is more rigorous. And preference is going to safer credits, such as refinancings of standing properties, over riskier construction loans.

For some Japanese institutions, lending to midsize and smaller U.S. companies has become a more important priority.

Smaller Borrowers Targeted

Bank of Tokyo, Mitsubishi Bank, and Sanwa Bank Ltd., which own commercial banks in California, have traveled farthest down this road. Dai-Ichi Kangyo and Fuji Bank Ltd. bought major U.S. leasing companies as a way to enter the middle market. Those without large subsidiaries or leasing units remain far behind.

All in all, it's an anxious time for Japanese bankers in the United States, though their underlying strength is little diminished.

"Every branch manager has headaches or stomach aches," said a Japanese banker in California. "Banking is much harder now." □

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A - B
Akebono Brake 4a
Alan Hoeffer & Co. 7a
Bank of New England 8a
Bank of Tokyo 1a,8a,12a
BankAmerica 1a
Bankers Trust 8a
Barclays 1a

C - E
Chase Manhattan 1a
Chiba Bank 10a
Chuo Seiki 4a
CIT Group 5a
Citicorp 1a,8a
Continental 1a
Dai-Ichi Kangyo 1a,5a

F - G
Federated Department Stores 1a
Financial Systems
  Research Council 19a
First Interstate 1a
Fuji Bank 11a,19a
General Motors 4a
Goldman Sachs 1a
Greenwich Associates 11a

H - J
Heiwa Sogo Bank 8a
Hitachi 4a
Hongkong and Shanghai Bank 1a
Hyogo Bank 10a
Industrial Bank
  of Japan 1a,8a,9a,12a

K - L
Keefe, Bruyette & Woods 1a
Kelsey-Hayes 4a
Kemper Financial Services 1a
KPMG Peat Marwick 1a
Long Term Credit Bank 6a,12a,19a

M
Manufacturers Hanover 1a,5a
Miller Anderson & Sherrerd 6a
Mitsubishi 1a,7a,8a,10a,12a
Mitsui Manufacturers 4a
Mitsui Taiyo Kobe 1a,4a 6a,12a
J.P. Morgan 8a

N - S
Nikko Securities 1a,8a
Nomura Securities 12a
Peers & Co. 6a
Salomon Brothers 1a
Sanwa 1a,10a,19a
Security Pacific 4a,6a
Sumitomo Bank 1a,8a,12a

T
Thomson Bankwatch 1a
Tokai 1a,4a
Tokyo Sowa Bank 10a
Tokyo Tomin 1a
Topy 4a
Toyota Motor 4a

U - Z
U.S. Trust 5a
Union 1a
Wells Fargo 1a
Westpac Banking 1a
Yamaguchi Bank 10a
Yamazaki Mazak 4a

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10, 1A-3A,

15A, 18A-32A

Cracking Japan

Continued from *page* **1A**

American assets.

In recent years, Washington has stepped up pressure on the Japanese to open their markets more quickly. And under an agreement in late June designed to whittle down its trade surplus with the United States, Japan has agreed to a range of reforms, including one that spurs consumer spending by making it easier to borrow on bank credit cards beginning in 1992.

Even so, the pace of reform likely will continue to be slowed by *keiretsu*, a Japanese business practice under which domestic corporations and banks tacitly agree to work closely together.

Persistence Likely

Despite these obstacles, strategic commitments and the marquee value of having a base in Japan will compel some U.S. banks to keep on plugging.

BankAmerica's Mr. Johnson notes that although brutal competition has crimped profitability in Japan, the country represents the second largest source of business in the institution's worldwide network after its home base.

"We have a good branch network in Asia," he says. "AsiaPacific is an advantage we have to play."

Other bankers say conditions in Japan dictate tight control of costs and a razor-sharp strategic focus.

Staff Has Been Slashed

Timothy McGinnis, senior vice president and general manager for Chase Manhattan Bank in Japan and Asia, said Chase has been engaged in an 18-month program to reduce costs – a move that has sliced staff from a high of 650 to a current 545.

Chase and other American giants such as Citibank have an advantage over their foreign competitors: They first gained a beachhead in Japan in the period following World War II as military banks for the occupying U.S. forces. That activity proved a solid base for expansion.

Mr. McGinnis points to his bank's role as the major clearing bank for all U.S. dollar transactions generated in Japan. Chase handles 97% of all such clearances in the greenback for both Japanese and foreign banks and has retained leadership in the arena by spending on advanced automation systems for currency settlements.

A Steady Business

"Chase almost acts as a Federal Reserve Bank in Tokyo through our dollar clearing," Mr. McGinnis said. "This type of business is a solid annuity. It provides steady income streams."

To survive in Tokyo, "you have to have strong niches like this," he said.

Another bank with a tight focus is Citicorp's Citibank, the only foreigner attempting to break into Japanese consumer banking. After a four-year battle, Citibank recently won the right to share in the teller-machine network of Japan's 12 money-center banks.

This will give Citibank, which operates nine branches in Japan, access to more than 20,000 cash dispensers throughout the nation beginning in December. Industry watchers say the move is crucial to Citibank's expansion plans.

Changes by Others

Meanwhile, other U.S. banks have significantly realigned their activities in Japan.

Wells Fargo sold its Tokyo branch last year and concluded a business venture with Nikko Securities Ltd., one of Japan's Big Four brokerage houses. In April, the concerns formed Wells Fargo Nikko Investment Advisers to handle the vast investment flows between the U.S. and Japan.

Separately, the San Francisco bank entered an arrangement with Asian megabank Hongkong and Shanghai Banking Corp. Plans call for Hongkong Bank to service Wells Fargo clients through its 1,500-branch network.

Continental, in shedding most of its staff in Japan, is looking toward specialized services. Says Timothy Wood, the bank's general manager in Tokyo: "We have made the decision to discard high-volume, low-value-added services." □

U.S. Banks in Japan

Earnings and assets for fiscal year ended March 1989

	Net earnings (dollars in millions)	Assets (dollars in billions)
Citibank	$47.8	$6.2
Bank of America	(8.25)	2.0
Manufacturers Hanover	11.2	1.0
J.P. Morgan	7.5	1.8
Bankers Trust Co	7.7	5.7
Chase Manhattan	14.0	2.8
First Chicago	2.5	1.1
Wells Fargo	(0.03)	0.23
Mellon Bank	(0.80)	0.50
Continental Bank	(1.8)	0.13
Chemical Bank	2.1	0.76
Security Pacific	2.0	0.86
First National Bank of Boston	(2.15)	0.75
First Interstate	(0.04)	0.27

Source: KPMG Peat Marwick

1989
Highlights of the year

The ordinary and extraordinary shareholders' meetings of Banca Popolare di Milano, were held on 28th April 1990 and chaired by Prof. Avv. Piero Schlesinger (1,476 shareholders were present). During the extraordinary meeting, a number of changes to the Bank's Statutes were approved. Its Report and Accounts for the year ended 31st December 1989 (the 124th since the Bank's establishment) were approved by an overwhelming majority during the ordinary meeting.

As far as banking services are concerned, the positive results for the year show:

Customer deposits	ITL 12,040.1 billion	+17.6%
Total deposits (including banks)	ITL 20,425.2 billion	+20.4%
Funds administered (total deposits & securities held for banks and customers)	ITL 35,598.3 billion	+18.4%
Loans and advances	ITL 8,084.5 billion	+12.4%

During 1989, the notable increase in the Bank's operations continued in parallel with a widespread expansion to the territory it serves which resulted from the consolidation of Banca Popolare di Apricena (with 25 branches, mostly in Puglia). This expansion followed a similar merger with Banca Popolare di Bologna e Ferrara which took place in 1988.

The Bank also strengthened its international presence with the opening of the London Branch, situated in the heart of the City of London, and with the relocation of the New York Branch to new and more prestigious offices.

The first part of an increase to the share capital of the Bank was conducted very satisfactorily, producing an inflow of ITL 134 billion. To this amount, must be added ITL 66 billion resulting from the conversion into shares of warrants issued in 1989.

As a result of the increase in share capital and the allocation to reserves approved during the shareholders' meeting, Banca Popolare di Milano's net worth increased to ITL 1,247.5 billion (+20.5%).

A rise in income coupled with profits derived from the sale of minority participations (in particular the sale of the Bank's shareholding in Nuovo Banco Ambrosiano), produced an increase in the Bank's internal cashflow.

In fact, after having provided for extraordinary losses realised during the year (of which ITL 90.9 billion related to Bipiemme Leasing), a profit before tax of ITL 283.5 billion was recorded. After the deduction of taxes, a 32.1% jump in net profit to ITL 168 billion was achieved.

The shareholders' meeting, while retaining ITL 77 billion for the Bank's reserves, also approved the distribution of ITL 66.5 billion from profits to pay a dividend of ITL 460 per share to the 144.6 million shares in issue (as against the ITL 525 distributed to each of the issued 104.3 million shares in the previous year).

Banca Popolare di Milano
Cooperative Ltd. Liability Co.
Established in 1865
Piazza F. Meda, 4
I - 20121 Milano

Guest Comment

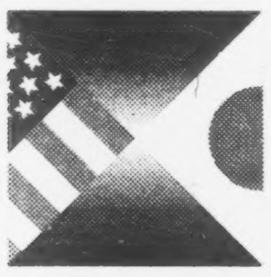
Cultures Clash on Pay

BY BRYAN DUNN
Special to the American Banker

Pay for performance is not an expression heard around many Japanese banks – even today. In fact, if there is a message, it is "pay for loyalty," with a little "pay what you have to" thrown in.

This flies in the face of every tenet of effective Western compensation philosophy. Yet the Japanese banks have been able to attract and retain legions of American employees.

The top fifteen Japanese banks (excluding subsidiaries) in the United States employ 9,000 people, the vast majority of whom are American. However, it's only been in the past few years that more than a handful of those Americans played any significant management role.



In fact, many would argue that even in what are ostensibly management jobs they have limited control over such key decisions as hiring, firing, and compensation.

Japanese banks, unlike most other foreign banks in the United States, have their nationals filling all significant management roles.

Even when there are Americans in key positions, they rely heavily on their Japanese "shadows" to get decisions made – in Japan, at the other end of a fax machine.

A Different Tradition

Pay decisions, like others, are based on comfortable, familiar Japanese tradition. That includes heavy reliance base salary determined by tenure; large semiannual bonuses paid to all employees as the same percentage of salary, and vague discussions about pay and performance.

Still uncomfortable and unfamiliar to Japanese managers are:

- Pay distinctions based on performance.
- The concept that different jobs at the same organizational level have different value.
- The idea that incentives (long- or short-term) have a role in changing behavior.
- Candid performance and pay discussions with employees.

Harmony Is Goal

The Japanese strive for harmony, uniformity, and consistency. Pay programs that differentiate among employees are anathema to Japanese managers.

In considering Japanese compensation policies, it is safe to ignore the legendary salaries paid to a select few with unique technical specialties who were "bought" at what the market would bear in the 1980s – when the market would bear a lot.

In fact, the Japanese have been accused of being niggardly in their pay practices.

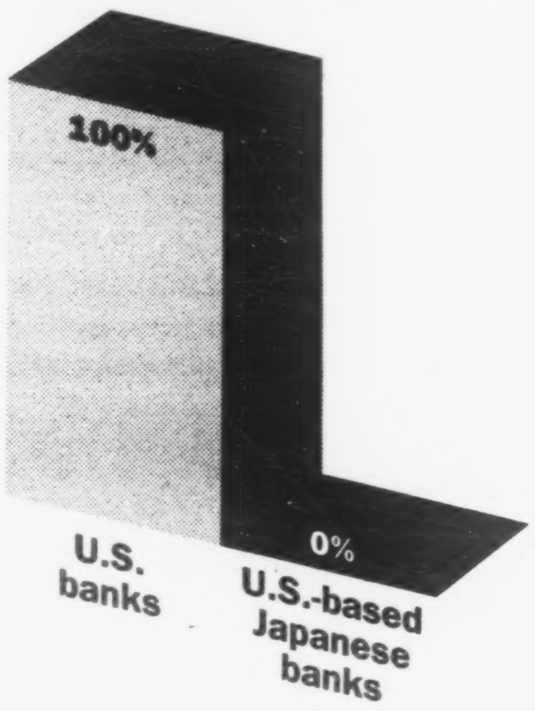
They have also tended to create broad classes of employee – administration, operations, banking – and to limit differentials within or across those classes except for tenure and experience. While Americans and Europeans have spent millions of dollars developing sophisticated job evaluation systems, the Japanese have relied on a simple program that avoids distinctions rather than promoting them.

Western Procedure

Most U.S. and many European banks devote considerable attention to the process by which salaries are adjusted each year.

- First, performance appraisals are prepared and reviewed with each employee.
- Then, managers put forward salary increase recommendations on the basis of a merit-increase grid that considers performance and employees' level in their salary grade (strong performers who are low in their grade get the largest increases).

Pay for Performance
Current use of long-term incentives



Source: Towers Perrin Group Survey

- These proposals are reviewed for internal consistency and equity – to ensure that the best performers get the biggest raise.
- Finally, managers tell each employee what raise has been approved.

Japanese Pay Adjustments

The Japanese are not comfortable with such individual performance reviews, often have no formally graded salary structure, and do not easily make pay distinctions based on performance. For them, the process of adjusting pay is much more like a union cost-of-living increase. Truly performance-based incentive systems are a rarity in Japanese banks.

However, as astute business people, the Japanese recognize that sometimes they have to do as the "natives" do. For example, U.S. subsidiaries of Japanese banks provide essentially American-style incentive compensation for employees who work in such areas as foreign exchange trading and investment banking. But even in these areas, a recent survey showed, the bonus portion of compensation is significantly less than in American banks.

This all relates to the fact that the Japanese find it hard to understand that someone could or would work harder or smarter simply for more money. In the Japanese view, people naturally work their best, because that is their obligation or out of a sense of honor or gratitude – but never just for more money. The implication that someone would work better to obtain a reward is considered an insult.

Long-term Incentives

Also, the use of long-term incentives is philosophically "foreign" to Japanese managers. Stock options and other forms of long-term incentives common in the United States simply do not exist in Japan.

Nor do they among Japanese banks in the United States. A recent survey by TPF&C, a Towers Perrin company, of long-term incentive practices by the U.S. subsidiaries of foreign institutions showed that none of the Japanese banks had such devices.

BRYAN DUNN *says Japan's banks resist Western pay practices.*

Thirty-five percent of the other foreign banks did – as do all the top 25 U.S. banks.

Change Is Slow

In the past few years, a number of the big Japanese banks have hired accomplished Americans to serve as the chief human resources officers. They have been mandated to Americanize the banks, starting with compensation.

The changes have begun. In the past year, a number of incentive bonus programs have been instituted, job evaluation programs have been studied, and the performance appraisal element of the merit review process has been tried.

But progress has been slow and frustrating. It will probably continue to be so as long as the Japanese banks fill most management positions with expatriates and rotate them home. □

Mr. Dunn, a principal of the management consulting and actuarial firm Towers Perrin, manages its international compensation consulting practice. Many of his clients are Japanese banks.

Saitama Bank.
A sound banking system matched to new banking needs.

Trade financing? Syndicated loans? International securities? In these and other areas of international banking Saitama Bank has established its capability and credibility worldwide. For over 40 years we've built our solid base and sound banking system in the Tokyo metropolitan area, Japan's vigorous economic center.

Saitama Bank is fast-growing and forward-looking: Change-oriented. Positive. And assertive — as seen in our electronic banking technology. Grow together with Saitama Bank — sound, experienced and flexible in matching its services to new banking needs.

The Japanese bank that helps you grow
SAITAMA BANK
Head Office: Tokiwa Urawa Saitama Pref., Japan
•**Tokyo Main Office, International Banking Headquarters:** 1-2-6, Muromachi, Nihombashi, Chuo-ku, Tokyo 103 Tel.: (03) 276-6611 Telex: 22811 SAIGIN J
•**New York Branch:** Tel.: (212) 571-5020 Telex: 233410 SAIB UR •**Los Angeles Branch:** Tel.: (213) 629-3121 Telex: 067256 SAITAMABNK LSA
•**Chicago Branch:** Tel.: (312) 606-1000 Telex: 9102505575 SAITAMA CGO BR •**Dallas Representative Office:** Tel.: (214) 220-1012 Facsimile: (214) 220-1217
•**Saitama Bank Trust Company of New York:** Tel.: (212) 786-0800 Facsimile: (212) 786-0989

WORLD BANKING

The Top 500 Banks in the World

U.S. and overseas banks ranked by deposits on Dec. 31, 1989 or nearest fiscal yearend

Rank 12/89			Deposits 12/31/89 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/89 (Nation's Currency)	Deposits 12/31/88 (U.S. Dollars)	Rank 1988	Gain in Rank
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	Japan	314,780,128,477s	0.006289	Y50,052,493,000,000	312,465,781,696s	1	
2	**Sumitomo Bank Ltd., Osaka**	Japan	288,242,189,906s	0.006289	Y45,832,754,000,000	296,000,827,792s	2	
3	**Mitsubishi Bank Ltd., Tokyo**	Japan	278,806,752,894s	0.006289	Y44,332,446,000,000	272,510,345,476s	4	+1
4	**Fuji Bank, Ltd., Tokyo**	Japan	278,642,534,526s	0.006289	Y44,306,334,000,000	283,585,351,228s	3	
5	**Sanwa Bank Ltd., Osaka**	Japan	275,972,495,553s	0.006289	Y43,881,777,000,000	269,032,279,492s	5	
6	**Industrial Bank of Japan, Ltd., Tokyo**	Japan	213,287,598,710s	0.006289	Y33,914,390,000,000	215,397,605,132u	6	
7	**Banque Nationale de Paris**	France	192,525,991,000s	0.173000	FF1,112,867,000,000	158,549,122,000s	13	+6
8	**Mitsubishi Trust & Banking Corp., Tokyo**	Japan	192,294,268,943u	0.006289	Y30,576,287,000,000	185,955,516,200u	8	
9	**Deutsche Bank, Frankfurt**	Germany	184,378,642,070s	0.590000	DM312,506,173,000	154,974,576,400s	15	+6
10	**Tokai Bank Ltd., Nagoya**	Japan	179,030,994,347s	0.006289	Y28,467,323,000,000	175,600,895,540s	10	
11	**Norinchukin Bank, Tokyo**	Japan	176,329,604,709	0.006289	Y28,037,781,000,000	210,759,455,544	7	
12	**Credit Lyonnais, Paris**	France	176,099,987,000s	0.173000	FF1,017,919,000,000	148,842,971,595s	17	+5
13	**Sumitomo Trust & Banking Co., Ltd., Osaka**	Japan	171,664,091,192u	0.006289	Y27,295,928,000,000	177,932,182,096u	9	
14	**Credit Agricole Mutuel, Paris**	France	169,711,546,800s	0.173000	FF980,991,600,000	141,973,000,000u	19	+5
15	**Barclays Bank Plc, London**	United Kingdom	167,127,660,000s	1.610000	P103,806,000,000	157,357,472,000s	14	
16	**National Westminster Bank Plc, London**	United Kingdom	163,014,110,000s	1.610000	P101,251,000,000	153,645,648,000s	16	
17	**Mitsui Trust & Banking Co., Ltd., Tokyo**	Japan	159,219,084,675u	0.006289	Y25,317,075,000,000	161,228,496,316	11	
18	**Mitsui Bank, Ltd., Tokyo**	Japan	157,894,948,303s	0.006289	Y25,106,527,000,000	159,039,606,488s	12	
19	**Bank of Tokyo, Ltd.**	Japan	152,933,845,497s	0.006289	Y24,317,673,000,000	132,147,474,612u	22	+3
20	**Long-Term Credit Bank of Japan Ltd., Tokyo**	Japan	148,398,357,055u	0.006289	Y23,596,495,000,000	147,426,607,488u	18	
21	**Societe Generale, Paris**	France	141,977,467,000s	0.173000	FF820,679,000,000	123,187,087,000s	24	+3
22	**Taiyo Kobe Bank, Ltd., Kobe**	Japan	136,538,177,226u	0.006289	Y21,710,634,000,000	138,986,023,792u	20	
23	**Dresdner Bank, Frankfurt**	Germany	135,670,067,545s	0.590000	DM229,949,267,026	120,317,120,000s	25	+2
24	**Yasuda Trust & Banking Co. Ltd., Tokyo**	Japan	135,105,775,719s	0.006289	Y21,482,871,000,000	131,788,381,988	23	
25	**Daiwa Bank, Ltd., Osaka**	Japan	131,680,308,355u	0.006289	Y20,938,195,000,000	134,466,778,400u	21	
26	**Hongkong and Shanghai Banking Corp., Hong Kong**	Hong Kong	118,504,960,000s	0.128000	H$925,820,000,000	101,841,280,000s	28	+2
27	**Citibank NA, New York**	United States	111,487,000,000	......	....	104,996,000,000	27	
28	**Commerzbank, Frankfurt**	Germany	106,668,460,000s	0.590000	DM180,794,000,000	94,904,206,676s	30	+2
29	**Swiss Bank Corp., Basle**	Switzerland	100,865,736,000s	0.648000	SF155,657,000,000	89,572,067,935u	32	+3
30	**Toyo Trust & Banking Co. Ltd., Tokyo**	Japan	100,172,770,539u	0.006289	Y15,928,251,000,000	105,384,007,332	26	
31	**Union Bank of Switzerland, Zurich**	Switzerland	96,977,909,016u	0.648000	SF149,657,267,000	93,750,145,230u	31	
32	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	Germany	96,532,850,000s	0.590000	DM163,615,000,000	86,730,534,166s	34	+2
33	**Bayerische Vereinsbank, Munich**	Germany	95,993,000,000s	0.590000	DM162,700,000,000	85,089,724,160s	35	+2
34	**Nippon Credit Bank, Ltd., Tokyo**	Japan	88,179,792,186s	0.006289	Y14,021,274,000,000	96,733,830,308	29	
35	**Midland Bank Plc, London**	United Kingdom	88,034,800,000s	1.610000	P54,680,000,000	86,753,264,000s	33	
36	**Banca Nazionale del Lavoro, Rome**	Italy	84,811,188,000s	0.000789	L107,492,000,000,000	76,309,515,000s	40	+4
37	**Lloyds Bank Plc, London**	United Kingdom	84,355,950,000s	1.610000	P52,395,000,000	82,911,264,000s	36	
38	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	Germany	83,191,003,340s	0.590000	DM141,001,700,577	70,527,672,594s	43	+5
39	**Istituto Bancario San Paolo di Torino, Turin**	Italy	79,614,718,017s	0.000789	L100,905,853,000,000	61,899,778,395s	52	+13
40	**Kyowa Bank, Ltd., Tokyo**	Japan	78,919,006,993s	0.006289	Y12,548,737,000,000	81,096,761,040u	38	
41	**Banca Commerciale Italiana, Milan**	Italy	77,865,384,300s	0.000789	L98,688,700,000,000	54,179,824,500s	60	+19
42	**Saitama Bank Ltd., Urawa**	Japan	77,003,434,194s	0.006289	Y12,244,146,000,000	76,037,495,240u	41	
43	**Bayerische Landesbank Girozentrale, Munich**	Germany	76,595,775,910s	0.590000	DM129,823,349,000	68,858,720,000s	45	+2
44	**Royal Bank of Canada, Montreal**	Canada	75,986,706,300s	0.852000	C$89,186,275,000	72,146,963,596s	42	
45	**Amsterdam-Rotterdam Bank, Amsterdam**	Netherlands	75,751,012,000s	0.524000	G144,563,000,000	64,270,884,000s	48	+3
46	**Banque Paribas, Paris (q)**	France	74,909,000,000•s	0.173000	FF433,000,000,000	62,029,650,000s	51	+5
47	**Shoko Chukin Bank, Tokyo**	Japan	74,764,053,363	0.006289	Y11,888,067,000,000	81,968,920,352	37	
48	**NMB Postbank Group, N.V., Amsterdam**	Netherlands	74,656,900,000s	0.524000	G142,475,000,000	....	...	
49	**Deutsche Genossenschaftsbank, Frankfurt**	Germany	73,936,791,706s	0.590000	DM125,316,596,112	45,252,491,087s	71	+22
50	**Bank of America NT&SA, San Francisco**	United States	73,295,000,000	......	....	69,640,000,000	44	
51	**Algemene Bank Nederland, Amsterdam**	Netherlands	72,897,832,000s	0.524000	G139,118,000,000	55,980,180,000s	58	+7
52	**Canadian Imperial Bank of Commerce, Toronto**	Canada	67,199,362,332s	0.852000	C$78,872,491,000	59,376,031,848s	53	+1
53	**Credito Italiano, Milan**	Italy	65,740,584,600s	0.000789	L83,321,400,000,000	50,645,830,500s	63†	+10
54	**Zenshinren Bank, Tokyo**	Japan	65,193,396,562	0.006289	Y10,366,258,000,000	77,741,067,948	39	
55	**Norddeutsche Landesbank Girozentrale, Hannover**	Germany	63,657,289,761s	0.590000	DM107,893,711,459	56,780,612,993s	57	+2
56	**Rabobank Nederland, Utrecht**	Netherlands	63,651,328,000s	0.524000	G121,472,000,000	62,616,528,000s	50	
57	**Generale Bank, Brussels**	Belgium	63,112,712,400s	0.028100	BF2,246,004,000,000	57,829,442,000s	56	
58	**Bank of Yokohama, Ltd.**	Japan	62,453,845,272u	0.006289	Y9,930,648,000,000	62,917,505,496u	49	
59	**Chuo Trust & Banking Co., Ltd., Tokyo**	Japan	62,310,267,402u	0.006289	Y9,907,818,000,000	66,142,311,624u	47	
60	**Chase Manhattan Bank NA, New York**	United States	61,720,245,000	......	....	58,241,477,000	55	
61	**Monte dei Paschi di Siena**	Italy	61,004,240,481s	0.000789	L77,318,429,000,000	52,400,211,120s	61	
62	**Credit Suisse, Zurich**	Switzerland	60,704,640,000s	0.648000	SF93,680,000,000	66,549,571,095u	46	
63	**Hokkaido Takushoku Bank, Ltd., Sapporo**	Japan	56,212,352,378u	0.006289	Y8,938,202,000,000	58,792,542,724u	54	
64	**Bank of Montreal**	Canada	56,166,594,516s	0.852000	C$65,923,233,000	54,290,812,966	59	
65	**Banco di Napoli, Naples**	Italy	54,904,186,632	0.000789	L69,587,055,300,000	47,904,300,000u	65	
66	**Bank Melli Iran, Tehran**	Iran	54,327,924,000	0.014000	Ri3,880,566,000,000	46,008,886,000	67	+1
67	**Westpac Banking Corp., Sydney**	Australia	51,993,784,800s	0.776000	A$67,002,300,000	41,711,271,300s	76	+9
68	**Bank of Nova Scotia, Toronto**	Canada	51,907,625,436s	0.852000	C$60,924,443,000	47,920,670,686s	64	
69	**Groupe Des Banques Populaires, Paris**	France	48,729,746,628	0.173000	FF281,674,836,000	40,632,253,527	77	+8
70	**Chiba Bank, Ltd.**	Japan	48,686,243,188	0.006289	Y7,741,492,000,000	47,266,598,984	66	
71	**Banco di Roma, Rome**	Italy	48,523,421,100s	0.000789	L61,499,900,000,000	45,775,458,000s	69	
72	**Danske Bank, Copenhagen**	Denmark	47,297,269,601s	0.151000	DK313,226,951,000	20,275,393,500s	144	+72
73	**Joyo Bank, Ltd., Mito**	Japan	46,402,895,958	0.006289	Y7,378,422,000,000	43,788,563,032	72	
74	**Hokuriku Bank Ltd., Toyama**	Japan	45,201,302,003s	0.006289	Y7,187,359,199,000	45,887,972,516	68	
75	**Banco Bilbao Vizcaya, Bilbao**	Spain	44,927,287,460u	0.009130	SP4,920,842,000,000	43,784,076,420s	73	
76	**Banque Bruxelles Lambert, Brussels**	Belgium	44,432,377,108s	0.025400	BF1,749,306,185,349	39,273,150,808s	79	+3
77	**Sudwestdeutsche Landesbank, Stuttgart**	Germany	44,002,790,000s	0.590000	DM74,581,000,000	38,584,000,000u	80	+3
78	**Shizuoka Bank Ltd.**	Japan	42,779,614,388u	0.006289	Y6,802,292,000,000	40,125,349,768u	78	
79	**Manufacturers Hanover Trust Co., New York**	United States	42,736,000,000	......	....	42,876,000,000	75	
80	**Kredietbank N.V., Brussels**	Belgium	42,471,897,000s	0.028500	BF1,490,242,000,000	34,590,057,143s	90	+10
81	**Toronto Dominion Bank**	Canada	41,903,784,792	0.852000	C$49,182,846,000	37,954,165,230	81	
82	**Morgan Guaranty Trust Co., New York**	United States	40,953,451,000	......	....	45,471,746,000	70	
83	**Bank of Seoul**	Korea	40,784,107,770s	0.001470	KW27,744,291,000,000	32,023,788,845	98	+15
84	**Security Pacific National Bank, Los Angeles**	United States	40,597,338,000	......	....	36,095,333,000	84	
85	**Rafidain Bank, Baghdad**	Iraq	39,842,170,300	3.100000	ID12,852,313,000	43,416,230,400	74	
86	**Hessische Landesbank-Girozentrale, Frankfurt**	Germany	39,789,975,988s	0.590000	DM67,440,637,267	37,080,200,467s	83	
87	**Banque Indosuez, Paris**	France	38,692,661,000s	0.173000	FF223,657,000,000	31,350,378,593s	99	+12
88	**ASLK-CGER Bank, Brussels**	Belgium	38,493,341,324s	0.028100	BF1,369,869,798,005	35,322,372,171u	87	
89	**Cassa di Risparmio delle Provincie Lombarde, Milan**	Italy	38,432,190,000u	0.000789	L48,710,000,000,000	52,103,385,000s	62	
90	**Royal Bank of Scotland Plc., Edinburgh**	United Kingdom	37,592,208,600s	1.619000	P23,219,400,000	31,162,417,000s	100	+10
91	**Australia & New Zealand Banking Group, Ltd., Melbourne**	Australia	37,569,186,400s	0.776000	A$48,413,900,000	34,063,240,500s	92	+1
92	**Banco Central, Madrid**	Spain	37,298,259,460s	0.009130	SP4,085,242,000,000	35,091,551,880s	89	
93	**Ashikaga Bank, Ltd., Utsunomiya**	Japan	37,292,254,351	0.006289	Y5,929,759,000,000	37,831,490,592	82	
94	**National Australia Bank, Ltd, Melbourne**	Australia	36,829,115,200s	0.776000	A$47,460,200,000	30,662,984,700s	103	+9
95	**Banco do Brasil, Brasilia**	Brazil	36,516,887,456u	0.112000	BC326,043,638,000	26,151,264,701s	111	+16
96	**Wells Fargo Bank NA, San Francisco**	United States	36,462,605,000	......	....	35,109,059,000	88	
97	**PKbanken, Stockholm**	Sweden	35,893,501,000s	0.161000	SK222,941,000,000	29,000,471,000s	106	+9
98	**Unibank, Copenhagen**	Denmark	35,806,026,000	0.151000	DK237,126,000,000	....	...	
99	**Bank fuer Gemeinwirtschaft, Frankfurt**	Germany	35,644,584,536s	0.590000	DM60,414,550,061	33,783,505,786s	93	
100	**Standard Chartered Bank, London**	United Kingdom	35,554,596,000s	1.610000	P22,083,600,000	34,387,798,400s	91	

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total deposits** are funds due depositors, banks (including central banks), and national, state, and local governments. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)**— Rank based on revised asset total for 1988. **(‡)**— Restated to reflect changes in consolidation in 1989. **(•)**— The "due to banks" portion of total deposits was estimated by American Banker.

Compiled by American Banker, Copyright 1990.

WORLD BANKING

The Top 500 Banks in the World

.S. and overseas banks ranked by deposits on Dec. 31, 1989 or nearest fiscal yearend

ank 2/89			Deposits 12/31/89 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/89 (Nation's Currency)	Deposits 12/31/88 (U.S. Dollars)	Rank 1988	Gain in Rank
01	**Banco Santander**	Spain	34,789,855,870s	0.009130	SP3,810,499,000,000	20,316,120,300s	143	+42
02	**Credit Commercial de France, Paris**	France	34,559,789,783s	0.173000	FF199,767,571,000	25,660,112,978s	113	+11
03	**Bank of Hiroshima, Ltd.**	Japan	34,524,748,456	0.006289	Y5,489,704,000,000	35,479,481,956	85	
04	**TSB Bank, Plc., London**	United Kingdom	34,505,296,000s	1.613000	P21,392,000,000	23,719,696,000	121†	+17
05	**Bank of New York**	United States	34,411,451,000	......	....	16,665,898,000	167	+62
06	**Bank Saderat Iran, Tehran**	Iran	33,929,214,345	0.014000	Ri2,423,515,310,377	33,719,901,508	94	
07	**Home Savings of America, FA, Irwindale, Calif.**	United States	33,100,655,000	......	....	29,568,816,000	104	
08	**Skandinaviska Enskilda Banken, Stockholm**	Sweden	32,626,489,000s	0.161000	SK202,649,000,000	31,162,177,000s	101	
09	**Chemical Bank, New York**	United States	32,312,000,000	......	....	33,298,000,000	95	
10	**Bank of Fukuoka, Ltd.**	Japan	32,254,432,034	0.006289	Y5,128,706,000,000	32,388,573,500	97	
11	**Hachijuni Bank, Ltd., Nagano**	Japan	30,872,908,537	0.006289	Y4,909,033,000,000	29,357,376,168	105	
12	**Banco di Sicilia, Palermo**	Italy	29,887,222,164s	0.000789	L37,879,876,000,000	25,506,624,645s	114	+2
13	**Svenska Handelsbanken, Stockholm**	Sweden	29,802,227,000s	0.161000	SK185,107,000,000	26,797,037,000s	110	
14	**Banco Espanol de Credito, Madrid**	Spain	29,181,497,730u	0.009130	SP3,196,221,000,000	23,316,596,100u	124	+10
15	**Creditanstalt-Bankverein, Vienna**	Austria	28,979,815,200	0.084000	AS344,997,800,000	26,095,072,000	112	
16	**Caja de Pensiones para la Vejez, Barcelona**	Spain	28,974,456,720s	0.009130	SP3,173,544,000,000	24,520,852,440s	118	+2
17	**Taiwan Cooperative Bank, Taipei**	Taiwan	28,162,762,650	0.038380	T$733,787,458,320	21,013,145,505	137	+20
18	**Commonwealth Banking Corp., Sydney**	Australia	28,088,650,800s	0.756000	A$37,154,300,000	24,611,126,000s	117	
19	**Bankers Trust Co., New York**	United States	27,879,571,000	......	....	33,261,373,000	96	
20	**Bank of Scotland, Edinburgh**	United Kingdom	27,496,143,500s	1.679000	P16,376,500,000	21,645,774,000s	133	+13
21	**Hamburgische Landesbank-Girozentrale, Hamburg**	Germany	26,730,535,870	0.590000	DM45,305,993,000	23,856,073,920	120	
22	**Gunma Bank, Ltd., Maebashi**	Japan	26,663,894,663	0.006289	Y4,239,767,000,000	26,969,742,072	109	
23	**First National Bank, Chicago**	United States	26,403,340,000	......	....	27,372,439,000	108	
24	**Commonwealth Bank of Australia, Sydney**	Australia	25,883,172,000s	0.756000	A$34,237,000,000	23,413,464,400s	122	
25	**NCNB Texas National Bank, Dallas**	United States	25,623,428,000	......	....	20,474,765,000	140	+15
26	**Bank Hapoalim, Tel-Aviv**	Israel	24,939,824,160s	0.530000	IS47,056,272,000	25,357,400,154s	115	
27	**Bank Leumi le-Israel, Tel-Aviv**	Israel	24,847,600,980s	0.530000	IS46,882,266,000	24,979,771,914s	116	
28	**Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt**	Germany	24,711,416,475u	0.590000	DM41,883,756,738	22,160,688,803u	128	
29	**Bank of Taiwan, Taipei**	Taiwan	24,301,422,033	0.038380	T$633,179,313,000	20,388,750,785	142	+13
30	**Banco Hispano-Americano, Madrid**	Spain	24,001,993,950u	0.009130	SP2,628,915,000,000	20,922,795,180s	138	+8
31	**Landesbank Rheinland-Pfalz Girozentrale, Mainz**	Germany	23,777,000,000s	0.590000	DM40,300,000,000	22,211,433,440s	127	
32	**Union Bank of Finland, Ltd., Helsinki**	Finland	23,446.604,400s	0.246000	FM95,311,400,000	21,113,496,000s	135	+3
33	**National Bank of Greece, Athens**	Greece	23,385,165,300u	0.006300	GD3,711,931,000,000	23,262,172,200s	125	
34	**Banque Cantonale de Zurich**	Switzerland	23,168,946,456	0.648000	SF35,754,547,000	21,026,894,618	136	+2
35	**Great Western Bank, FSB, Beverly Hills**	United States	23,117,689,000	......	....	21,664,188,000	132	
36	**Chugoku Bank, Ltd., Okayama**	Japan	23,102,088,068	0.006289	Y3,673,412,000,000	23,385,077,504	123	
37	**Hyogo Bank, Ltd., Kobe**	Japan	23,051,052,833	0.006289	Y3,665,297,000,000	24,101,903,804	119	
38	**Swiss Volksbank, Berne**	Switzerland	22,894,635,889	0.648000	SF35,331,228,224	21,207,227,320	134	
39	**National Bank of Canada, Montreal**	Canada	22,702,279,536s	0.852000	C$26,645,868,000	19,892,847,112s	146	+7
40	**Allied Irish Banks Plc., Dublin**	Ireland	22,530,800,000s	1.580000	IP14,260,000,000	19,122,633,306s	151	+11
41	**Yamaguchi Bank, Ltd., Shimonoseki**	Japan	22,498,167,976	0.006289	Y3,577,384,000,000	22,803,372,680	126	
42	**Banca Popolare di Novara**	Italy	22,490,620,947s	0.000789	L28,505,223,000,000	14,958,266,570u	189	+47
43	**First National Bank, Boston**	United States	22,061,157,000	......	....	17,687,897,000	164	+21
44	**Juroku Bank, Ltd., Gifu**	Japan	21,998,733,330	0.006289	Y3,497,970,000,000	19,035,798,216	153	+9
45	**Kansallis-Osake Pankki, Helsinki**	Finland	21,362,886,000s	0.246000	FM86,841,000,000	22,015,824,000s	130	
46	**National Commercial Bank, Jeddah**	Saudi Arabia	21,359,214,082	0.266000	SAR80,297,797,299	19,096,171,265	152	+6
47	**First Commercial Bank, Taipei**	Taiwan	21,353,446,595	0.038380	T$556,369,114,000	15,076,761,977	187	+40
48	**77 Bank, Ltd., Sendai**	Japan	21,244,801,721	0.006289	Y3,378,089,000,000	21,986,644,932	131	
49	**Hang Seng Bank Ltd., Hong Kong**	Hong Kong	20,692,838,400st	0.128000	H$161,662,800,000	15,622,617,600st	175	+26
50	**Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna**	Austria	20,567,943,643u	0.084000	AS244,856,471,944	11,571,347,266s	241	+91
51	**Nippon Trust Bank, Ltd., Tokyo**	Japan	20,504,517,242	0.006289	Y3,260,378,000,000	22,088,002,932	129	
52	**Nishi-Nippon Bank, Ltd., Fukuoka**	Japan	20,355,650,323	0.006289	Y3,236,707,000,000	20,904,133,984	139	
53	**Hua Nan Commercial Bank, Ltd., Taipei**	Taiwan	19,924,483,878	0.039000	T$510,884,202,000	12,835,260,530	217	+64
54	**Banco Exterior de Espana, Madrid**	Spain	19,812,465,200s	0.009130	SP2,170,040,000,000	19,491,582,600s	147	
55	**Berliner Bank, Berlin**	Germany	19,734,328,333s	0.590000	DM33,448,014,124	17,778,753,870s	161	+6
56	**Banque Francaise du Commerce Exterieur, Paris**	France	19,648,594,024s	0.173000	FF113,575,688,000	18,481,132,503s	156	
57	**Oesterreichische Laenderbank, Vienna**	Austria	19,386,925,488s	0.084000	AS230,796,732,000	14,592,160,880s	192	+35
58	**Berliner Handels und-Frankfurter Bank, Frankfurt**	Germany	19,158,957,838s	0.590000	DM32,472,809,895	17,072,169,835s	166	+8
59	**Banca Nazionale dell'Agricoltura, Rome**	Italy	19,122,232,832u	0.000789	L24,236,036,543,030	17,866,240,997	159	
60	**Banca Popolare di Milano, Milan**	Italy	19,097,625,072s	0.000789	L24,204,848,000,000	15,128,218,485s	185	+25
61	**Bank of Kyoto, Ltd.**	Japan	18,824,788,232	0.006289	Y2,993,288,000,000	19,946,098,168	145	
62	**Arab Banking Corp., Manama**	Bahrain	18,695,000,000s	......	....	16,305,000,000s	171	+9
63	**Hokkaido Bank, Ltd., Sapporo**	Japan	18,685,413,780	0.006289	Y2,971,126,376,173	19,280,559,016	149	
64	**Chang Hwa Commercial Bank, Ltd., Taichung**	Taiwan	18,655,561,686s	0.038380	T$486,075,083,000	11,586,509,820s	238	+74
65	**Bank of Ireland, Dublin**	Ireland	18,508,594,000s	1.580000	IP11,714,300,000	13,874,689,800s	199	+34
66	**Tokyo Sowa Bank, Ltd.**	Japan	18,385,759,324	0.006289	Y2,923,478,983,000	19,401,948,360u	148	
67	**Nanto Bank, Ltd., Nara**	Japan	18,352,628,979	0.006289	Y2,918,211,000,000	18,870,644,657	154	
68	**Continental Bank NA, Chicago**	United States	18,178,226,000	......	....	17,763,339,000	162	
69	**Marine Midland Bank NA, Buffalo, N.Y.**	United States	18,021,665,000t	......	....	16,659,085,000t	168	
70	**Banco Popular Espanol, Madrid**	Spain	18,003,456,130s	0.009130	SP1,971,901,000,000	15,386,384,160s	181	+11
71	**Zentralsparkasse und Kommerzialbank, Vienna**	Austria	17,924,760,000u	0.084000	AS213,390,000,000	16,133,200,000u	172	+1
72	**Deutsche Bank Luxembourg**	Luxembourg	17,879,646,275t	0.028000	LF638,558,795,520	15,404,708,124t	179	+7
73	**First Interstate Bank of California, Los Angeles**	United States	17,849,795,000	......	....	16,613,623,000	170	
74	**Bremer Landesbank, Bremen**	Germany	17,688,259,000t	0.590000	DM29,980,100,000	15,811,171,600t	174	
75	**Iyo Bank, Ltd., Matsuyama**	Japan	17,268,348,778	0.006289	Y2,745,802,000,000	17,805,109,380	160	
76	**Caisse Centrale des Banques Populaires, Paris**	France	17,180,471,467	0.173000	FF99,309,083,624	15,125,735,545t	186	+10
77	**Hyakujushi Bank, Ltd., Takamatsu**	Japan	17,110,859,640	0.006289	Y2,720,760,000,000	17,903,794,532	158	
78	**Shiga Bank, Ltd., Otsu**	Japan	17,067,691,944	0.006289	Y2,713,896,000,000	17,921,963,892	157	
79	**Land Bank of Taiwan, Taipei**	Taiwan	17,057,846,303	0.038380	T$444,446,229,881	12,661,978,200	221	+42
0	**Banco di Santo Spirito, Rome**	Italy	17,050,155,912sv	0.000789	L21,609,830,052,840	15,966,302,420st	173	
1	**Daishi Bank, Ltd., Niigata**	Japan	17,004,575,540	0.006289	Y2,703,860,000,000	17,750,668,872	163	
2	**Suruga Bank, Ltd., Numazu**	Japan	16,359,468,787	0.006289	Y2,601,283,000,000	16,624,746,668	169	
3	**Cassa di Risparmio di Roma, Rome**	Italy	16,287,764,106u	0.000789	L20,643,554,000,000	13,121,760,420u	210	+27
4	**Glendale Federal Bank, FSB, Calif.**	United States	15,869,180,000	......	....	15,300,883,000	183	
5	**Banco Ambrosiano Veneto, Milan**[1]	Italy	15,511,214,526s	0.000789	L19,659,334,000,000	13,167,514,305s	209	+24
6	**Westfalenbank, Bochum**	Germany	15,362,304,231st	0.590000	DM26,037,803,781	13,548,562,864st	204	+18
7	**Credit Lyonnais Bank Nederland, Rotterdam**	Netherlands	15,223,538,296st	0.524000	G29,052,554,000	12,458,256,840st	223	+36
8	**Hamburger Sparkasse, Hamburg**	Germany	15,199,265,385	0.590000	DM25,761,466,754	13,848,038,765	200	+12
9	**California Federal Bank, FSB, Los Angeles**	United States	15,194,340,000	......	....	18,787,200,000	155	
0	**Mellon Bank NA, Pittsburgh**	United States	15,022,808,000	......	....	15,603,197,000	176	
1	**Bank fuer Arbeit und Wirtschaft, Vienna**	Austria	15,017,998,048u	0.084000	AS178,785,691,049	13,081,493,706u	211	+20
2	**Caja de Madrid**	Spain	14,941,701,500s	0.009130	SP1,636,550,000,000	12,188,728,440s	226	+34
3	**Kiyo Bank, Ltd., Wakayama**	Japan	14,922,954,274	0.006289	Y2,372,866,000,000	15,447,649,733	178	
4	**Christiania Bank og Kreditkasse, Oslo**	Norway	14,909,921,200	0.151000	NK98,741,200,000	14,932,936,000s	190	
5	**American Express Bank Ltd., New York**	United States	14,778,000,000s	......	....	13,035,000,000s	213	+18
6	**Westdeutsche Genossenschafts-Zentralbank, Duesseldorf**	Germany	14,689,820,000u	0.590000	DM24,898,000,000	13,927,935,280	196	
7	**Sparbankernas Bank, Stockholm**	Sweden	14,502,880,000s	0.161000	SK90,080,000,000	12,776,266,000s	220	+23
8	**Bancomer, Mexico City**	Mexico	14,496,027,180u	0.000372	MP38,967,815,000,000	11,718,458,246u	236	+38
9	**Centrale Raiffeisenkas van Belgische Boerenbond, Leuven**	Belgium	14,339,977,551	0.028100	BF510,319,485,796	11,761,706,739u	235	+36
0	**Republic National Bank, New York**	United States	14,250,340,000	......	....	13,897,318,000	198	

Source: The primary source of data is **American Banker's** question- e to the 1,200 largest banks in the world. Data were checked against al reports whenever possible. Consolidated data, if available, are used ll banks that own over 50% of other banks. The consolidation includes those affiliates in which ownership exceeds 50%. **Total deposits** are s due depositors, banks (including central banks), and national, state, local governments. **Note:** Banks that did not provide current data are **uded** from the listing. **Date of figures:** Data for most banks are for Dec. 989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)—** A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)—** A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)—** Consolidated data. **(t)—** Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)—** Data are not consolidated for affiliates more than 50% owned. **(v)—** Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)—** Rank based on revised asset total for 1988. **(‡)—** Restated to reflect changes in consolidation in 1989. **([1])—** On Dec. 31, 1989, Banca Catolica Veneto merged with Nuevo Banco Ambrosiano, Milan to form Banca Ambrosiano Veneto, Milan. The data for Dec. 31, 1988, are for the for the former Nuevo Banco Ambrosiano.

Compiled by American Banker, Copyright 1990.

WORLD BANKING

The Top 500 Banks in the World

U.S. and overseas banks ranked by deposits on Dec. 31, 1989 or nearest fiscal yearend

Rank 12/89			Deposits 12/31/89 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/89 (Nation's Currency)	Deposits 12/31/88 (U.S. Dollars)	Rank 1988	Gain in Rank
201	**Israel Discount Bank, Ltd., Tel-Aviv**	Israel	13,918,552,070s	0.530000	IS26,261,419,000	13,908,960,662s	197	
202	**Ogaki-Kyoritsu Bank, Ltd., Ogaki**	Japan	13,882,439,224	0.006289	Y2,207,416,000,000	13,615,712,952	203	+1
203	**Postipankki, Helsinki**	Finland	13,761,018,600s	0.246000	FM55,939,100,000	12,927,024,000s	216	+13
204	**Hyakugo Bank, Ltd., Tsu**	Japan	13,715,705,256	0.006289	Y2,180,904,000,000	15,388,028,908	180	
205	**Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt**	Germany	13,688,927,480	0.590000	DM23,201,572,000	12,108,809,440	228	+23
206	**Fukuoka City Bank, Ltd.**	Japan	13,654,808,869	0.006289	Y2,171,221,000,000	14,133,089,232	195	
207	**American Savings Bank, Irvine, Calif.**	United States	13,639,461,000	......	....	13,401,466,000	207	
208	**Bank of Kinki, Ltd., Osaka**	Japan	13,617,200,649	0.006289	Y2,165,241,000,000	15,045,461,392	188	
209	**Development Bank of Singapore Ltd.**	Singapore	13,602,579,342	0.526000	S$25,860,417,000	7,703,689,194	340	+131
210	**Higo Bank, Ltd., Kumamoto**	Japan	13,516,821,920	0.006289	Y2,149,280,000,000	13,795,769,808	201	
211	**Hokkoku Bank, Ltd., Kanazawa**	Japan	13,463,415,732	0.006289	Y2,140,788,000,000	14,435,256,200	193	
212	**Hanil Bank Ltd., Seoul**	Korea	13,443,924,690s	0.001470	KW9,145,527,000,000	9,714,177,200s	287	+75
213	**State Bank Victoria, Melbourne**	Australia	13,391,103,600s	0.756000	A$17,713,100,000	11,789,916,588s	234	+21
214	**Commercial Bank of Korea Ltd., Seoul**	Korea	13,308,052,590s	0.001470	KW9,053,097,000,000	11,116,088,200s	251	+37
215	**Banque Internationale a Luxembourg**	Luxembourg	13,179,991,496s	0.028000	LF470,713,982,000	10,174,859,469s	274	+59
216	**Caixa Geral de Depositos, Lisbon**	Portugal	13,124,148,302s	0.006680	PE1,964,692,859,535	11,578,209,417s	239	+23
217	**Homefed Bank, FSB, San Diego, Calif.**	United States	13,034,251,000	......	....	11,558,328,000	242	+25
218	**Oesterreichische Postsparkasse, Vienna**	Austria	12,974,534,160u	0.084000	AS154,458,740,000	13,381,600,000s	208	
219	**Commonwealth Savings Bank of Australia, Sydney**	Australia	12,941,888,400t	0.756000	A$17,118,900,000	11,975,581,200t	231	+12
220	**Cho Hung Bank Ltd., Seoul**	Korea	12,941,802,662s	0.001470	KW8,803,947,389,000	10,991,792,731s	254	+34
221	**C.O.B.-Caisse d'Epargne Privee, Brussels**	Belgium	12,852,077,279s	0.028100	BF457,369,298,169	10,362,893,101	269	+48
222	**Societe Nationale de Credit a l'Industrie, Brussels**	Belgium	12,845,568,320	0.028100	BF457,137,662,619	13,010,195,474	214	
223	**Bank of Nagoya, Ltd.**	Japan	12,845,012,073	0.006289	Y2,042,457,000,000	13,526,210,084	205	
224	**Societe Generale Alsacienne de Banque, Strasbourg**	France	12,748,860,455st	0.173000	FF73,692,835,000	10,604,129,946st	263	+39
225	**National Westminster Bank USA, New York**	United States	12,740,471,000t	......	....	11,389,004,000t	245	+20
226	**Bangkok Bank, Ltd.**	Thailand	12,717,725,553	0.039000	TB326,095,527,000	10,848,233,651	258	+32
227	**Southeast Bank NA, Miami**	United States	12,715,951,000	......	....	10,287,300,000	271	+44
228	**Raiffeisen Zentralbank Oesterreich AG, Vienna**	Austria	12,690,720,000s	0.084000	AS151,080,000,000	10,319,483,461u	270	+42
229	**San-in Godo Bank, Ltd., Matsue**	Japan	12,512,525,221	0.006289	Y1,989,589,000,000	13,053,221,100	212	
230	**Korea First Bank, Seoul**	Korea	12,472,375,431s	0.001470	KW8,484,609,137,000	11,083,679,795s	252	+22
231	**Kofuku Bank, Ltd., Osaka**	Japan	12,306,937,811	0.006289	Y1,956,899,000,000	12,933,986,552	215	
232	**National Bank of Detroit**	United States	12,288,133,000	......	....	11,989,495,000	230	
233	**Sparkasse der Stadt Berlin West, Berlin**	Germany	12,258,623,403	0.590000	DM20,777,327,802	10,801,101,040	259	+26
234	**National Bank of Kuwait**	Kuwait	12,196,796,629s	3.410000	KD3,576,773,205	11,373,093,728s	246	+12
235	**Medium Business Bank of Taiwan, Taipei**	Taiwan	12,104,407,638	0.038380	T$315,383,211,000	8,561,904,676	308	+73
236	**Tokyo Tomin Bank, Ltd.**	Japan	11,965,319,331	0.006289	Y1,902,579,000,000	12,366,156,512	224	
237	**First Nationwide Bank, FSB, San Francisco**	United States	11,925,000,000	......	....	14,787,467,000	191	
238	**Dresdner Bank Luxembourg**	Luxembourg	11,900,270,105t	0.590000	DM20,169,949,330	10,064,172,075t	277	+39
239	**Fukutoku Bank, Ltd., Osaka**	Japan	11,840,193,387	0.006289	Y1,882,683,000,000	12,087,902,524	229	
240	**Vereins-und Westbank, Hamburg**	Germany	11,644,901,167s	0.590000	DM19,737,120,622	10,270,009,253s	272	+32
241	**Union Bank, San Francisco**	United States	11,637,088,000t	......	....	11,911,043,000v	233	
242	**Banque Generale du Luxembourg**	Luxembourg	11,614,388,584s	0.028000	LF414,799,592,275	9,940,724,600s	281	+39
243	**Korea Exchange Bank, Seoul**	Korea	11,584,655,460u	0.001470	KW7,880,718,000,000	12,828,279,800s	218	
244	**Landesgirokasse, Stuttgart**	Germany	11,505,590,000	0.590000	DM19,501,000,000	9,805,991,159	285	+41
245	**State Bank of South Australia, Adelaide**	Australia	11,467,849,896s	0.789000	A$14,534,664,000	7,954,307,008	331	+86
246	**World Savings, FS&LA, Oakland, Calif.**	United States	11,457,331,000	......	....	10,141,780,000	276	+30
247	**Fukui Bank, Ltd.**	Japan	11,402,126,803	0.006289	Y1,813,027,000,000	11,962,203,588	232	
248	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	United States	11,344,443,000	......	....	10,517,863,000	265	+17
249	**Banca Toscana, Florence**	Italy	11,310,441,240t	0.000789	L14,335,160,000,000	10,159,192,350t	275	+26
250	**Toho Bank, Ltd., Fukushima**	Japan	11,270,309,363	0.006289	Y1,792,067,000,000	11,576,983,124	240	
251	**Hiroshima-Sogo Bank, Ltd.**	Japan	11,135,460,625	0.006289	Y1,770,625,000,000	11,477,487,108	243	
252	**Bank of Osaka, Ltd.**	Japan	11,117,675,333	0.006289	Y1,767,797,000,000	11,395,282,016	244	
253	**Citizens National Bank, Seoul**	Korea	11,112,171,000	0.001470	KW7,559,300,000,000	9,021,422,200u	293	+40
254	**Norske Creditbank, Oslo**	Norway	11,073,887,000s	0.151000	NK73,337,000,000	11,626,784,000s	237	
255	**Shikoku Bank, Ltd., Kochi**	Japan	11,011,711,972	0.006289	Y1,750,948,000,000	11,362,764,868	247	
256	**Credit Industriel et Commercial, Paris (h)**	France	10,950,670,083	0.173000	FF63,298,671,000	15,143,394,054s	184	
257	**Keiyo Bank, Ltd., Chiba**	Japan	10,852,116,019	0.006289	Y1,725,571,000,000	11,244,085,912	248	
258	**Musashino Bank, Ltd., Omiya**	Japan	10,786,446,902	0.006289	Y1,715,129,098,792	11,243,072,332	249	
259	**Kagoshima Bank, Ltd.**	Japan	10,768,189,314	0.006289	Y1,712,226,000,000	11,235,556,824	250	
260	**Kredietbank S.A. Luxembourgeoise, Luxembourg**	Luxembourg	10,754,996,463st	0.028500	LF377,368,296,950	7,123,380,000u	361	+101
261	**Banque et Caisse d'Epargne de l'Etat, Luxembourg**	Luxembourg	10,697,443,735	0.028000	LF382,051,561,948	8,348,506,865	316	+55
262	**Genossenschaftliche Zentralbank, Stuttgart**	Germany	10,686,065,151	0.590000	DM18,111,974,832	10,428,485,046	266	+4
263	**NCNB National Bank of North Carolina, Charlotte**	United States	10,585,048,000	......	....	11,054,684,000	253	
264	**First Union National Bank, Charlotte, N.C.**	United States	10,507,659,000	......	....	8,784,792,000	301	+37
265	**Meritor Savings Bank, Philadelphia**	United States	10,503,153,000	......	....	12,209,344,000	225	
266	**Pittsburgh National Bank**	United States	10,263,540,000	......	....	10,045,593,000	279	+13
267	**Bergen Bank**	Norway	10,249,004,200s	0.151000	NK67,874,200,000	10,920,314,400‡s	257†	
268	**Awa Bank, Ltd., Tokushima**	Japan	10,248,780,804	0.006289	Y1,629,636,000,000	10,984,414,224	255	
269	**Credito Romagnolo, Bologna**	Italy	10,246,030,213s	0.000789	L12,986,096,593,850	8,577,608,764u	307	+38
270	**Sovran Bank NA, Richmond**	United States	10,193,846,000	......	....	9,779,420,000	286	+16
271	**Oita Bank, Ltd.**	Japan	10,117,076,566	0.006289	Y1,608,694,000,000	10,402,011,156	267	
272	**Caja de Ahorros y Monte de Piedad de Barcelona**	Spain	10,085,947,520	0.009130	SP1,104,704,000,000	7,847,983,080	335	+63
273	**Erste Oesterreichische Spar-Casse, Vienna**	Austria	10,006,532,130s	0.084000	AS119,125,382,496	9,278,060,193s	291	+18
274	**Hokuetsu Bank, Ltd., Nagaoka**	Japan	9,973,932,637	0.006289	Y1,585,933,000,000	10,363,247,352	268	
275	**Commerzbank International, Luxembourg**	Luxembourg	9,921,597,877t	0.590000	DM16,816,267,588	8,936,936,225t	295	+20
276	**Standard Bank of South Africa Ltd., Johannesburg**	South Africa	9,891,059,357u	0.391000	SR25,296,827,000	N.A.	...	
277	**Aichi Bank, Ltd., Nagoya**	Japan	9,889,685,193	0.006289	Y1,572,537,000,000	10,614,757,844	262	
278	**Frankfurter Sparkasse, Frankfurt**	Germany	9,778,852,612	0.590000	DM16,574,326,461	8,930,981,172	296	+18
279	**Banque Worms, Paris**	France	9,764,129,342s	0.173000	FF56,440,054,000	8,162,661,514s	322	+43
280	**Dime Savings Bank of New York, FSB, Garden City**	United States	9,759,151,000	......	....	8,652,658,000	304	+24
281	**Chiba Kogyo Bank, Ltd.**	Japan	9,739,126,533	0.006289	Y1,548,597,000,000	10,008,997,388	280	
282	**Yamanashi Chuo Bank, Ltd., Kofu**	Japan	9,680,142,002	0.006289	Y1,539,218,000,000	9,937,956,692	282	
283	**Seattle-First National Bank**	United States	9,660,669,000	......	....	8,870,643,000	297	+14
284	**NCNB National Bank of Florida, Tampa**	United States	9,637,057,000	......	....	7,387,750,000	351	+67
285	**Bank of New Zealand, Ltd., Wellington**	New Zealand	9,497,118,863	0.580400	N$16,363,058,000	9,396,988,174	288	+3
286	**Citizens & Southern National Bank, Atlanta**	United States	9,468,585,000	......	....	8,454,641,000	312	+26
287	**Goldome, Buffalo, N.Y.**	United States	9,375,653,000	......	....	10,529,276,000	264	
288	**Gulf International Bank, Manama**	Bahrain	9,268,226,600	2.650000	BaD3,497,444,000	8,243,613,840	320	+32
289	**Bank Mees & Hope, Amsterdam**	Netherlands	9,245,458,096st	0.524000	G17,644,004,000	8,199,550,080st	321	+32
290	**Arab Bank Ltd., Amman**	Jordan	9,230,390,520s	1.560000	JD5,916,917,000	12,549,684,000s	222	
291	**Bank of New England NA, Boston**	United States	9,208,787,000	......	....	10,904,043,000	257	
292	**Riyad Bank Ltd., Jeddah**	Saudi Arabia	9,158,569,924u	0.266000	SAR34,430,714,000	8,405,159,880u	314	+22
293	**S.G. Warburg & Co., Ltd., London**	United Kingdom	9,125,124,000	1.640000	P5,564,100,000	7,267,422,239	357	+64
294	**First Bank NA, Minneapolis**	United States	9,104,370,000	......	....	10,674,583,000	261	
295	**Great American Bank, SSB, San Diego, Calif.**	United States	9,073,940,000	......	....	10,799,471,000	260	
296	**Chukyo Bank, Ltd., Nagoya**	Japan	9,060,813,860	0.006289	Y1,440,740,000,000	9,858,694,736	284	
297	**Kleinwort, Benson, Lonsdale Plc, London**	United Kingdom	9,045,224,720s	1.610000	P5,618,152,000	10,175,105,792s	273	
298	**Bank of Iwate, Ltd., Morioka**	Japan	9,001,508,590	0.006289	Y1,431,310,000,000	9,874,957,064	283	
299	**Bank of India, Bombay**	India	8,994,917,685	0.058000	InR155,084,787,677	8,394,156,703	315	+16
300	**CrossLand Savings FSB, Brooklyn, New York**	United States	8,994,087,000	......	....	8,791,305,000	300	

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total deposits** are funds due depositors, banks (including central banks), and national, state, and local governments. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)**— Rank based on revised asset total for 1988. **(‡)**— Restated to reflect changes in consolidation in 1989.

Compiled by American Banker, Copyright 1990.

The Top 500 Banks in the World

U.S. and overseas banks ranked by deposits on Dec. 31, 1989 or nearest fiscal yearend

Rank 12/89			Deposits 12/31/89 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/89 (Nation's Currency)	Deposits 12/31/88 (U.S. Dollars)	Rank 1988	Gain in Rank
301	**Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo**	Italy	8,962,084,165	0.000789	L11,358,788,548,420	7,498,321,564	350	+49
302	**Coast Savings & Loan Assn., Los Angeles**	United States	8,904,590,000	......	....	8,803,298,000	299	
303	**Towa Bank, Ltd., Maebashi**	Japan	8,875,910,971	0.006289	Y1,411,339,000,000	9,313,291,092	290	
304	**First National Bank of South Africa Ltd., Johannesburg**	South Africa	8,786,059,100	0.371000	SR23,682,100,000	10,050,343,200s	278	
305	**Malayan Banking Berhad, Kuala Lumpur**	Malaysia	8,768,671,810s	0.370000	M$23,699,113,000	7,596,214,797s	346	+41
306	**Union Bank of Switzerland (Luxembourg)**	Luxembourg	8,713,440,208v	0.648000	SF13,446,666,987	7,997,383,397v	328	+22
307	**Eighteenth Bank, Ltd., Nagasaki**	Japan	8,678,662,775	0.006289	Y1,379,975,000,000	9,151,643,852	292	
308	**Landesbank Schleswig-Holstein Girozentrale, Kiel**	Germany	8,663,378,870s	0.590000	DM14,683,693,000	17,276,560,000u	165	
309	**Akita Bank, Ltd.**	Japan	8,616,024,335	0.006289	Y1,370,015,000,000	8,851,361,392	298	
310	**First Fidelity Bank NA, Newark, N.J.**	United States	8,615,504,000	......	....	7,967,395,000	330	+20
311	**Nedcor Ltd., Johannesburg**	South Africa	8,599,000,900s	0.371000	SR23,177,900,000	5,251,095,000s	461	+150
312	**Cassa di Risparmio di Verona, Vicenza & Belluno, Verona**	Italy	8,553,077,023u	0.000789	L10,840,401,804,090	6,407,302,933	390	+78
313	**Banc One, Texas NA, Dallas**	United States	8,525,136,000	......	....	4,033,803,000	567	+254
314	**Gotabanken, Stockholm**	Sweden	8,451,373,000s	0.161000	SK52,493,000,000	7,275,505,000s	356	+42
315	**Connecticut Bank & Trust Co. NA, Hartford**	United States	8,450,053,000	......	....	7,509,700,000	349	+34
316	**Skopbank, Helsinki**	Finland	8,441,979,764s	0.246000	FM34,316,990,909	7,685,760,000s	344	+28
317	**Meridian Bank, Reading, Pa.**	United States	8,394,187,000	......	....	6,010,077,000	415	+98
318	**Banque Paribas Belgique, Brussels (q)**	Belgium	8,384,983,800s	0.028100	BF298,398,000,000	6,793,692,800st	368	+50
319	**Valley National Bank, Phoenix**	United States	8,370,893,000	......	....	8,639,762,000	306	
320	**Daisan Bank, Ltd., Matsuzaka**	Japan	8,338,824,082	0.006289	Y1,325,938,000,000	8,960,324,996	294	
321	**Banque Regionale d'Escompte et de Depots, Vincennes**	France	8,315,636,153s	0.173000	FF48,067,261,000	7,908,526,806u	333	+12
322	**Aomori Bank, Ltd.**	Japan	8,225,785,596	0.006289	Y1,307,964,000,000	8,455,952,572	311	
323	**Stadtsparkasse Koeln, Cologne**	Germany	8,205,442,110	0.590000	DM13,907,529,000	7,702,879,520	341	+18
324	**Connecticut National Bank, Hartford**	United States	8,196,372,000	......	....	8,045,283,000	326	+2
325	**Bank Leu, Ltd., Zurich**	Switzerland	8,154,813,456u	0.648000	SF12,584,588,667	8,649,072,270u	305	
326	**Deutsche Siedlungs und Landesrentenbank, Bonn**	Germany	8,122,023,685	0.590000	DM13,766,141,839	....	...	
327	**North Pacific Bank, Ltd., Sapporo**	Japan	8,075,566,542	0.006289	Y1,284,078,000,000	9,361,537,500	289	
328	**Baden-Wuerttembergische Bank, Stuttgart**	Germany	8,039,426,501s	0.590000	DM13,626,146,612	6,961,624,471s	364	+36
329	**Senshu Bank, Ltd., Kishiwada**	Japan	8,034,499,372	0.006289	Y1,277,548,000,000	8,061,294,552	325	
330	**Shinwa Bank, Ltd., Sasebo**	Japan	7,991,558,080	0.006289	Y1,270,720,000,000	8,427,189,424	313	
331	**Banco Brasileiro de Descontos, Sao Paulo**	Brazil	7,955,644,480s	0.112000	BC71,032,540,000	7,788,375,716s	337	+6
332	**Empire of America Federal Savings Bank, Buffalo, N.Y.**	United States	7,947,151,000	......	....	8,325,671,000	318	
333	**Ehime Bank, Ltd., Matsuyama**	Japan	7,937,856,309	0.006289	Y1,262,181,000,000	8,737,637,716	302	
334	**Nordbanken, Stockholm**	Sweden	7,924,387,800s	0.161000	SK49,219,800,000	5,929,190,200s	419	+85
335	**Oversea-Chinese Banking Corp., Ltd., Singapore**	Singapore	7,905,664,280s	0.526000	S$15,029,780,000	5,469,286,401s	447	+112
336	**Michigan National Bank, Farmington Hills**	United States	7,888,735,000	......	....	7,694,746,000	343	+7
337	**Bank of Ikeda, Ltd.**	Japan	7,859,111,740	0.006289	Y1,249,660,000,000	7,786,344,084	339	+2
338	**Columbia Savings & Loan Assn., Beverly Hills**	United States	7,828,652,784	......	....	8,089,177,000	324	
339	**Lyonnaise de Banque, Lyon**	France	7,820,119,000s	0.173000	FF45,203,000,000	6,033,094,061st	410	+71
340	**Midlantic National Bank, Newark, N.J.**	United States	7,791,480,000	......	....	4,658,275,000	502	+162
341	**Boston Safe Deposit & Trust Co.**	United States	7,782,273,000	......	....	15,464,313,000	177	
342	**Korea Development Bank, Seoul**	Korea	7,740,409,950	0.001470	KW5,265,585,000,000	5,685,803,200u	434	+92
343	**Morgan Grenfell & Co. Ltd., London**	United Kingdom	7,724,535,280st	1.610000	P4,797,848,000	5,765,959,696u	429	+86
344	**Banque Cantonale de Berne**	Switzerland	7,649,155,944	0.648000	SF11,804,253,000	7,226,451,925	358	+14
345	**Crestar Bank, Richmond**	United States	7,631,619,000	......	....	7,291,054,000	354	+9
346	**Higashi-Nippon Bank, Ltd., Tokyo**	Japan	7,624,664,109	0.006289	Y1,212,381,000,000	7,979,104,476	329	
347	**Coutts & Co., London**	United Kingdom	7,600,771,360st	1.610000	P4,720,976,000	5,776,465,984st	427	+80
348	**United Overseas Bank Ltd., Singapore**	Singapore	7,598,777,996s	0.526000	S$14,446,346,000	5,987,746,773s	416	+68
349	**State Bank of New South Wales, Sydney**	Australia	7,572,348,504s	0.756000	A$10,016,334,000	4,869,928,000s	485	+136
350	**Comerica Bank-Detroit**	United States	7,561,148,000	......	....	7,217,355,000	359	+9
351	**Bank of Baroda**	India	7,559,372,000s	0.058000	InR130,334,000,000	7,287,123,831u	355	+4
352	**Bank Bumi Daya, Jakarta**	Indonesia	7,558,217,466	0.000560	IR13,496,816,904,000	3,669,656,930s	602	+250
353	**Industrial Bank of Korea, Seoul**	Korea	7,557,497,660	0.001470	KW5,141,154,871,000	6,210,725,353	395	+42
354	**First Gibraltar Bank, FSB, Dallas**	United States	7,555,575,000	......	....	8,484,642,000	310	
355	**Sparekassen Bikuben, Copenhagen**	Denmark	7,428,445,000	0.151000	DK49,195,000,000	6,610,976,300	375	+20
356	**Michinoku Bank, Ltd., Aomori**	Japan	7,338,508,320	0.006289	Y1,166,880,000,000	7,702,682,440	342	
357	**Yamagata Bank, Ltd.**	Japan	7,323,534,211	0.006289	Y1,164,499,000,000	8,039,183,492	327	
358	**Philadelphia National Bank**	United States	7,261,814,000	......	....	7,131,118,000	360	+2
359	**Bank of Saga, Ltd.**	Japan	7,243,406,062u	0.006289	Y1,151,758,000,000	7,787,079,868u	338	
360	**Forsta Sparbanken, Stockholm**	Sweden	7,222,604,900	0.161000	SK44,860,900,000	5,417,761,400s	450	+90
361	**Krung Thai Bank Ltd., Bangkok**	Thailand	7,215,366,600	0.039000	TB185,009,400,000	5,975,118,897	418	+57
362	**Banco Portugues do Atlantico, Oporto**	Portugal	7,210,250,149u	0.006680	PE1,079,378,764,867	6,487,031,036u	383	+21
363	**Banca Catalana, Barcelona**	Spain	7,171,003,290tu	0.009130	SP785,433,000,000	6,733,249,740sv	372	+9
364	**Bank of the Ryukyus, Ltd., Naha**	Japan	7,158,215,268	0.006289	Y1,138,212,000,000	8,270,429,892	319	
365	**Nassauische Sparkasse Wiesbaden, Wiesbaden**	Germany	7,156,338,401	0.590000	DM12,129,387,120	6,276,046,319	394	+29
366	**Miyazaki Bank, Ltd.**	Japan	7,121,695,045	0.006289	Y1,132,405,000,000	7,829,507,576	336	
367	**First Union National Bank of Florida, Jacksonville**	United States	7,090,935,000	......	....	7,122,471,000	362	
368	**Credit Industriel d'Alsace et de Lorraine, Strasbourg**	France	7,081,582,000s	0.173000	FF40,934,000,000	8,116,383,858s	323	
369	**Ameritrust Co. NA, Cleveland**	United States	7,072,134,000	......	....	6,542,938,000	377	+8
370	**Dresdner Bank Berlin AG**	Germany	7,054,299,477tu	0.590000	DM11,956,439,791	6,085,968,000tu	403	+33
371	**Anchor Savings Bank, FSB, Northport, N.Y.**	United States	7,027,918,000	......	....	6,734,031,000	371	
372	**Banco de Sabadell**	Spain	7,002,646,090s	0.009130	SP766,993,000,000	5,502,268,800	444	+72
373	**United States National Bank, Portland**	United States	6,994,001,000	......	....	6,095,867,000	401	+28
374	**Jyske Bank, Silkeborg**	Denmark	6,986,928,399s	0.151000	DK46,271,049,000	6,533,276,516s	379	+5
375	**Stadtsparkasse Munchen, Munich**	Germany	6,979,131,084	0.590000	DM11,829,035,735	6,186,938,199	396	+21
376	**Manufacturers National Bank, Detroit**	United States	6,946,034,000	......	....	6,521,981,000	380	+4
377	**Bank of Hawaii, Honolulu**	United States	6,940,435,000	......	....	5,602,067,000	438	+61
378	**Banca Provinciale Lombarda, Bergamo**	Italy	6,934,746,863t	0.000789	L8,789,286,264,714	5,784,152,973t	425	+47
379	**Banco Nacional de Mexico, Mexico City[1]**	Mexico	6,933,703,924	0.000372	MP18,638,989,043,000	7,610,924,698	345	
380	**Fidelity Bank NA, Philadelphia**	United States	6,919,305,000	......	....	6,706,244,000	373	
381	**Banque Cantonale de St. Gallen**	Switzerland	6,892,519,392	0.648000	SF10,636,604,000	6,762,869,785	370	
382	**Harris Trust & Savings Bank, Chicago**	United States	6,854,159,000	......	....	6,508,050,000t	382	
383	**Union de Banques Arabes et Francaises, Neuilly (w)**	France	6,813,925,915s	0.173000	FF39,386,855,000	7,568,521,624s	348	
384	**Banca Popolare di Bergamo**	Italy	6,808,646,545u	0.000789	L8,629,463,301,299	5,551,867,766u	440	+56
385	**Banco Intercontinental Espanol, Madrid**	Spain	6,783,726,950	0.009130	SP743,015,000,000	5,485,484,340	446	+61
386	**United World Chinese Commercial Bank, Taipei**	Taiwan	6,773,166,224u	0.038380	T$176,476,451,907	....	...	
387	**Luzerner Kantonalbank, Lucerne**	Switzerland	6,737,202,864	0.648000	SF10,396,918,000	6,456,671,200	386	
388	**Kreissparkasse Koeln, Cologne**	Germany	6,712,866,789	0.590000	DM11,377,740,320	6,146,896,783	399	+11
389	**Caja de Ahorros de Cataluna, Barcelona**	Spain	6,703,209,480	0.009130	SP734,196,000,000	5,190,993,360	464	+75
390	**Korea Housing Bank, Seoul**	Korea	6,675,562,433	0.001470	KW4,541,198,934,239	6,871,439,400	365	
391	**Cassa di Risparmio di Firenze, Florence**	Italy	6,662,516,390	0.000789	L8,444,253,980,000	5,835,581,869	420	+29
392	**Maryland National Bank, Baltimore**	United States	6,631,568,000	......	....	6,793,502,000	369	
393	**Imperial Savings Assn., San Diego, Calif.**	United States	6,624,900,000	......	....	8,329,541,000	317	
394	**Huntington National Bank, Columbus, Ohio**	United States	6,566,863,000	......	....	6,055,783,000	409	+15
395	**CIC-Union Europeenne, International & Cie, Paris**	France	6,531,434,215tu	0.173000	F37,753,955,000	7,305,361,710u	353	
396	**Banco Lariano, Como**	Italy	6,520,776,804t	0.000789	L8,264,609,383,466	5,417,490,364t	451	+55
397	**Thai Farmers Bank, Bangkok**	Thailand	6,512,894,420	0.039000	TB166,997,292,818	5,068,827,128	473	+76
398	**Banque Cantonale Vaudoise, Lausanne**	Switzerland	6,503,790,067	0.648000	SF10,036,713,066	6,536,227,717	378	
399	**Banco Atlantico, Barcelona**	Spain	6,461,538,380tu	0.009130	SP707,726,000,000	5,071,607,710st	472	+73
400	**Security Pacific Bank Washington NA, Seattle**	United States	6,439,119,000	......	....	5,686,248,000	433	+33

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total deposits** are funds due depositors, banks (including central banks), and national, state, and local governments. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(†)**— Rank based on revised asset total for 1988. **(‡)**— Restated to reflect changes in consolidation in 1989. **(1)**— Excludes $5.6 billion in "loans from third parties" which bank classified as time deposits.

Compiled by American Banker, Copyright 1990.

WORLD BANKING

The Top 500 Banks in the World

U.S. and overseas banks ranked by deposits on Dec. 31, 1989 or nearest fiscal yearend

Rank 12/89			Deposits 12/31/89 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/89 (Nation's Currency)	Deposits 12/31/88 (U.S. Dollars)	Rank 1988	Gain in Rank
401	**Commercial Bank of Greece, Athens**	Greece	6,429,452,251u	0.006300	GD1,020,547,976,294	5,349,791,266u	454	+53
402	**Istituto Bancario Italiano, Milan**	Italy	6,422,677,788t	0.000789	L8,140,276,030,822	5,833,870,044t	421	+19
403	**Tochigi Bank, Ltd., Utsunomiya**	Japan	6,419,867,801	0.006289	Y1,020,809,000,000	6,511,876,100	381	
404	**United Mizrahi Bank Ltd., Tel-Aviv**	Israel	6,418,695,380s	0.530000	IS12,110,746,000	6,559,333,168s	376	
405	**Texas Commerce Bank NA, Houston**	United States	6,416,672,000	......	......	6,453,537,000	387	
406	**Hanshin Bank, Ltd., Kobe**	Japan	6,361,637,950	0.006289	Y1,011,550,000,000	6,486,649,220	384	
407	**Commercial Bank of Kuwait**	Kuwait	6,355,326,120	3.410000	KD1,863,732,000	5,781,022,350	426	+19
408	**Turkiye Cumhuriyeti Ziraat Bankasi, Ankara**	Turkey	6,331,458,148	0.000436	TP14,521,693,000,000	4,614,335,868	507	+99
409	**City Savings Bank, FSB, Somerset, N.J.**	United States	6,305,261,000	......	......	7,365,181,000	352	
410	**BFG Luxembourg**	Luxembourg	6,297,462,389t	0.590000	DM10,673,665,066	6,064,585,552t	408	
411	**Banca d'America e d'Italia, Milan**	Italy	6,291,011,706t	0.000789	L7,973,398,867,263	4,092,106,855t	560	+149
412	**Society National Bank, Cleveland**	United States	6,280,633,000	......	......	4,607,396,000	510	+98
413	**Cassa di Risparmio di Padova e Rovigo, Padova**	Italy	6,264,330,127	0.000789	L7,939,581,910,183	5,440,611,568	449	+36
414	**Credit Suisse (Luxembourg)**	Luxembourg	6,246,019,508t	0.028000	LF223,072,125,296	5,124,615,191v	470	+56
415	**Motherwell District Municipal Bank Ltd.**	United Kingdom	6,231,896,680	1.640000	P3,799,937,000	......	...	
416	**Standard Federal Bank, Troy, Mich.**	United States	6,167,305,000	......	......	5,272,603,000	458	+42
417	**Kyushu Bank, Ltd., Sasebo**	Japan	6,142,397,121	0.006289	Y976,689,000,000	6,671,105,764	374	
418	**First National Bank, Atlanta**	United States	6,139,163,000	......	......	6,017,771,000	413	
419	**State Street Bank & Trust Co., Boston**	United States	6,137,917,000	......	......	5,390,469,000	452	+33
420	**Fleet National Bank, Providence, R.I.**	United States	6,111,457,000	......	......	5,539,747,000	442	+22
421	**Banca della Svizzera Italiana, Lugano**	Switzerland	6,109,843,608s	0.648000	SF9,428,771,000	5,373,219,285s	453	+32
422	**First Interstate Bank of Arizona NA, Phoenix**	United States	6,105,115,000	......	......	5,818,569,000	423	+1
423	**West LB International, Luxembourg**	Luxembourg	6,077,232,362t	0.590000	LF10,300,393,834	5,279,120,000t	457	+34
424	**Bank of Communications, Taipei**	Taiwan	6,058,824,256	0.038380	T$157,864,102,542	6,093,106,080	402	
425	**Florida National Bank, Jacksonville**	United States	6,055,322,000	......	......	6,066,205,000	407	
426	**Bank of Kansai, Ltd., Osaka**	Japan	5,977,348,605	0.006289	Y950,445,000,000	6,073,491,488	406	
427	**Biwako Bank, Ltd., Otsu**	Japan	5,939,375,623	0.006289	Y944,407,000,000	6,338,607,798	391	
428	**Gulf Bank, Kuwait**	Kuwait	5,930,849,320	3.410000	KD1,739,252,000	6,026,645,327	411	
429	**CenTrust Bank, SSB, Miami**	United States	5,922,475,000	......	......	6,297,378,000	393	
430	**Clydesdale Bank Plc, Glasgow**	United Kingdom	5,883,076,868t	1.619000	P3,633,772,000	N.A.	...	
431	**First Interstate Bank of Texas NA, Houston**	United States	5,881,038,000	......	......	6,073,573,000	405	
432	**Farmers Bank of China, Taipei**	Taiwan	5,876,285,493	0.039000	T$150,673,987,000	4,056,040,633	565	+133
433	**Yorkshire Bank Plc, Leeds**	United Kingdom	5,875,331,140st	1.610000	P3,649,274,000	5,119,010,288	471	+38
434	**Bank of Tokyo Trust Co., New York**	United States	5,805,020,000t	......	......	5,497,629,000v	445	+11
435	**National Bank of Egypt, Cairo**	Egypt	5,795,404,000u	0.386000	EP15,014,000,000	5,283,792,000u	456	+21
436	**AmSouth Bank NA, Birmingham, Ala.**	United States	5,787,896,000	......	......	5,692,601,000	432	
437	**Shinhan Bank, Seoul**	Korea	5,721,804,417	0.001470	KW3,892,383,957,000	2,751,856,009	751	+314
438	**Bank of Okinawa, Ltd., Naha**	Japan	5,712,506,237	0.006289	Y908,333,000,000	6,476,641,056	385	
439	**Riggs National Bank, Washington, D.C.**	United States	5,702,593,000	......	......	5,253,756,000	460	+21
440	**Provident National Bank, Philadelphia**	United States	5,692,972,000	......	......	6,432,758,000	389	
441	**Gibraltar Savings, FA, Simi Valley, Calif.**	United States	5,686,358,000	......	......	7,573,847,000	347	
442	**Banco Pastor, Coruna**	Spain	5,678,467,410	0.009130	SP621,957,000,000	4,652,550,000	504	+62
443	**Banque Commerciale pour l'Europe du Nord, Paris**	France	5,678,415,326t	0.173000	FF32,823,209,975	6,161,666,882t	398	
444	**Norwest Bank Minnesota NA, Minneapolis**	United States	5,654,443,000	......	......	5,540,745,000	441	
445	**AN-HYP N.V., Antwerp**	Belgium	5,641,160,378u	0.028100	BF200,753,038,374	4,610,800,193	508	+63
446	**Banque Sudameris, Paris**	France	5,627,670,105s	0.173000	FF32,529,885,000	4,617,125,123s	505	+59
447	**Banco Espirito Santo e Comercial, Lisbon**	Portugal	5,610,731,313	0.006680	PE839,929,837,298	5,140,156,500	468	+21
448	**Hibernia National Bank, New Orleans, La.**	United States	5,604,612,000	......	......	4,733,616,000	497	+49
449	**N.M. Rothschild & Sons Ltd., London**	United Kingdom	5,578,073,935s	1.687000	P3,306,505,000	6,449,552,769	388	
450	**Peoples Bank, Bridgeport, Conn.**	United States	5,576,065,000	......	......	5,065,375,000	474	+24
451	**Cassa di Risparmio di Genova e Imperia, Genoa**	Italy	5,573,890,500	0.000789	L7,064,500,000,000	5,064,463,134u	475	+24
452	**Union Bank of Norway, Oslo**	Norway	5,568,964,560s	0.151000	NK36,880,560,000	5,984,557,224	417	
453	**Sanwa Bank California, San Francisco**	United States	5,564,162,000t	......	......	5,137,163,000t	469	+16
454	**Ulster Bank Ltd., Belfast**	United Kingdom	5,556,037,550st	1.610000	P3,450,955,000	4,006,000,064st	573	+119
455	**National City Bank, Cleveland**	United States	5,528,397,000	......	......	5,512,392,000	443	
456	**Caja de Ahorros y Monte de Piedad de Zaragoza**	Spain	5,518,108,090	0.009130	SP604,393,000,000	4,780,201,860	493	+37
457	**Mie Bank, Ltd., Yokkaichi**	Japan	5,516,679,355	0.006289	Y877,195,000,000	6,083,822,100	428	
458	**Saudi American Bank, Riyadh**	Saudi Arabia	5,515,690,614s	0.266000	SAR20,735,679,000	5,829,088,460	422	
459	**Greenwood Trust Co., New Castle, Del.**	United States	5,493,442,000	......	......	4,291,049,000	534	+75
460	**Shawmut Bank NA, Boston**	United States	5,451,740,000	......	......	5,059,673,000	476	+16
461	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	United States	5,447,691,000	......	......	4,605,646,000	511	+50
462	**Alahli Bank of Kuwait**	Kuwait	5,422,568,854	3.410000	KD1,590,196,145	5,665,179,918	436	
463	**Stadt-Sparkasse Duesseldorf**	Germany	5,407,488,674	0.590000	DM9,165,235,040	4,812,750,652	491	+28
464	**Kanto Bank, Ltd., Tsuchiura**	Japan	5,367,428,807	0.006289	Y853,463,000,000	5,271,149,068	459	
465	**Barnett Bank of South Florida NA, Miami**	United States	5,337,370,130	......	......	4,865,028,000	487	+22
466	**Barclays Bank, Madrid**	Spain	5,330,413,550t	0.009130	SP583,835,000,000	2,468,109,420t	810	+344
467	**Hill, Samuel Bank, Ltd., London**	United Kingdom	5,309,996,000t	1.613000	P3,292,000,000	4,445,760,000t	519†	+52
468	**Bank of California NA, San Francisco**	United States	5,307,898,000t	......	......	4,868,600,000v	486	+18
469	**Banque Misr, Cairo**	Egypt	5,296,255,820u	0.386000	EP13,720,870,000	4,519,122,624	514	+45
470	**Niigata Chuo Bank, Ltd.**	Japan	5,228,844,403	0.006289	Y831,427,000,000	5,556,903,548	439	
471	**Banco do Estado de Sao Paulo**	Brazil	5,215,896,784s	0.112000	BC46,570,507,000	4,610,203,605	509	+38
472	**National Bank of Dubai Ltd., Dubai**	United Arab Emirates	5,209,692,160	0.272000	UD19,153,280,000	4,992,148,464	480	+8
473	**Northern Trust Co., Chicago**	United States	5,208,610,000	......	......	5,165,804,000	466	
474	**Signet Bank/Virginia, Richmond**	United States	5,204,778,000	......	......	5,040,448,000	477	+3
475	**Societe de Banque Suisse (Luxembourg)**	Luxembourg	5,201,845,364t	0.028000	BF185,780,227,271	4,321,582,852v	529	+54
476	**Samuel Montagu & Co., Ltd., London**	United Kingdom	5,176,843,910st	1.610000	P3,215,431,000	5,316,906,736st	455	
477	**Hambros Bank Ltd., London**	United Kingdom	5,157,800,000u	1.640000	P3,145,000,000	3,822,742,000u	590	+113
478	**Shimizu Bank, Ltd.**	Japan	5,156,231,609	0.006289	Y819,881,000,000	4,830,774,836	489	+11
479	**Taiheiyo Bank, Ltd., Tokyo**	Japan	5,153,621,674	0.006289	Y819,466,000,000	5,794,246,444	424	
480	**Deutsche Bank Berlin**	Germany	5,145,209,460t	0.590000	DM8,720,694,000	4,386,943,308t	523	+43
481	**Credit Foncier Vaudois, Lausanne**	Switzerland	5,144,650,200	0.648000	SF7,939,275,000	4,823,373,178	490	+9
482	**First Interstate Bank of Oregon NA, Portland**	United States	5,132,209,000	......	......	4,835,390,000	488	+6
483	**Thurgauische Kantonalbank, Weinfelden**	Switzerland	5,127,926,195u	0.648000	SF7,913,466,350	4,941,689,480	482	
484	**Caja de Ahorros de Galicia, Coruna**	Spain	5,083,255,320	0.009130	SP556,764,000,000	4,296,477,780	532	+48
485	**Boatmen's National Bank, St. Louis, Mo.**	United States	5,080,552,000	......	......	3,180,418,000	673	+188
486	**National Bank of Abu Dhabi**	United Arab Emirates	5,044,046,336s	0.272000	UD18,544,288,000	6,084,926,688s	404	
487	**Caja de Ahorros de Valencia**	Spain	5,006,472,020	0.009130	SP548,354,000,000	4,404,390,480	522	+35
488	**International Commercial Bank of China, Taipei**	Taiwan	4,983,216,462u	0.038380	T$129,838,886,452	4,615,721,897u	506	+18
489	**Banca San Paolo di Brescia**	Italy	4,976,948,091s	0.000789	L6,307,919,000,000	4,412,491,695s	519	+30
490	**Habib Bank Ltd., Karachi**	Pakistan	4,946,421,000s	0.047000	PR105,243,000,000	5,008,729,416s	479	
491	**Kagawa Bank, Ltd., Takamatsu**	Japan	4,939,682,472	0.006289	Y785,448,000,000	5,459,577,344	448	
492	**First Pennsylvania Bank NA, Philadelphia**	United States	4,933,350,000	......	......	4,756,989,000	495	+3
493	**Banco Pinto & Sotto Mayor, Lisbon**	Portugal	4,926,500,000s	0.006680	PE737,500,000,000	4,536,644,940	513	+20
494	**Banco Popular de Puerto Rico, San Juan**	United States	4,926,304,000	......	......	4,715,833,000	499	+5
495	**Citicorp Savings, FS&LA, San Francisco**	United States	4,906,184,000	......	......	4,677,832,000	501	+6
496	**Osuuspankkien Keskuspankki Oy, Helsinki**	Finland	4,901,008,800s	0.246000	FM19,922,800,000	4,377,864,000s	525	+29
497	**Banco Itau, Sao Paulo**	Brazil	4,877,100,368	0.112000	BC43,545,539,000	4,785,694,197	492	
498	**Atlantic Financial Federal, FA, Bala Cynwyd, Pa.**	United States	4,876,399,000	......	......	4,963,062,000	481	
499	**Kita-Nippon Bank, Ltd., Morioka**	Japan	4,857,434,930	0.006289	Y772,370,000,000	5,674,576,432	435	
500	**Ippa Bank, Antwerp**	Belgium	4,856,361,060s	0.028100	BF172,824,237,000	1,845,847,508v	950	+450

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,200 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Total deposits** are funds due depositors, banks (including central banks), and national, state, and local governments. **Note:** Banks that did not provide current data are **excluded** from the listing. **Date of figures:** Data for most banks are for Dec. 31, 1989 and Dec. 31, 1988. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1989, Sept. 30, 1989, and March 31, 1990; Canadian bank data are for fiscal yearend Oct. 31, 1989; and all Japanese bank data are for fiscal yearend March 31, 1990. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures o parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidat ed for affiliates more than 50% owned. **(v)**— Bank is owned by another bank which does not consolidate subsidiary banks in its data. **(†)**— Rank base on revised asset total for 1988. **(‡)**— Restated to reflect changes in consoli dation in 1989.

Compiled by American Banker, Copyright 1990

BEST AVAILABLE COPY

Banks Ranked After the First 500

With deposits on Dec. 31, 1989

Rank 12/89			12/31/89 Deposits (U.S. Dollars)
501	Oesterreichische Volksbanken, Vienna	Austria	4,848,586,435
502	First City Texas-Houston NA	United States	4,843,074,000
503	Banco Urquijo Union, Madrid	Spain	4,834,764,110
504	Cassa di Risparmio in Bologna	Italy	4,830,219,389
505	DG Bank Luxembourg	Luxembourg	4,814,269,852t
506	Bayerische Vereinsbank International, Luxembourg	Luxembourg	4,813,313,151t
507	Sparkasse in Bremen	Germany	4,808,137,807u
508	Banco del Comercio, Madrid	Spain	4,803,393,430
509	Bank Negara Indonesia 1946, Jakarta	Indonesia	4,771,508,099
510	First Tennessee Bank NA, Memphis	United States	4,764,950,000
511	First National Bank of Maryland, Baltimore	United States	4,759,549,000t
512	MeraBank, FSB, Phoenix, Ariz.	United States	4,746,485,000
513	Bank of East Asia, Ltd., Hong Kong	Hong Kong	4,683,972,864
514	Berliner Commerzbank, Berlin	Germany	4,672,959,768t
515	Rayerische Landesbank International, Luxembourg	Luxembourg	4,671,590,019t
516	South Carolina National Bank, Columbia	United States	4,667,966,000
517	First Alabama Bank, Montgomery	United States	4,656,599,000
518	Howard Savings Bank, Newark, N.J.	United States	4,648,228,000
519	Dai-Ichi Kangyo Bank Nederland, Amsterdam	Netherlands	4,633,055,262t
520	First Florida Bank NA, Tampa	United States	4,631,618,000
521	Bank of Kochi, Ltd.	Japan	4,612,202,802
522	European American Bank, New York	United States	4,607,572,000
523	Hongkong Bank of Canada, Vancouver	Canada	4,593,739,476t
524	Stadtsparkasse Hannover	Germany	4,542,481,407
525	Fokus Bank, Trondheim	Norway	4,492,083,900
526	Banca Popolare di Verona	Italy	4,468,308,195
527	Norddeutsche Landesbank International, Luxembourg	Luxembourg	4,436,298,027t
528	Tokuyo Sogo Bank, Ltd., Sendai	Japan	4,431,122,487
529	Israel Discount Bank of New York	United States	4,404,126,000t
530	Talman Home Federal Savings & Loan Assn., Chicago	United States	4,403,945,000
531	Overseas Union Bank, Ltd., Singapore	Singapore	4,397,928,080s
532	Dollar Dry Dock Bank, White Plains, N.Y.	United States	4,396,064,000
533	Caisse Hypothecaire du Canton de Berne	Switzerland	4,389,747,696
534	Long Island Savings Bank, FSB, Melville, N.Y.	United States	4,388,823,000
535	Siam Commercial Bank Ltd., Bangkok	Thailand	4,379,968,320
536	Franklin Savings Assn., Ottawa, Kan.	United States	4,377,876,000
537	Chevy Chase Savings Bank, FSB, Md.	United States	4,360,201,000
538	Perpetual American Bank, FSB, McLean, Va.	United States	4,353,178,000
539	Gifu Bank, Ltd.	Japan	4,351,428,279
540	First Federal of Michigan, Detroit	United States	4,347,180,000
541	Banque de Neuflize, Schlumberger, Mallet, Paris	France	4,346,020,242
542	Hypobank International, Luxembourg	Luxembourg	4,336,661,013t
543	Bank Dagang Negara, Jakarta	Indonesia	4,333,096,314s
544	Rural & Industries Bank of Western Australia, Perth	Australia	4,327,161,104u
545	Schweizer Verband der Raiffeisenkassen, St. Gallen	Switzerland	4,323,456,000
546	First Hawaiian Bank, Honolulu	United States	4,322,099,000
547	Basellandschaftliche Kantonalbank, Liestal	Switzerland	4,294,292,112
548	Carteret Savings Bank, FA, Morristown, N.J.	United States	4,272,447,000
549	Caja de Ahorros del Mediterraneo, Alicante	Spain	4,262,340,500
550	BancOhio National Bank, Columbus	United States	4,241,084,000
551	American Security Bank NA, Washington, D.C.	United States	4,239,736,000
552	Al Bank Saudi Al Fransi, Jeddah	Saudi Arabia	4,234,454,000
553	Ljubljanska Banka, Ljubljana	Yugoslavia	4,211,600,000s
554	National Westminster Bank NJ, Jersey City	United States	4,209,994,000
555	Burgan Bank, Kuwait	Kuwait	4,194,510,564
556	Western Savings & Loan Assn., Phoenix, Ariz.	United States	4,164,489,000
557	Setouchi Bank, Ltd., Kure	Japan	4,156,903,220
558	Central Fidelity Bank, Richmond	United States	4,142,504,000
559	Taiko Sogo Bank, Ltd., Nagaoka	Japan	4,108,949,595
560	Chase Lincoln First Bank NA, Rochester, N.Y.	United States	4,105,545,000
561	Nanyang Commercial Bank, Ltd., Hong Kong	Hong Kong	4,075,712,256
562	Laurentian Bank of Canada, Montreal	Canada	4,072,744,032
563	Green Point Savings Bank, Brooklyn, New York	United States	4,071,846,000
564	Banque Cantonale des Grisons, Chur	Switzerland	4,069,354,464
565	Norstar Bank of Upstate New York, Albany	United States	4,040,677,000
566	Chemical Bank New Jersey NA, Morristown	United States	4,024,524,000
567	Deutsch-Sudamerikanische Bank, Hamburg	Germany	4,010,330,890t
568	U.S. Bank of Washington NA, Seattle	United States	3,995,400,000
569	Sapporo Bank, Ltd.	Japan	3,993,546,445
570	Citibank (New York State), Perinton	United States	3,958,060,000
571	Bank of Bermuda, Ltd., Hamilton	Bermuda	3,934,616,349s
572	Ibaraki Bank, Ltd., Mito	Japan	3,924,625,294
573	Banque Paribas (Luxembourg)	Luxembourg	3,924,417,609t
574	Barclays Bank, Paris	France	3,910,188,039t
575	Southwest Savings Assn., Dallas	United States	3,901,861,000
576	Bank fuer Oberoesterreich und Salzburg, Linz	Austria	3,891,358,800
577	Kreissparkasse Esslingen-Nuertingen, Esslingen	Germany	3,864,210,194
578	Kokumin Bank, Ltd., Tokyo	Japan	3,862,313,882
579	City National Bank, Beverly Hills, Calif.	United States	3,855,866,000
580	First Bank of Toyama, Ltd.	Japan	3,851,830,119
581	Northeast Savings, FA, Hartford, Conn.	United States	3,847,120,000
582	Banque Hypothecaire du Canton de Geneve, Geneva	Switzerland	3,837,702,888
583	First Federal Savings & Loan Assn., Rochester, N.Y.	United States	3,830,525,000
584	Turkiye Is Bankasi, Ankara	Turkey	3,826,524,016u
585	Co-operative Bank Plc., Manchester	United Kingdom	3,818,181,010
586	Skanska Banken, Malmo	Sweden	3,817,164,456
587	Stadtsparkasse Dortmund	Germany	3,801,387,544
588	Tomato Bank, Ltd., Okayama	Japan	3,787,896,145
589	Higo Family Bank, Ltd., Kumamoto	Japan	3,778,179,067
590	Banca Popolare dell'Emilia, Modena	Italy	3,768,133,026
591	Saudi International Bank, London	United Kingdom	3,759,332,290
592	National Bank of Pakistan, Karachi	Pakistan	3,751,681,987s
593	Premier Bank NA, Baton Rouge, La.	United States	3,749,929,000
594	Kumamoto Bank, Ltd.	Japan	3,749,099,304
595	ANZ Banking Group (New Zealand) Ltd., Wellington	New Zealand	3,739,240,640st
596	Branch Banking Trust Co., Wilson, N.C.	United States	3,731,838,000
597	Societe Nanceienne Varin-Bernier, Nancy	France	3,725,041,709
598	Sunbelt Savings, FSB, Dallas	United States	3,718,284,000
599	Citicorp Savings of Illinois, FS&LA, Chicago	United States	3,713,444,000
600	Landessparkasse zu Oldenburg	Germany	3,707,388,900
601	Fukushima Bank, Ltd.	Japan	3,695,655,382
602	Credito Commerciale, Milan	Italy	3,688,370,649t
603	UJB/Hackensack, N.J.	United States	3,669,538,000
604	Tokushima Bank, Ltd.	Japan	3,667,247,969
605	INB National Bank, Indianapolis	United States	3,667,168,000
606	Trust Company Bank, Atlanta	United States	3,663,669,000
607	Caja de Ahorros Vizcaina, Bilbao	Spain	3,661,002,180
608	Hanwa Bank, Ltd., Wakayama	Japan	3,657,380,528
609	Union Bank of India, Bombay	India	3,654,621,899u
610	Banco Totta & Acores, Lisbon	Portugal	3,650,538,037
611	Credito Varesino, Varese	Italy	3,647,114,275v
612	Team Bank NA, Fort Worth, Tex.	United States	3,639,776,000
613	Banco San Geminiano e San Prospero, Modena	Italy	3,635,493,389
614	Transohio Savings Bank, Cleveland	United States	3,633,227,000
615	Basler Kantonalbank, Basle	Switzerland	3,632,799,456
616	Bank in Liechtenstein, Vaduz	Liechtenstein	3,631,943,962u
617	Security Pacific Bank Arizona, Phoenix	United States	3,619,887,000
618	Saikyo Bank Ltd., Tokuyama	Japan	3,596,786,013
619	Kreissparkasse Ludwigsburg	Germany	3,586,846,452
620	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	United States	3,577,783,000
621	Western Federal S&L Assn., Marina del Rey, Calif.	United States	3,562,843,000
622	American National Bank & Trust Co., Chicago	United States	3,554,562,000
623	National Community Bank, Rutherford, N.J.	United States	3,550,851,000
624	First International Bank of Israel, Ltd., Tel-Aviv	Israel	3,548,573,660s
625	Minami-Nippon Bank, Ltd., Kagoshima	Japan	3,545,147,034
626	Pierson, Heldring & Pierson, Amsterdam	Netherlands	3,541,043,184st
627	Moscow Narodny Bank Ltd., London	United Kingdom	3,538,224,550
628	BayBank Middlesex, Burlington, Mass.	United States	3,533,341,000
629	Banque du Luxembourg	Luxembourg	3,526,735,492t
630	Mellon Bank (East) NA, Philadelphia	United States	3,502,200,000
631	Liechtensteinische Landesbank, Vaduz	Liechtenstein	3,494,097,811
632	Ugo Bank, Ltd., Akita	Japan	3,493,986,019
633	Apple Bank For Savings, New York	United States	3,484,459,000
634	Arab National Bank, Riyadh	Saudi Arabia	3,483,646,656s
635	Washington Mutual Savings Bank, Seattle	United States	3,479,335,000
636	Continental Bank, Norristown, Pa.	United States	3,477,584,000
637	Stadtsparkasse Nuernberg	Germany	3,476,933,130
638	FarWest Savings & Loan Assn., Newport Beach, Calif.	United States	3,468,330,000
639	Equitable Bank NA, Baltimore	United States	3,456,719,000
640	Household Bank, FSB, Newport Beach, Calif.	United States	3,454,676,000
641	American Savings Bank, FSB, White Plains, N.Y.	United States	3,451,664,000
642	Sun Bank NA, Orlando, Fla.	United States	3,447,737,000
643	Sparkasse Saarbruecken	Germany	3,444,902,385
644	Banca del Gottardo, Lugano	Switzerland	3,437,899,948tu
645	Banque Nationale de Paris (Luxembourg)	Luxembourg	3,429,236,072t
646	Aargauische Kantonalbank, Aarau	Switzerland	3,400,350,840
647	TDB American Express Bank, Geneva	Switzerland	3,400,000,272t
648	Columbia Savings, FS&LA, Englewood, Colo.	United States	3,389,404,000
649	Cooperative Central Bank Co. Ltd., Basle	Switzerland	3,388,350,954
650	Allied Bank Ltd., Johannesburg	South Africa	3,381,388,400s
651	Sumitomo Bank of California, San Francisco	United States	3,378,390,000t
652	Bank of Kuwait and the Middle East	Kuwait	3,363,334,150
653	Societe Marseillaise de Credit, Marseille	France	3,362,237,181s
654	American Savings & Loan Assn. of Florida, Miami	United States	3,357,691,000
655	National Bank of New Zealand, Ltd., Wellington	New Zealand	3,356,100,000st
656	Caja de Ahorros y Monte de Piedad Municipal de Bilbao	Spain	3,353,832,460
657	Shonai Bank, Ltd., Tsuruoka	Japan	3,352,169,069
658	Ionian and Popular Bank of Greece, Athens	Greece	3,350,951,100v
659	Pusan Bank	Korea	3,349,686,101
660	Banca del Friuli, Udine	Italy	3,342,868,171
661	Banca Popolare Veneta, Padova	Italy	3,341,064,708
662	Stadtsparkasse Duisburg	Germany	3,334,107,226
663	Sovran Bank/Maryland, Bethesda	United States	3,331,760,000
664	Norstar Bank NA, Buffalo, N.Y.	United States	3,329,666,000
665	Fidelity Federal Bank, FSB, Glendale, Calif.	United States	3,327,214,000
666	Sovran Bank/Central South, Nashville, Tenn.	United States	3,323,192,000
667	TCF Bank Savings, FSB, Minneapolis	United States	3,322,514,000
668	Banco Borges & Irmao, Oporto	Portugal	3,305,085,001
669	BNP Espana, Madrid	Spain	3,283,412,770t
670	Zuger Kantonalbank, Zug	Switzerland	3,272,450,544
671	Emigrant Savings Bank, New York	United States	3,269,328,640
672	Allahabad Bank, Calcutta	India	3,267,367,696
673	Banco Nacional Ultramarino, Lisbon	Portugal	3,265,057,080tu
674	Bank One Columbus NA, Ohio	United States	3,262,049,000
675	United Bank of Kuwait Ltd., London	United Kingdom	3,257,231,250
676	Deutsche Girozentrale International, Luxembourg	Luxembourg	3,250,178,824v
677	First Union National Bank, Atlanta	United States	3,246,746,000
678	First-Citizens Bank & Trust Co., Raleigh, N.C.	United States	3,239,040,000
679	Credito Bergamasco, Bergamo	Italy	3,238,453,656s
680	Chase Manhattan Bank (USA) NA, Wilmington, Del.	United States	3,213,865,000
681	Benjamin Franklin Federal S&L Assn., Portland, Ore.	United States	3,213,813,000
682	Banque Scalbert DuPont, Lille	France	3,207,535,467
683	Caisse d'Epargne de la Republique et Canton de Geneva	Switzerland	3,204,035,352
684	Industrial Bank of Japan Trust Co., New York	United States	3,199,148,000t
685	Downey Savings & Loan Assn., Newport Beach, Calif.	United States	3,192,465,000
686	Kreissparkasse Boeblingen	Germany	3,188,325,593
687	Citizens & Southern National Bank, Charleston, S.C.	United States	3,184,061,000
688	AmeriFirst Bank, FSB, Miami	United States	3,183,573,000
689	Midlantic National Bank/North, West Paterson, N.J.	United States	3,181,582,000
690	Banco Zaragozano	Spain	3,180,663,750
691	Pacific First Federal Savings Bank, Tacoma, Wash.	United States	3,177,204,000
692	Shokusan Bank, Ltd., Yamagata	Japan	3,170,649,662
693	Banca Agricola Mantovana, Mantova	Italy	3,159,748,177u
694	Cassa di Risparmio di Piacenza	Italy	3,158,529,534
695	Central Bank of Kuwait	Kuwait	3,152,204,000
696	Banca Serfin, Mexico City	Mexico	3,146,901,088s
697	Dominion Bank NA, Roanoke, Va.	United States	3,145,300,000
698	Oesterreichische Credit-Institut, Vienna	Austria	3,139,864,413t
699	First American Bank of Virginia, McLean	United States	3,136,873,000
700	First Interstate Bank of Washington NA, Seattle	United States	3,117,392,000

Banks Ranked After the First 500

With deposits on Dec. 31, 1989

Rank 12/89			12/31/89 Deposits (U.S. Dollars)
701	**TSB Scotland, Plc., Edinburgh**	United Kingdom	3,113,693,262t
702	**Lloyds Bank Canada, Toronto**	Canada	3,107,659,548
703	**First Interstate Bank of Nevada NA, Reno**	United States	3,106,743,000
704	**Nagano Bank, Ltd., Matsumoto**	Japan	3,097,414,257
705	**Caja de Ahorros Provincial de Guipuzcoa, San Sebastian**	Spain	3,096,384,720
706	**Bank One Indianapolis NA**	United States	3,091,449,000
707	**Mercantile Bank NA, Clayton, Mo.**	United States	3,066,659,000
708	**Citibank Espana, Madrid**	Spain	3,058,650,430t
709	**Bank Leumi Trust Co., New York**	United States	3,056,650,000t
710	**Banque de l'Etat de Fribourg**	Switzerland	3,048,001,630
711	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	United States	3,023,335,000
712	**Banco de Madrid**	Spain	3,023,254,274t
713	**Sparkasse Bonn**	Germany	3,010,886,879u
714	**First National Bank, Louisville, Ky.**	United States	3,008,809,000
715	**Citizens Federal Bank, FSB, Miami**	United States	2,989,776,000
716	**United Bank, Ltd., Karachi**	Pakistan	2,985,279,823u
717	**Daito Bank, Ltd., Koriyama**	Japan	2,980,721,862
718	**Cassa di Risparmio di Parma**	Italy	2,976,980,634s
719	**Fifth Third Bank, Cincinnati**	United States	2,966,153,000
720	**Stadtsparkasse Wuppertal, Wuppertal**	Germany	2,958,354,424
721	**Ishikawa Bank, Ltd., Kanazawa**	Japan	2,953,182,331
722	**Yamagata Shiawase Bank, Ltd.**	Japan	2,953,037,684
723	**Kantonalbank Schwyz**	Switzerland	2,950,538,400
724	**Sparkasse Krefeld**	Germany	2,950,270,220
725	**Discount Bank & Trust Co., Geneva**	Switzerland	2,949,925,332s
726	**Chubu Bank, Ltd., Shizuoka**	Japan	2,945,937,403
727	**Deposit Guaranty National Bank, Jackson, Miss.**	United States	2,945,751,000
728	**Saudi British Bank, Riyadh**	Saudi Arabia	2,943,238,130
729	**Bank of Ayudhya, Ltd., Bangkok**	Thailand	2,941,695,220
730	**Sparkasse Bielefeld**	Germany	2,940,425,556
731	**Solothurner Kantonalbank, Solothurn**	Switzerland	2,936,590,848
732	**Central Bank of the South, Birmingham, Ala.**	United States	2,933,514,000
733	**Deutsche Verkehrs-Kredit Bank, Frankfurt**	Germany	2,928,075,618
734	**American Express Centurion Bank, Newark**	United States	2,918,559,000
735	**Sparkasse Bochum**	Germany	2,918,310,177
736	**Trinkaus & Burkhardt, Duesseldorf**	Germany	2,913,718,085
737	**Lincoln Savings & Loan Assn., FA, Los Angeles**	United States	2,907,620,000
738	**San Jacinto Savings Assn., Houston**	United States	2,905,465,000
739	**Tajima Bank, Ltd., Toyooka**	Japan	2,899,279,312
740	**Tottori Bank, Ltd.**	Japan	2,895,600,247
741	**Credit General S.A. de Banque, Brussels**	Belgium	2,890,056,900t
742	**Banque San Paolo, Paris**	France	2,885,502,398t
743	**Monte de Piedad y Caja de Ahorros de Ronda**	Spain	2,882,925,320
744	**Bank South NA, Atlanta**	United States	2,876,322,000
745	**Hudson City Savings Bank, Paramus, N.J.**	United States	2,870,671,981
746	**Credit Populaire du Marocco, Casablanca**	Morocco	2,868,464,000
747	**STS-Bank Ltd., Helsinki**	Finland	2,855,287,560
748	**British Bank of the Middle East, Hong Kong**	Hong Kong	2,848,647,060st
749	**Union Trust Co., Stamford, Conn.**	United States	2,848,483,000
750	**Banca di Roma International SA, Luxembourg**	Luxembourg	2,843,077,364t
751	**Sparkasse Pforzheim**	Germany	2,842,915,000
752	**Cassa di Risparmio di Venezia, Venice**	Italy	2,836,662,507
753	**Society for Savings, Hartford, Conn.**	United States	2,831,844,000
754	**Home Savings Assn. of Kansas City, FA, Mo.**	United States	2,827,758,000
755	**Home Owners Federal Savings & Loan Assn., Boston**	United States	2,822,396,000
756	**Manhattan Savings Bank, New York**	United States	2,808,207,000
757	**Banque Cantonale du Valais, Sion**	Switzerland	2,807,155,440
758	**Uniao de Bancos Portugueses, Oporto**	Portugal	2,796,561,312
759	**Bank of Oman Ltd., Dubai**	United Arab Emirate	2,766,784,000s
760	**Fuso Bank, Ltd., Tottori**	Japan	2,760,443,348
761	**Georgia Federal Bank, FSB, Atlanta**	United States	2,755,412,000
762	**Stadtsparkasse Muenster (Westf)**	Germany	2,753,401,676
763	**Banca Popolare Commercio e Industria, Milan**	Italy	2,751,275,471
764	**Citizens First National Bank, Ridgewood, N.J.**	United States	2,743,388,000
765	**Guaranty Federal Savings Bank, Dallas**	United States	2,742,963,000
766	**Capitol Federal Savings & Loan Assn., Topeka, Kan.**	United States	2,739,938,000
767	**Kreissparkasse Goeppingen**	Germany	2,735,562,770
768	**Shanghai Commercial Bank, Ltd., Hong Kong**	Hong Kong	2,726,333,696
769	**Ostgota Enskilda Bank, Linkoping**	Sweden	2,712,753,400
770	**Bright Banc Savings Assn., Dallas**	United States	2,707,743,000
771	**Barclays Bank of New York NA**	United States	2,703,620,000t
772	**Central Trust Co. NA, Cincinnati**	United States	2,703,551,000
773	**Banque Paribas Nederland, Amsterdam (q)**	Netherlands	2,690,530,400t
774	**Banque Bruxelles Lambert France, Paris**	France	2,689,313,631
775	**Commercial Federal Savings & Loan Assn., Omaha, Neb.**	United States	2,680,267,550
776	**Society Bank & Trust, Toledo**	United States	2,674,870,000
777	**Bank of Baltimore**	United States	2,665,597,000
778	**Mercantile Credit Co. Ltd., Hampshire**	United Kingdom	2,650,543,000t
779	**Credit Industriel de l'Ouest, Nantes**	France	2,646,010,532t
780	**Florida Federal Savings Bank, St. Petersburg**	United States	2,643,220,000
781	**Banco de Ponce, P.R.**	United States	2,637,914,000
782	**Citibank (South Dakota) NA, Sioux Falls**	United States	2,630,307,000
783	**Stadtsparkasse Augsburg**	Germany	2,626,999,156
784	**Banca del Monte di Bologna e Ravenna, Bologna**	Italy	2,625,384,178
785	**Sears Savings Bank, Glendale, Calif.**	United States	2,624,691,000
786	**Qatar National Bank, Doha**	Qatar	2,613,412,000
787	**Wilmington Trust Co., Del.**	United States	2,613,380,000
788	**Rochester Community Savings Bank, N.Y.**	United States	2,612,964,000
789	**San Francisco Federal Savings & Loan Assn.**	United States	2,603,975,000
790	**United Overseas Bank, Geneva**	Switzerland	2,596,590,489s
791	**Homestead Savings, FS&LA, Millbrae, Calif.**	United States	2,593,236,000
792	**First Wisconsin National Bank, Milwaukee**	United States	2,576,607,000
793	**Bank of N.T. Butterfield & Son, Ltd., Hamilton**	Bermuda	2,573,180,625s
794	**Trustmark National Bank, Jackson, Miss.**	United States	2,571,454,000
795	**Williamsburgh Savings Bank, Brooklyn, New York**	United States	2,569,642,000
796	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	United States	2,568,095,000
797	**Banque Nationale de Paris Plc, London**	United Kingdom	2,566,478,460t
798	**Signet Bank/Maryland, Baltimore**	United States	2,565,857,000
799	**St. Paul Federal Bank for Savings, Chicago**	United States	2,560,900,000
800	**Caisse Epargne Bordeaux et de Gironde, Bordeaux**	France	2,549,987,476
801	**Equibank, Pittsburgh**	United States	2,530,316,000
802	**Imperial Bank, Los Angeles**	United States	2,512,238,000
803	**Citicorp Investment Bank (Luxembourg)**	Luxembourg	2,509,486,460t
804	**First Security Bank of Utah NA, Salt Lake City**	United States	2,504,707,000
805	**Sendai Bank, Ltd.**	Japan	2,500,808,272
806	**Farm & Home Savings Assn., Nevada, Mo.**	United States	2,489,071,000
807	**United Savings Assn. of Texas, FSB, Houston**	United States	2,484,633,000
808	**Old Stone Bank, FSB, Providence, R.I.**	United States	2,482,619,000
809	**Copenhagen Handelsbank International**	Luxembourg	2,472,677,879t
810	**Banco Guipuzcoano, San Sebastian**	Spain	2,429,045,630
811	**Hypotheek-en Spaarmaatschappij van Antwerpen, Antwerp**	Belgium	2,421,489,400t
812	**Bank of Naniwa, Ltd., Osaka**	Japan	2,418,862,602
813	**Rhode Island Hospital Trust National Bank, Providence**	United States	2,417,841,000
814	**Fuji Bank & Trust Co., New York**	United States	2,414,405,000t
815	**Star Bank NA, Cincinnati**	United States	2,410,707,000
816	**West One Bank, NA, Boise**	United States	2,407,595,000
817	**Astoria Federal Savings & Loan Assn., Queens, New York**	United States	2,406,531,549
818	**Citibank Canada, Toronto**	Canada	2,406,421,176st
819	**Daegu Bank, Ltd., Taegu**	Korea	2,405,825,520
820	**Albank Alsaudi Alhollandi, Jeddah**	Saudi Arabia	2,404,009,846
821	**Citytrust, Bridgeport, Conn.**	United States	2,400,921,000
822	**First of America Bank-Southeast Michigan NA, Detroit**	United States	2,392,939,000
823	**Stadtsparkasse Aachen**	Germany	2,392,544,281
824	**First Federal Savings & Loan Assn., Pittsburgh**	United States	2,389,187,000
825	**NCNB National Bank of South Carolina, Columbia**	United States	2,383,450,000
826	**SouthTrust Bank of Alabama NA, Birmingham**	United States	2,383,206,000
827	**Community Federal Savings & Loan Assn., St. Louis, Mo.**	United States	2,373,935,000
828	**Third Federal Savings & Loan Assn., Cleveland**	United States	2,368,876,000
829	**Valley Bank of Nevada, Las Vegas**	United States	2,367,526,000
830	**Valley Federal Savings & Loan Assn., Van Nuys, Calif.**	United States	2,361,607,000
831	**Puget Sound National Bank, Tacoma, Wash.**	United States	2,359,113,000
832	**Caja de Ahorros y Monte de Piedad de Salamanca**	Spain	2,358,488,990
833	**Banco de Fomento, Madrid**	Spain	2,345,022,240
834	**Amwest Savings Assn., Bryan, Tex.**	United States	2,344,522,000
835	**Banca dello Stato del Cantone Ticino, Bellinzona**	Switzerland	2,342,985,184
836	**Landesbank Saar-Girozentrale, Saarbrucken**	Germany	2,342,774,950u
837	**Banca Popolare Dell'Etruria del Lazio SCaRL, Arezzo**	Italy	2,339,823,653
838	**Norstar Bank, Melville, N.Y.**	United States	2,331,419,000
839	**Unibank, Plc., London**	United Kingdom	2,327,807,230
840	**Morgan Bank (Delaware), Wilmington**	United States	2,323,283,000
841	**Citibank (Arizona), Phoenix**	United States	2,315,606,000
842	**First Minnesota Savings Bank, FSB, St. Paul**	United States	2,303,802,000
843	**Banca Agricola Milanese, Milan**	Italy	2,301,373,294t
844	**Bank of Boston Connecticut, Waterbury**	United States	2,297,777,000
845	**Caja de Ahorros de Asturias, Oviedo**	Spain	2,296,240,650
846	**Kyoto Kyoei Bank, Ltd.**	Japan	2,295,793,161
847	**Akita Akebono Bank, Ltd.**	Japan	2,295,585,624
848	**Hamilton Bank, Lancaster, Pa.**	United States	2,290,285,000
849	**Caja de Ahorros del Penedes, Villafranca del Penedes**	Spain	2,285,914,620
850	**Frost National Bank, San Antonio, Tex.**	United States	2,283,030,000
851	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	United States	2,283,011,000
852	**First National Bank of Commerce, New Orleans, La.**	United States	2,277,171,000
853	**First American National Bank, Nashville**	United States	2,269,813,000
854	**Toho Sogo Bank, Ltd., Matsuyama**	Japan	2,266,807,160
855	**Citibank AG, Frankfurt**	Germany	2,265,151,465tu
856	**Lincoln Savings Bank, FSB, New York**	United States	2,264,983,000
857	**Greater New York Savings Bank, New York**	United States	2,259,862,000
858	**Oak Tree Savings Bank, SSB, New Orleans, La.**	United States	2,256,907,000
859	**Fortune Savings Bank, Clearwater, Fla.**	United States	2,251,711,000
860	**Bank Julius Baer & Co., Ltd., Zurich**	Switzerland	2,248,828,920
861	**Whitney National Bank, New Orleans, La.**	United States	2,248,016,000
862	**Seamen's Bank for Savings FSB, New York**	United States	2,245,416,000
863	**Banco Herrero, Ovideo**	Spain	2,242,127,140
864	**Stadt-und Kreissparkassen Erlangen**	Germany	2,242,000,000u
865	**Key Bank NA, Albany, N.Y.**	United States	2,237,541,000
866	**Boatmen's First National Bank, Kansas City, Mo.**	United States	2,232,669,000
867	**Bank Western, FSB, Denver**	United States	2,231,557,000
868	**Abu Dhabi Commercial Bank**	United Arab Emirate	2,231,488,000
869	**Kreissparkasse Herford**	Germany	2,230,276,910
870	**Landes-Hypothekenbank Tirol, Innsbruck**	Austria	2,230,219,010
871	**Wakayama Bank, Ltd.**	Japan	2,224,708,594
872	**Northern Bank Ltd., Belfast**	United Kingdom	2,215,941,490st
873	**Sparkasse Karlsruhe**	Germany	2,215,261,782
874	**Exchange National Bank, Chicago**	United States	2,203,684,000
875	**Tohuku Bank, Ltd., Morioka**	Japan	2,190,609,636
876	**Banca Popolare di Sondrio**	Italy	2,186,347,484
877	**Sal. Oppenheim jr. & Cie., Cologne**	Germany	2,184,037,116
878	**First Fidelity Bank NA/North Jersey, Totowa, N.J.**	United States	2,158,066,000
879	**Guardian Savings & Loan Assn., Houston**	United States	2,154,446,000
880	**Akbank Turk, Istanbul**	Turkey	2,153,527,288
881	**Champion Federal Savings & Loan Assn., Bloomington, Ill.**	United States	2,148,635,140
882	**Yapi ve Kredi Bankasi, Istanbul**	Turkey	2,144,460,350
883	**PKbanken International (Luxembourg)**	Luxembourg	2,143,960,436t
884	**First City Texas-Dallas NA**	United States	2,140,872,000
885	**Pima Savings & Loan Assn., Tucson, Ariz.**	United States	2,128,117,000
886	**Barclays de Zoete Wedd Ltd., London**	United Kingdom	2,127,718,040st
887	**Banco de Andalucia, Sevilla**	Spain	2,126,020,930
888	**Caja de Ahorros de Navarra, Pamplona**	Spain	2,124,222,320
889	**Banco Comercial Transatlantico, Barcelona**	Spain	2,121,985,470tu
890	**New Jersey National Bank, Pennington**	United States	2,121,265,000
891	**Caja General de Ahorros y Monte de Piedad de Granada**	Spain	2,104,528,910
892	**Caja de Ahorros y Monte de Piedad Municipal de Vigo**	Spain	2,098,859,180
893	**Merchants National Bank & Trust Co., Indianapolis**	United States	2,096,313,000
894	**Southern National Bank, Lumberton, N.C.**	United States	2,090,430,000
895	**Christiana Bank Luxembourg**	Luxembourg	2,086,520,800t
896	**HonFed Bank, FSB, Honolulu**	United States	2,081,110,000
897	**Sacramento Savings & Loan Assn., Calif.**	United States	2,074,869,000
898	**Barnett Bank of Central Florida NA, Orlando**	United States	2,068,002,000
899	**Barnett Bank of Pinellas Cty., St. Petersburg, Fla.**	United States	2,065,123,000
900	**Liberty National Bank & Trust Co., Louisville, Ky.**	United States	2,060,445,000

Banks Ranked After the First 500

With deposits on Dec. 31, 1989

Rank 12/89			12/31/89 Deposits (U.S. Dollars)
901	River Bank America, New York	United States	2,059,645,000
902	Credito Emiliano, Reggio Emilia	Italy	2,058,135,293
903	Dollar Bank, FSB, Pittsburgh	United States	2,055,604,000
904	Coral Gables Federal Savings & Loan Assn., Fla.	United States	2,053,107,331
905	F. van Lanschot, Bankiers, 's-Hertogenbosch	Netherlands	2,051,010,408
906	Multibanco Comermex, Chihuahua	Mexico	2,047,752,120
907	Danske Bank International, Luxembourg	Luxembourg	2,047,518,751t
908	Banco de Valencia	Spain	2,046,334,290
909	Handelsbank N.W./Zurich	Switzerland	2,038,448,592st
910	Union Planters National Bank, Memphis	United States	2,035,930,000
911	M.M. Warburg-Brinckmann, Wirtz & Co., Hamburg	Germany	2,028,656,000s
912	United Carolina Bank, Whiteville, N.C.	United States	2,027,757,000
913	Bank Winter & Co., Vienna	Austria	2,026,004,502
914	Midwest Savings Assn., FA, Minneapolis	United States	2,017,683,000
915	First Financial Bank, FSB, Stevens Point, Wis.	United States	2,014,500,000
916	Citizens Federal Savings & Loan Assn., Dayton, Ohio	United States	2,009,469,000
917	Banco Economico, Salvador	Brazil	2,007,657,232
918	Bank One Milwaukee NA, Wis.	United States	1,999,796,000
919	Union National Bank, Pittsburgh	United States	1,999,075,000
920	Third National Bank, Nashville, Tenn.	United States	1,993,183,000
921	First Eastern Bank NA, Wilkes-Barre, Pa.	United States	1,989,748,000
922	Zions First National Bank, Salt Lake City, Utah	United States	1,981,694,000
923	Howa Bank, Ltd., Oita	Japan	1,977,651,518
924	Miyazaki Taiyo Bank, Ltd., Miyazaki	Japan	1,974,236,591
925	Okinawa Kaiho Bank, Ltd., Naha	Japan	1,972,488,249
926	Chikuho Bank, Ltd., Kurume	Japan	1,971,500,876
927	Commerce Bank of St. Louis NA, Clayton, Mo.	United States	1,956,465,000
928	Banco di Chiavari e della Riviera Ligure, Genoa	Italy	1,946,530,644t
929	Key Bank of Central New York, Syracuse	United States	1,944,289,000
930	United States Trust Co., New York	United States	1,941,095,000
931	Bank One Dayton NA, Ohio	United States	1,940,749,000
932	Banco de Santander-Puerto Rico, Hato Rey	United States	1,939,109,000t
933	Sparebanken Vest, Bergen	Norway	1,937,481,000
934	Nordfinanz-Bank Zurich	Switzerland	1,935,511,135tu
935	Cragin Federal Bank for Savings, Chicago	United States	1,922,937,309
936	Great Lakes Bancorp, Ann Arbor, Mich.	United States	1,921,299,000
937	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	United States	1,919,134,000
938	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	United States	1,918,777,000
939	Banca del Monte di Lombardia, Milan	Italy	1,910,942,603
940	Santa Barbara Savings & Loan Assn., Calif.	United States	1,904,548,000
941	National State Bank, Elizabeth, N.J.	United States	1,902,775,000
942	United Bank of Denver NA	United States	1,902,313,000
943	San Antonio Savings Assn., Tex.	United States	1,901,593,000
944	Caja de Ahorros y Monte de Piedad de Baleares, Palma de Mallo	Spain	1,897,907,880
945	Texas Commerce Bank Dallas NA	United States	1,894,148,000
946	Fukuho Bank, Ltd., Fukui	Japan	1,892,548,770
947	Provinsbanken International (Luxembourg)	Luxembourg	1,883,999,509t
948	Wing Lung Bank Ltd., Hong Kong	Hong Kong	1,882,631,424
949	Bank of Maharashtra, Poona	India	1,875,865,000
950	Union Bank of Finland International, Luxembourg	Luxembourg	1,874,378,472t

Rank 12/89			12/31/89 Deposits (U.S. Dollars)
951	Commercial Bank of Ethiopia, Addis Ababa	Ethiopia	1,873,244,869
952	First Virginia Bank, Falls Church	United States	1,871,455,000
953	M & I Marshall & Ilsley Bank, Milwaukee, Wis.	United States	1,863,470,000
954	Bay View Federal Bank, FSB, San Mateo, Calif.	United States	1,855,091,000
955	Banco Nacional, Rio de Janiero	Brazil	1,852,627,952s
956	Caja de Ahorros de Murcia	Spain	1,850,075,810
957	Sun Bank/Miami NA	United States	1,847,080,000
958	Cassa di Risparmio di Lucca	Italy	1,842,061,731
959	Banque Cantonale d'Appenzell, Herisau	Switzerland	1,828,790,136
960	Caisse de Gestion Mobiliere, Paris	France	1,826,775,335t
961	First Fidelity Bank NA, Burlington Twp., N.J.	United States	1,825,687,000
962	Salzburger Sparkasse	Austria	1,821,664,404
963	Kreissparkasse Reutlingen	Germany	1,820,321,690
964	Peoples Heritage Savings Bank, Portland, Me.	United States	1,820,263,000
965	Royal Trust Bank (Switzerland), Zurich	Switzerland	1,818,862,394u
966	First Federal Savings Bank, Cleveland	United States	1,799,578,000
967	Sun Bank/South Florida NA, Fort Lauderdale	United States	1,797,627,000
968	Cassa di Risparmio della Provincia di Bolzano	Italy	1,796,878,918
969	Banco NatWest March, Madrid	Spain	1,795,350,590t
970	Mercury Savings & Loan Assn., Huntington Beach, Calif.	United States	1,792,124,000
971	BHF-Bank International, Luxembourg	Luxembourg	1,791,559,508t
972	Cassa di Risparmi di Prato	Italy	1,791,312,462
973	Uniao de Bancos Brasileiros, Sao Paulo	Brazil	1,790,693,184
974	Cassa di Risparmio di Pistoia e Pescia, Pistoia	Italy	1,788,310,896
975	Bluebonnet Savings Bank, FSB, Dallas	United States	1,785,407,000
976	United Jersey Bank Central NA, Princeton, N.J.	United States	1,780,089,000
977	Caja de Ahorros y Monte de Piedad de Leon	Spain	1,779,217,880
978	Albany Savings Bank, FSB, N.Y.	United States	1,776,275,000
979	First Federal Savings & Loan Assn., Greenville, S.C.	United States	1,769,212,090
980	Hongkong Bank of Australia, Melbourne	Australia	1,767,207,723st
981	Security Savings & Loan Assn., Milwaukee, Wis.	United States	1,760,415,363
982	American Federal Bank, FSB, Dallas	United States	1,757,828,000
983	Arab International Bank, Cairo	Egypt	1,754,610,000
984	Bankers Trust GmbH, Frankfurt	Germany	1,747,904,908t
985	Dena Bank, Bombay	India	1,740,527,069
986	Commercial Bank of Syria, Damascus	Syria	1,732,454,298
987	Leader Federal Bank for Savings, Memphis, Tenn.	United States	1,724,972,000
988	Societe Europeenne de Banque, Luxembourg	Luxembourg	1,722,960,920t
989	Shizuoka Sogo Bank, Ltd., Numazu	Japan	1,722,280,384
990	First National Bank, Akron, Ohio	United States	1,716,105,000
991	Commonwealth Federal Savings Assn., Houston	United States	1,709,148,000
992	United Bank & Trust Co., Hartford	United States	1,708,824,000
993	Trust Company of New Jersey, Jersey City	United States	1,704,052,000
994	First National Bank, Toms River, N.J.	United States	1,703,047,000
995	Philippine National Bank, Manila	Philippines	1,700,822,057
996	Society Bank NA, Dayton, Ohio	United States	1,698,668,000
997	Decatur Federal Savings & Loan Assn., Ga.	United States	1,698,255,000
998	Bank of Oklahoma NA, Tulsa	United States	1,697,079,000
999	Boston Five Cents Savings Bank, FSB	United States	1,695,871,000
1000	Southern California Savings, FS&LA, Beverly Hills	United States	1,688,743,000

Top 1000: Largest Deposit Gains

		Deposits 12/31/89	Deposits 12/31/88	Percent Increase	Deposit Rank
1	Banco Economico, Salvador, Brazil	2,007,657,232	552,416,980	263.4	917
2	Banque Paribas Nederland, Amsterdam	2,690,530,400	790,575,000	240.3	773
3	Ippa Bank, Antwerp, Belgium	4,856,361,060	1,845,847,508	163.1	500
4	Chemical Bk N. Jersey NA, Morristown, USA	4,024,524,000	1,698,163,000	137.0	566
5	Danske Bank, Copenhagen	47,297,269,601	20,275,393,500	133.3	72
6	Team Bank NA, Fort Worth, USA	3,639,776,000	1,591,160,000	128.7	612
7	Barclays Bank, Madrid, Spain	5,330,413,550	2,468,109,420	116.0	466
8	Bank One, Texas, NA, Dallas, USA	8,525,136,000	4,033,803,000	111.3	313
9	Banque Paribas, Luxembourg	3,924,417,609	1,879,680,000	108.8	573
10	Shinhan Bank, Seoul, Korea	5,721,804,417	2,751,856,009	107.9	437
11	Bank of New York, USA	34,411,451,000	16,665,898,000	106.5	105
12	Bank Bumi Daya, Jakarta, Indonesia	7,558,217,466	3,669,656,930	106.0	352
13	Oak Tree Savings Bank, New Orleans, USA	2,256,907,000	1,163,058,000	94.0	858
14	Girozentrale und Bank der O.S., Vienna	20,567,943,643	11,571,347,266	77.7	150
15	Development Bank of Singapore Ltd.	13,602,579,342	7,703,689,194	76.6	209
16	Dai-Ichi Kangyo Bk Nederland, Amsterdam	4,633,055,262	2,624,254,175	76.5	519
17	Banco Santander, Spain	34,789,855,870	20,316,120,300	71.2	101
18	Societe Nanceienne Varin-Bernier, France	3,725,041,709	2,184,200,000	70.5	597
19	Midlantic National Bank, Newark, USA	7,791,480,000	4,658,275,000	67.3	340
20	Nedcor Ltd., South Africa	8,599,000,900	5,251,095,000	63.8	311
21	Deutsche Genossenschaftsbank, Germany	73,936,791,706	45,252,491,087	63.4	49
22	Chang Hwa Commercial Bank, Taiwan	18,655,561,686	11,586,509,820	61.0	164
23	Bank One Milwaukee NA, USA	1,999,796,000	1,246,821,000	60.4	918
24	Boatmen's National Bank, St. Louis, USA	5,080,552,000	3,180,418,000	59.7	485
25	Chase Manhattan Bk (USA) NA, Wilmington	3,213,865,000	2,025,912,000	58.6	680

The Top 1000: Largest Deposit Declines

		Deposits 12/31/89	Deposits 12/31/88	Percent Decline	Deposit Rank
1	Sal. Oppenheim Jr.& Cie, Cologne, Germany	2,184,037,116	6,807,391,931	67.92	877
2	Landesbank S-H Girozentrale, Kiel, Germ.	8,663,378,870	17,276,560,000	49.85	308
3	Boston Safe Deposit & Trust Co., USA	7,782,273,000	15,464,313,000	49.68	341
4	Banca Serfin, Mexico City	3,146,901,088	5,179,327,000	39.24	696
5	Bluebonnet Savings Bank, Dallas, USA	1,785,407,000	2,873,792,000	37.87	975
6	TDB American Express Bank, Switzerland	3,400,000,272	5,231,451,925	35.01	647
7	Sunbelt Savings FSB, Dallas, USA	3,718,284,000	5,712,208,000	34.91	598
8	Lincoln S&L Assn., Los Angeles, USA	2,907,620,000	4,409,061,000	34.05	737
9	Banque Nationale de Paris Plc, London	2,566,478,460	3,727,633,152	31.15	797
10	National Bank of New Zealand, Wellington	3,356,100,000	4,693,598,000	28.50	655
11	Credit Industrial et Commercial, Paris	10,950,670,083	15,143,394,054	27.69	256
12	Arab Bank Ltd., Amman, Jordan	9,230,390,520	12,549,684,000	26.45	290
13	United Svgs. Assn. of Texas, Houston USA	2,484,633,000	3,368,661,000	26.24	807
14	Cassa di Risp. delle Prov. Lombarde, Milan	38,432,190,000	52,103,385,000	26.24	89
15	Fuji Bank & Trust Co., New York, USA	2,414,405,000	3,232,846,000	25.32	814
16	Gibraltar Savings FA, Simi Valley, USA	5,686,358,000	7,573,847,000	24.92	441
17	Sears Savings Bank, Glendale, USA	2,624,691,000	3,440,297,545	23.71	785
18	United States Trust Co., New York, USA	1,941,095,000	2,495,454,000	22.21	930
19	Northeast Savings FA, Hartford, USA	3,847,120,000	4,906,967,000	21.60	581
20	Imperial Savings Assn., San Diego, USA	6,624,900,000	8,329,541,000	20.47	393
21	Commercial Fed. S&L Assn., Omaha, USA	2,680,267,550	3,367,094,000	20.40	775
22	Union Bank of Finland Int'l, Luxembourg	1,874,378,472	2,341,623,649	19.95	950
23	Multibanco Comermex, Chihuahua, Mexico	2,047,752,120	2,544,500,682	19.52	906
24	First Nationwide Bank, San Francisco, USA	11,925,000,000	14,787,467,000	19.36	237
25	Amwest Savings Assn., Bryan, Tex., USA	2,344,522,000	2,896,309,000	19.05	834

WORLD BANKING

Top 500 Banks by Country

Banks outside the U.S. listed geographically in deposit-size order within nations

Rank 12/89		12/31/89 Deposits (U.S. Dollars)
	Australia	
67	Westpac Banking Corp., Sydney	51,993,784,800s
91	Australia & New Zealand Banking Group, Ltd., Melbourne	37,569,186,400s
94	National Australia Bank, Ltd, Melbourne	36,829,115,200s
118	Commonwealth Banking Corp., Sydney	28,088,650,800s
124	Commonwealth Bank of Australia, Sydney	25,883,172,000s
213	State Bank Victoria, Melbourne	13,391,103,600s
219	Commonwealth Savings Bank of Australia, Sydney	12,941,888,400t
245	State Bank of South Australia, Adelaide	11,467,849,896s
349	State Bank of New South Wales, Sydney	7,572,348,504s
	Austria	
115	Creditanstalt-Bankverein, Vienna	28,979,815,200
150	Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	20,567,943,643u
157	Oesterreichische Laenderbank, Vienna	19,386,925,488s
171	Zentralsparkasse und Kommerzialbank, Vienna	17,924,760,000u
191	Bank fuer Arbeit und Wirtschaft, Vienna	15,017,998,048u
218	Oesterreichische Postsparkasse, Vienna	12,974,534,160u
228	Raiffeisen Zentralbank Oesterreich AG, Vienna	12,690,720,000s
273	Erste Oesterreichische Spar-Casse, Vienna	10,006,532,130s
	Bahrain	
162	Arab Banking Corp., Manama	18,695,000,000s
288	Gulf International Bank, Manama	9,268,226,600
	Belgium	
57	Generale Bank, Brussels	63,112,712,400s
76	Banque Bruxelles Lambert, Brussels	44,432,377,108s
80	Kredietbank N.V., Brussels	42,471,897,000s
88	ASLK-CGER Bank, Brussels	38,493,341,324s
199	Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	14,339,977,551
221	C.O.B.-Caisse d'Epargne Privee, Brussels	12,852,077,279s
222	Societe Nationale de Credit a l'Industrie, Brussels	12,845,568,320
318	Banque Paribas Belgique, Brussels (q)	8,384,983,800s
445	AN-HYP N.V., Antwerp	5,641,160,378u
500	Ippa Bank, Antwerp	4,856,361,060s
	Brazil	
95	Banco do Brasil, Brasilia	36,516,887,456u
331	Banco Brasileiro de Descontos, Sao Paulo	7,955,644,480s
471	Banco do Estado de Sao Paulo	5,215,896,784s
497	Banco Itau, Sao Paulo	4,877,100,368
	Canada	
44	Royal Bank of Canada, Montreal	75,986,706,300s
52	Canadian Imperial Bank of Commerce, Toronto	67,199,362,332s
64	Bank of Montreal	56,166,594,516s
68	Bank of Nova Scotia, Toronto	51,907,625,436s
81	Toronto Dominion Bank	41,903,784,792
139	National Bank of Canada, Montreal	22,702,279,536s
	Denmark	
72	Danske Bank, Copenhagen	47,297,269,601s
98	Unibank, Copenhagen	35,806,026,000
355	Sparekassen Bikuben, Copenhagen	7,428,445,000
374	Jyske Bank, Silkeborg	6,986,928,399s
	Egypt	
435	National Bank of Egypt, Cairo	5,795,404,000u
469	Banque Misr, Cairo	5,296,255,820u
	Finland	
132	Union Bank of Finland, Ltd., Helsinki	23,446,604,400s
145	Kansallis-Osake Pankki, Helsinki	21,362,886,000s
203	Postipankki, Helsinki	13,761,018,600s
316	Skopbank, Helsinki	8,441,979,764s
496	Osuuspankkien Keskuspankki Oy, Helsinki	4,901,008,800s
	France	
7	Banque Nationale de Paris	192,525,991,000s
12	Credit Lyonnais, Paris	176,099,987,000s
14	Credit Agricole Mutuel, Paris	169,711,546,800s
21	Societe Generale, Paris	141,977,467,000s
46	Banque Paribas, Paris (q)	74,909,000,000s
69	Groupe Des Banques Populaires, Paris	48,729,746,628
87	Banque Indosuez, Paris	38,692,661,000s
102	Credit Commercial de France, Paris	34,559,789,783s
156	Banque Francaise du Commerce Exterieur, Paris	19,648,594,024s
176	Caisse Centrale des Banques Populaires, Paris	17,180,471,467
224	Societe Generale Alsacienne de Banque, Strasbourg	12,748,860,455st
256	Credit Industriel et Commercial, Paris (h)	10,950,670,083
279	Banque Worms, Paris	9,764,129,342s
321	Banque Regionale d'Escompte et de Depots, Vincennes	8,315,636,153s
339	Lyonnaise de Banque, Lyon	7,820,119,000s
368	Credit Industriel d'Alsace et de Lorraine, Strasbourg	7,081,582,000s
383	Union de Banques Arabes et Francaises, Neuilly (w)	6,813,925,915s
395	CIC-Union Europeenne, International & Cie, Paris	6,531,434,215tu
443	Banque Commerciale pour l'Europe du Nord, Paris	5,678,415,326t
446	Banque Sudameris, Paris	5,627,670,105s
	Germany	
9	Deutsche Bank, Frankfurt	184,378,642,070s
23	Dresdner Bank, Frankfurt	135,670,067,545s
28	Commerzbank, Frankfurt	106,668,460,000s
32	Westdeutsche Landesbank Girozentrale, Duesseldorf	96,532,850,000s
33	Bayerische Vereinsbank, Munich	95,993,000,000s
	Germany (continued)	
38	Bayerische Hypotheken-und Wechsel-Bank, Munich	83,191,003,340s
43	Bayerische Landesbank Girozentrale, Munich	76,595,775,910s
49	Deutsche Genossenschaftsbank, Frankfurt	73,936,791,706s
55	Norddeutsche Landesbank Girozentrale, Hannover	63,657,289,761s
77	Sudwestdeutsche Landesbank, Stuttgart	44,002,790,000s
86	Hessische Landesbank-Girozentrale, Frankfurt	39,789,975,988s
99	Bank fuer Gemeinwirtschaft, Frankfurt	35,644,584,536s
121	Hamburgische Landesbank-Girozentrale, Hamburg	26,730,535,870
128	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	24,711,416,475u
131	Landesbank Rheinland-Pfalz Girozentrale, Mainz	23,777,000,000s
155	Berliner Bank, Berlin	19,734,328,333s
158	Berliner Handels und-Frankfurter Bank, Frankfurt	19,158,957,838s
174	Bremer Landesbank, Bremen	17,688,259,000t
186	Westfalenbank, Bochum	15,362,304,231st
188	Hamburger Sparkasse, Hamburg	15,199,265,385
196	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	14,689,820,000u
205	Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	13,688,927,480
233	Sparkasse der Stadt Berlin West, Berlin	12,258,623,403
240	Vereins-und Westbank, Hamburg	11,644,901,167s
244	Landesgirokasse, Stuttgart	11,505,590,000
262	Genossenschaftliche Zentralbank, Stuttgart	10,686,065,151
278	Frankfurter Sparkasse, Frankfurt	9,778,852,612
308	Landesbank Schleswig-Holstein Girozentrale, Kiel	8,663,378,870s
323	Stadtsparkasse Koeln, Cologne	8,205,442,110
326	Deutsche Siedlungs und Landesrentenbank, Bonn	8,122,023,685
328	Baden-Wuerttembergische Bank, Stuttgart	8,039,426,501s
365	Nassauische Sparkasse Wiesbaden, Wiesbaden	7,156,338,401
370	Dresdner Bank Berlin AG	7,054,299,477tu
375	Stadtsparkasse Munchen, Munich	6,979,131,084
388	Kreissparkasse Koeln, Cologne	6,712,866,789
463	Stadt-Sparkasse Duesseldorf	5,407,488,674
480	Deutsche Bank Berlin	5,145,209,460t
	Greece	
133	National Bank of Greece, Athens	23,385,165,300u
401	Commercial Bank of Greece, Athens	6,429,452,251u
	Hong Kong	
26	Hongkong and Shanghai Banking Corp., Hong Kong	118,504,960,000s
149	Hang Seng Bank Ltd., Hong Kong	20,692,838,400st
	India	
299	Bank of India, Bombay	8,994,917,685
351	Bank of Baroda	7,559,372,000s
	Indonesia	
352	Bank Bumi Daya, Jakarta	7,558,217,466
	Iran	
66	Bank Melli Iran, Tehran	54,327,924,000
106	Bank Saderat Iran, Tehran	33,929,214,345
	Iraq	
85	Rafidain Bank, Baghdad	39,842,170,300
	Ireland	
140	Allied Irish Banks Plc., Dublin	22,530,800,000s
165	Bank of Ireland, Dublin	18,508,594,000s
	Israel	
126	Bank Hapoalim, Tel-Aviv	24,939,824,160s
127	Bank Leumi le-Israel, Tel-Aviv	24,847,600,980s
201	Israel Discount Bank, Ltd., Tel-Aviv	13,918,552,070s
404	United Mizrahi Bank Ltd., Tel-Aviv	6,418,695,380s
	Italy	
36	Banca Nazionale del Lavoro, Rome	84,811,188,000s
39	Istituto Bancario San Paolo di Torino, Turin	79,614,718,017s
41	Banca Commerciale Italiana, Milan	77,865,384,300s
53	Credito Italiano, Milan	65,740,584,600s
61	Monte dei Paschi di Siena	61,004,240,481s
65	Banco di Napoli, Naples	54,904,186,632
71	Banco di Roma, Rome	48,523,421,100s
89	Cassa di Risparmio delle Provincie Lombarde, Milan	38,432,190,000u
112	Banco di Sicilia, Palermo	29,887,222,164s
142	Banca Popolare di Novara	22,490,620,947s
159	Banca Nazionale dell'Agricoltura, Rome	19,122,232,832u
160	Banca Popolare di Milano, Milan	19,097,625,072s
180	Banco di Santo Spirito, Rome	17,050,155,912sv
183	Cassa di Risparmio di Roma, Rome	16,287,764,106u
185	Banco Ambrosiano Veneto, Milan	15,511,214,526s
249	Banca Toscana, Florence	11,310,441,240t
269	Credito Romagnolo, Bologna	10,246,030,213s
301	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	8,962,084,165
312	Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	8,553,077,023u
378	Banca Provinciale Lombarda, Bergamo	6,934,746,863t
384	Banca Popolare di Bergamo	6,808,646,545u
391	Cassa di Risparmio di Firenze, Florence	6,662,516,390
396	Banco Lariano, Como	6,520,776,804t
402	Istituto Bancario Italiano, Milan	6,422,677,788t
411	Banca d'America e d'Italia, Milan	6,291,011,706t
413	Cassa di Risparmio di Padova e Rovigo, Padova	6,264,330,127
451	Cassa di Risparmio di Genova e Imperia, Genoa	5,573,890,500
489	Banca San Paolo di Brescia	4,976,948,091s

Top 500 Banks by Country

Banks outside the U.S. listed geographically in deposit-size order within nations

Rank 12/89		12/31/89 Deposits (U.S. Dollars)
	Japan	
1	Dai-Ichi Kangyo Bank Ltd., Tokyo	314,780,128,477s
2	Sumitomo Bank Ltd., Osaka	288,242,189,906s
3	Mitsubishi Bank Ltd., Tokyo	278,806,752,894s
4	Fuji Bank, Ltd., Tokyo	278,642,534,526s
5	Sanwa Bank Ltd., Osaka	275,972,495,553s
6	Industrial Bank of Japan, Ltd., Tokyo	213,287,598,710s
8	Mitsubishi Trust & Banking Corp., Tokyo	192,294,268,943u
10	Tokai Bank Ltd., Nagoya	179,030,994,347s
11	Norinchukin Bank, Tokyo	176,329,604,709
13	Sumitomo Trust & Banking Co., Ltd., Osaka	171,664,091,192u
17	Mitsui Trust & Banking Co., Ltd., Tokyo	159,219,084,675u
18	Mitsui Bank, Ltd., Tokyo	157,894,948,303s
19	Bank of Tokyo, Ltd.	152,933,845,497s
20	Long-Term Credit Bank of Japan Ltd., Tokyo	148,398,357,055u
22	Taiyo Kobe Bank, Ltd., Kobe	136,538,177,226u
24	Yasuda Trust & Banking Co. Ltd., Tokyo	135,105,775,719s
25	Daiwa Bank, Ltd., Osaka	131,680,308,355u
30	Toyo Trust & Banking Co. Ltd., Tokyo	100,172,770,539u
34	Nippon Credit Bank, Ltd., Tokyo	88,179,792,186s
40	Kyowa Bank, Ltd., Tokyo	78,919,006,993s
42	Saitama Bank Ltd., Urawa	77,003,434,194s
47	Shoko Chukin Bank, Tokyo	74,764,053,363
54	Zenshinren Bank, Tokyo	65,193,396,562
58	Bank of Yokohama, Ltd.	62,453,845,272u
59	Chuo Trust & Banking Co., Ltd., Tokyo	62,310,267,402u
63	Hokkaido Takushoku Bank, Ltd., Sapporo	56,212,352,378u
70	Chiba Bank, Ltd.	48,686,243,188
73	Joyo Bank, Ltd., Mito	46,402,895,958
74	Hokuriku Bank Ltd., Toyama	45,201,302,003s
78	Shizuoka Bank Ltd.	42,779,614,388u
93	Ashikaga Bank, Ltd., Utsunomiya	37,292,254,351
103	Bank of Hiroshima, Ltd.	34,524,748,456
110	Bank of Fukuoka, Ltd.	32,254,432,034
111	Hachijuni Bank, Ltd., Nagano	30,872,908,537
122	Gunma Bank, Ltd., Maebashi	26,663,894,663
136	Chugoku Bank, Ltd., Okayama	23,102,088,068
137	Hyogo Bank, Ltd., Kobe	23,051,052,833
141	Yamaguchi Bank, Ltd., Shimonoseki	22,498,167,976
144	Juroku Bank, Ltd., Gifu	21,998,733,330
148	77 Bank, Ltd., Sendai	21,244,801,721
151	Nippon Trust Bank, Ltd., Tokyo	20,504,517,242
152	Nishi-Nippon Bank, Ltd., Fukuoka	20,355,650,323
161	Bank of Kyoto, Ltd.	18,824,788,232
163	Hokkaido Bank, Ltd., Sapporo	18,685,413,780
166	Tokyo Sowa Bank, Ltd.	18,385,759,324
167	Nanto Bank, Ltd., Nara	18,352,628,979
175	Iyo Bank, Ltd., Matsuyama	17,268,348,778
177	Hyakujushi Bank, Ltd., Takamatsu	17,110,859,640
178	Shiga Bank, Ltd., Otsu	17,067,691,944
181	Daishi Bank, Ltd., Niigata	17,004,575,540
182	Suruga Bank, Ltd., Numazu	16,359,468,787
193	Kiyo Bank, Ltd., Wakayama	14,922,954,274
202	Ogaki-Kyoritsu Bank, Ltd., Ogaki	13,882,439,224
204	Hyakugo Bank, Ltd., Tsu	13,715,705,256
206	Fukuoka City Bank, Ltd.	13,654,808,869
208	Bank of Kinki, Ltd., Osaka	13,617,200,649
210	Higo Bank, Ltd., Kumamoto	13,516,821,920
211	Hokkoku Bank, Ltd., Kanazawa	13,463,415,732
223	Bank of Nagoya, Ltd.	12,845,012,073
229	San-in Godo Bank, Ltd., Matsue	12,512,525,221
231	Kofuku Bank, Ltd., Osaka	12,306,937,811
236	Tokyo Tomin Bank, Ltd.	11,965,319,331
239	Fukutoku Bank, Ltd., Osaka	11,840,193,387
247	Fukui Bank, Ltd.	11,402,126,803
250	Toho Bank, Ltd., Fukushima	11,270,309,363
251	Hiroshima-Sogo Bank, Ltd.	11,135,460,625
252	Bank of Osaka, Ltd.	11,117,675,333
255	Shikoku Bank, Ltd., Kochi	11,011,711,972
257	Keiyo Bank, Ltd., Chiba	10,852,116,019
258	Musashino Bank, Ltd., Omiya	10,786,446,902
259	Kagoshima Bank, Ltd.	10,768,189,314
268	Awa Bank, Ltd., Tokushima	10,248,780,804
271	Oita Bank, Ltd.	10,117,076,566
274	Hokuetsu Bank, Ltd., Nagaoka	9,973,932,637
277	Aichi Bank, Ltd., Nagoya	9,889,685,193
281	Chiba Kogyo Bank, Ltd.	9,739,126,533
282	Yamanashi Chuo Bank, Ltd., Kofu	9,680,142,002
296	Chukyo Bank, Ltd., Nagoya	9,060,813,860
298	Bank of Iwate, Ltd., Morioka	9,001,508,590
03	Towa Bank, Ltd., Maebashi	8,875,910,971
07	Eighteenth Bank, Ltd., Nagasaki	8,678,662,775
09	Akita Bank, Ltd.	8,616,024,335
20	Daisan Bank, Ltd., Matsuzaka	8,338,824,082
22	Aomori Bank, Ltd.	8,225,785,596
27	North Pacific Bank, Ltd., Sapporo	8,075,566,542
29	Senshu Bank, Ltd., Kishiwada	8,034,499,372
30	Shinwa Bank, Ltd., Sasebo	7,991,558,080
33	Ehime Bank, Ltd., Matsuyama	7,937,856,309
37	Bank of Ikeda, Ltd.	7,859,111,740

Rank 12/88		12/31/89 Deposits (U.S. Dollars)
	Japan (continued)	
346	Higashi-Nippon Bank, Ltd., Tokyo	7,624,664,109
356	Michinoku Bank, Ltd., Aomori	7,338,508,320
357	Yamagata Bank, Ltd.	7,323,534,211
359	Bank of Saga, Ltd.	7,243,406,062u
364	Bank of the Ryukyus, Ltd., Naha	7,158,215,268
366	Miyazaki Bank, Ltd.	7,121,695,045
403	Tochigi Bank, Ltd., Utsunomiya	6,419,867,801
406	Hanshin Bank, Ltd., Kobe	6,361,637,950
417	Kyushu Bank, Ltd., Sasebo	6,142,397,121
426	Bank of Kansai, Ltd., Osaka	5,977,348,605
427	Biwako Bank, Ltd., Otsu	5,939,375,623
438	Bank of Okinawa, Ltd., Naha	5,712,506,237
457	Mie Bank, Ltd., Yokkaichi	5,516,679,355
464	Kanto Bank, Ltd., Tsuchiura	5,367,428,807
470	Niigata Chuo Bank, Ltd.	5,228,844,403
478	Shimizu Bank, Ltd.	5,156,231,609
479	Taiheiyo Bank, Ltd., Tokyo	5,153,621,674
491	Kagawa Bank, Ltd., Takamatsu	4,939,682,472
499	Kita-Nippon Bank, Ltd., Morioka	4,857,434,930
	Jordan	
290	Arab Bank Ltd., Amman	9,230,390,520s
	Korea	
83	Bank of Seoul	40,784,107,770s
212	Hanil Bank Ltd., Seoul	13,443,924,690s
214	Commercial Bank of Korea Ltd., Seoul	13,308,052,590s
220	Cho Hung Bank Ltd., Seoul	12,941,802,662s
230	Korea First Bank, Seoul	12,472,375,431s
243	Korea Exchange Bank, Seoul	11,584,655,460u
253	Citizens National Bank, Seoul	11,112,171,000
342	Korea Development Bank, Seoul	7,740,409,950
353	Industrial Bank of Korea, Seoul	7,557,497,660
390	Korea Housing Bank, Seoul	6,675,562,433
437	Shinhan Bank, Seoul	5,721,804,417
	Kuwait	
234	National Bank of Kuwait	12,196,796,629s
407	Commercial Bank of Kuwait	6,355,326,120
428	Gulf Bank, Kuwait	5,930,849,320
462	Alahli Bank of Kuwait	5,422,568,854
	Luxembourg	
172	Deutsche Bank Luxembourg	17,879,646,275t
215	Banque Internationale a Luxembourg	13,179,991,496s
238	Dresdner Bank Luxembourg	11,900,270,105t
242	Banque Generale du Luxembourg	11,614,388,584s
260	Kredietbank S.A. Luxembourgeoise, Luxembourg	10,754,996,463st
261	Banque et Caisse d'Epargne de l'Etat, Luxembourg	10,697,443,735
275	Commerzbank International, Luxembourg	9,921,597,877t
306	Union Bank of Switzerland (Luxembourg)	8,713,440,208v
410	BFG Luxembourg	6,297,462,389t
414	Credit Suisse (Luxembourg)	6,246,019,508t
423	West LB International, Luxembourg	6,077,232,362t
475	Societe de Banque Suisse (Luxembourg)	5,201,846,364t
	Malaysia	
305	Malayan Banking Berhad, Kuala Lumpur	8,768,671,810s
	Mexico	
198	Bancomer, Mexico City	14,496,027,180u
379	Banco Nacional de Mexico, Mexico City	6,933,703,924
	Netherlands	
45	Amsterdam-Rotterdam Bank, Amsterdam	75,751,012,000s
48	NMB Postbank Group, N.V., Amsterdam	74,656,900,000s
51	Algemene Bank Nederland, Amsterdam	72,897,832,000s
56	Rabobank Nederland, Utrecht	63,651,328,000s
187	Credit Lyonnais Bank Nederland, Rotterdam	15,223,538,296st
289	Bank Mees & Hope, Amsterdam	9,245,458,096st
	New Zealand	
285	Bank of New Zealand, Ltd., Wellington	9,497,118,863
	Norway	
194	Christiania Bank og Kreditkasse, Oslo	14,909,921,200
254	Norske Creditbank, Oslo	11,073,887,000s
267	Bergen Bank	10,249,004,200s
452	Union Bank of Norway, Oslo	5,568,964,560s
	Pakistan	
490	Habib Bank Ltd., Karachi	4,946,421,000s
	Portugal	
216	Caixa Geral de Depositos, Lisbon	13,124,148,302s
362	Banco Portugues do Atlantico, Oporto	7,210,250,149u
447	Banco Espirito Santo e Comercial, Lisbon	5,610,731,313
493	Banco Pinto & Sotto Mayor, Lisbon	4,926,500,000s

Top 500 Banks by Country

Banks outside the U.S. listed geographically in deposit-size order within nations

Rank 12/89		12/31/89 Deposits (U.S. Dollars)
	Saudi Arabia	
146	National Commercial Bank, Jeddah	21,359,214,082
292	Riyad Bank Ltd., Jeddah	9,158,569,924u
458	Saudi American Bank, Riyadh	5,515,690,614s
	Singapore	
209	Development Bank of Singapore Ltd.	13,602,579,342
335	Oversea-Chinese Banking Corp., Ltd., Singapore	7,905,664,280s
348	United Overseas Bank Ltd., Singapore	7,598,777,996s
	South Africa	
276	Standard Bank of South Africa Ltd., Johannesburg	9,891,059,357u
304	First National Bank of South Africa Ltd., Johannesburg	8,786,059,100
311	Nedcor Ltd., Johannesburg	8,599,000,900s
	Spain	
75	Banco Bilbao Vizcaya, Bilbao	44,927,287,460u
92	Banco Central, Madrid	37,298,259,460s
101	Banco Santander	34,789,855,870s
114	Banco Espanol de Credito, Madrid	29,181,497,730u
116	Caja de Pensiones para la Vejez, Barcelona	28,974,456,720s
130	Banco Hispano-Americano, Madrid	24,001,993,950u
154	Banco Exterior de Espana, Madrid	19,812,465,200s
170	Banco Popular Espanol, Madrid	18,003,456,130s
192	Caja de Madrid	14,941,701,500s
272	Caja de Ahorros y Monte de Piedad de Barcelona	10,085,947,520
363	Banca Catalana, Barcelona	7,171,003,290tu
372	Banco de Sabadell	7,002,646,090s
385	Banco Intercontinental Espanol, Madrid	6,783,726,950
389	Caja de Ahorros de Cataluna, Barcelona	6,703,209,480
399	Banco Atlantico, Barcelona	6,461,538,380tu
442	Banco Pastor, Coruna	5,678,467,410
456	Caja de Ahorros y Monte de Piedad de Zaragoza	5,518,108,090
466	Barclays Bank, Madrid	5,330,413,550t
484	Caja de Ahorros de Galicia, Coruna	5,083,255,320
487	Caja de Ahorros de Valencia	5,006,472,020
	Sweden	
97	PKbanken, Stockholm	35,893,501,000s
108	Skandinaviska Enskilda Banken, Stockholm	32,626,489,000s
113	Svenska Handelsbanken, Stockholm	29,802,227,000s
197	Sparbankernas Bank, Stockholm	14,502,880,000s
314	Gotabanken, Stockholm	8,451,373,000s
334	Nordbanken, Stockholm	7,924,387,800s
360	Forsta Sparbanken, Stockholm	7,222,604,900
	Switzerland	
29	Swiss Bank Corp., Basle	100,865,736,000s
31	Union Bank of Switzerland, Zurich	96,977,909,016u
62	Credit Suisse, Zurich	60,704,640,000s
134	Banque Cantonale de Zurich	23,168,946,456
138	Swiss Volksbank, Berne	22,894,635,889
325	Bank Leu, Ltd., Zurich	8,154,813,456u
344	Banque Cantonale de Berne	7,649,155,944

Rank 12/88		12/31/89 Deposits (U.S. Dollars)
	Switzerland (continued)	
381	Banque Cantonale de St. Gallen	6,892,519,392
387	Luzerner Kantonalbank, Lucerne	6,737,202,864
398	Banque Cantonale Vaudoise, Lausanne	6,503,790,067
421	Banca della Svizzera Italiana, Lugano	6,109,843,608s
481	Credit Foncier Vaudois, Lausanne	5,144,650,200
483	Thurgauische Kantonalbank, Weinfelden	5,127,926,195u
	Taiwan	
117	Taiwan Cooperative Bank, Taipei	28,162,762,650
129	Bank of Taiwan, Taipei	24,301,422,033
147	First Commercial Bank, Taipei	21,353,446,595
153	Hua Nan Commercial Bank, Ltd., Taipei	19,924,483,878
164	Chang Hwa Commercial Bank, Ltd., Taichung	18,655,561,686s
179	Land Bank of Taiwan, Taipei	17,057,846,303
235	Medium Business Bank of Taiwan, Taipei	12,104,407,638
386	United World Chinese Commercial Bank, Taipei	6,773,166,224u
424	Bank of Communications, Taipei	6,058,824,256
432	Farmers Bank of China, Taipei	5,876,285,493
488	International Commercial Bank of China, Taipei	4,983,216,462u
	Thailand	
226	Bangkok Bank, Ltd.	12,717,725,553
361	Krung Thai Bank Ltd., Bangkok	7,215,366,600
397	Thai Farmers Bank, Bangkok	6,512,894,420
	Turkey	
408	Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	6,331,458,148
	United Arab Emirates	
472	National Bank of Dubai Ltd., Dubai	5,209,692,160
486	National Bank of Abu Dhabi	5,044,046,336s
	United Kingdom	
15	Barclays Bank Plc, London	167,127,660,000s
16	National Westminster Bank Plc, London	163,014,110,000s
35	Midland Bank Plc, London	88,034,800,000s
37	Lloyds Bank Plc, London	84,355,950,000s
90	Royal Bank of Scotland Plc., Edinburgh	37,592,208,600s
100	Standard Chartered Bank, London	35,554,596,000s
104	TSB Bank, Plc., London	34,505,296,000s
120	Bank of Scotland, Edinburgh	27,496,143,500s
293	S.G. Warburg & Co., Ltd., London	9,125,124,000
297	Kleinwort, Benson, Lonsdale Plc, London	9,045,224,720s
343	Morgan Grenfell & Co. Ltd., London	7,724,535,280st
347	Coutts & Co., London	7,600,771,360st
415	Motherwell District Municipal Bank Ltd.	6,231,896,680
430	Clydesdale Bank Plc, Glasgow	5,883,076,868t
433	Yorkshire Bank Plc, Leeds	5,875,331,140st
449	N.M. Rothschild & Sons Ltd., London	5,578,073,935s
454	Ulster Bank Ltd., Belfast	5,556,037,550st
467	Hill, Samuel Bank, Ltd., London	5,309,996,000t
476	Samuel Montagu & Co., Ltd., London	5,176,843,910st
477	Hambros Bank Ltd., London	5,157,800,000u

Deposits of Banks in Top 500 by Country

Dollar amounts in millions

	Total Deposits 12/31/89	Total Deposits 12/31/88	Banks in Top 500 12/31/89	Banks in Top 500 12/31/88
Australia	212,795	171,122	9 (1)	9 (2)
Austria	137,549	114,452	8	8
Bahrain	27,963	24,549	2	2
Belgium	247,430	202,150	10	8 (1)
Brazil	54,566	38,725	4	3
Canada	315,866	291,581	6	6
Denmark	97,519	86,475	4	8
Egypt	11,092	5,284	2	1
Finland	71,91[illegible]	63,742	5	4
France	970,409	821,562	20 (3)	20 (4)
Germany	1,308,912	1,150,836	37 (4)	38 (3)
Greece	29,815	28,612	2	2
Hong Kong	118,505	101,841	2 (1)	2 (1)
India	16,554	58,879	2	5
Indonesia	7,558	11,328	1	2
Iran	88,257	79,729	2	2
Iraq	39,842	43,416	1	1
Ireland	41,039	32,997	2	2
Israel	70,125	70,805	4	4
Italy	708,390	605,964	28 (5)	29 (6)
Japan	5,236,038	5,332,769	108	111
Jordan	9,230	12,550	1	1
Korea (South)	143,342	115,547	11	10
Kuwait	29,906	28,846	4	4
Luxembourg	44,205	55,546	12 (8)	12 (5)
Malaysia	8,769	7,596	1	1
Mexico	21,430	16,898	2	2
Netherlands	286,957	246,177	6 (2)	7 (2)
New Zealand	9,497	9,397	1	2 (1)
Norway	41,801	44,689	4	4
Pakistan	4,964	5,009	1	1
Portugal	30,872	23,205	4	3
Saudi Arabia	36,033	33,330	3	3
Singapore	29,107	19,161	3	3
South Africa	27,276	20,996	3	3
Spain	303,793	250,559	20 (3)	16 (1)
Sweden	136,423	118,358	7	7
Switzerland	356,932	342,875	13	14 (1)
Taiwan	165,251	115,297	11	9
Thailand	26,446	21,892	3	3
Turkey	6,331	......	1	...
United Arab Emirates	10,254	11,077	2	2
United Kingdom	672,819	645,632	20 (7)	18 (4)
United States	1,351,611	1,347,376	108 (6)	107 (1)

Total Deposits — Excludes the deposits of banks whose figures appear in the consolidated data of parent bank. **Banks in Top 500** — Figures in parenthesis are the number of banks whose figures also appear in the deposits reported by their parent banks. Therefore, the deposits of these banks are not included in the deposit total.

United States Banks in the Top 500

Listed geographically in deposit-size order within states

Rank 12/89		12/31/89 Deposits (U.S. Dollars)
	Alabama	
436	AmSouth Bank NA, Birmingham	5,787,896,000
	Arizona	
319	Valley National Bank, Phoenix	8,370,893,000
422	First Interstate Bank of Arizona NA, Phoenix	6,105,115,000
	California	
50	Bank of America NT&SA, San Francisco	73,295,000,000
84	Security Pacific National Bank, Los Angeles	40,597,338,000
96	Wells Fargo Bank NA, San Francisco	36,462,605,000
107	Home Savings of America, FA, Irwindale	33,100,655,000
135	Great Western Bank, FSB, Beverly Hills	23,117,689,000
173	First Interstate Bank of California, Los Angeles	17,849,795,000
184	Glendale Federal Bank, FSB	15,869,180,000
189	California Federal Bank, FSB, Los Angeles	15,194,340,000
207	American Savings Bank, Irvine	13,639,461,000
217	Homefed Bank, FSB, San Diego	13,034,251,000
237	First Nationwide Bank, FSB, San Francisco	11,925,000,000
241	Union Bank, San Francisco	11,637,088,000t
246	World Savings, FS&LA, Oakland	11,457,331,000
295	Great American Bank, SSB, San Diego	9,073,940,000
302	Coast Savings & Loan Assn., Los Angeles	8,904,590,000
338	Columbia Savings & Loan Assn., Beverly Hills	7,828,652,784
393	Imperial Savings Assn., San Diego	6,624,900,000
441	Gibraltar Savings, FA, Simi Valley	5,686,358,000
453	Sanwa Bank California, San Francisco	5,564,162,000t
468	Bank of California NA, San Francisco	5,307,898,000t
495	Citicorp Savings, FS&LA, San Francisco	4,906,184,000
	Connecticut	
315	Connecticut Bank & Trust Co. NA, Hartford	8,450,053,000
324	Connecticut National Bank, Hartford	8,196,372,000
450	Peoples Bank, Bridgeport	5,576,065,000
	Delaware	
459	Greenwood Trust Co., New Castle	5,493,442,000
	Dsictrict of Columbia	
439	Riggs National Bank, Washington, D.C.	5,702,593,000
	Florida	
227	Southeast Bank NA, Miami	12,715,951,000
284	NCNB National Bank of Florida, Tampa	9,637,057,000
367	First Union National Bank of Florida, Jacksonville	7,090,935,000
425	Florida National Bank, Jacksonville	6,055,322,000
429	CenTrust Bank, SSB, Miami	5,922,475,000
461	Citizens & Southern National Bank, Fort Lauderdale	5,447,691,000
465	Barnett Bank of South Florida NA, Miami	5,337,370,130
	Georgia	
286	Citizens & Southern National Bank, Atlanta	9,468,585,000
418	First National Bank, Atlanta	6,139,163,000
	Hawaii	
377	Bank of Hawaii, Honolulu	6,940,435,000
	Illinois	
123	First National Bank, Chicago	26,403,340,000
168	Continental Bank NA, Chicago	18,178,226,000
382	Harris Trust & Savings Bank, Chicago	6,854,159,000
473	Northern Trust Co., Chicago	5,208,610,000
	Louisians	
448	Hibernia National Bank, New Orleans	5,604,612,000
	Maryland	
392	Maryland National Bank, Baltimore	6,631,568,000
	Massachsetts	
143	First National Bank, Boston	22,061,157,000
291	Bank of New England NA, Boston	9,208,787,000
341	Boston Safe Deposit & Trust Co.	7,782,273,000
419	State Street Bank & Trust Co., Boston	6,137,917,000
460	Shawmut Bank NA, Boston	5,451,740,000
	Michigan	
232	National Bank of Detroit	12,288,133,000
336	Michigan National Bank, Farmington Hills	7,888,735,000
350	Comerica Bank-Detroit	7,561,148,000
376	Manufacturers National Bank, Detroit	6,946,034,000
	Michigan (continued)	
416	Standard Federal Bank, Troy	6,167,305,000
	Minnesota	
294	First Bank NA, Minneapolis	9,104,370,000
444	Norwest Bank Minnesota NA, Minneapolis	5,654,443,000
	Missouri	
485	Boatmen's National Bank, St. Louis	5,080,552,000
	New Jersey	
310	First Fidelity Bank NA, Newark	8,615,504,000
340	Midlantic National Bank, Newark	7,791,480,000
409	City Savings Bank, FSB, Somerset	6,305,261,000
	New York	
27	Citibank NA, New York	111,487,000,000
60	Chase Manhattan Bank NA, New York	61,720,245,000
79	Manufacturers Hanover Trust Co., New York	42,736,000,000
82	Morgan Guaranty Trust Co., New York	40,953,451,000
105	Bank of New York	34,411,451,000
109	Chemical Bank, New York	32,312,000,000
119	Bankers Trust Co., New York	27,879,571,000
169	Marine Midland Bank NA, Buffalo	18,021,665,000t
195	American Express Bank Ltd., New York	14,778,000,000s
200	Republic National Bank, New York	14,250,340,000
225	National Westminster Bank USA, New York	12,740,471,000t
280	Dime Savings Bank of New York, FSB, Garden City	9,759,151,000
287	Goldome, Buffalo	9,375,653,000
300	CrossLand Savings FSB, Brooklyn, New York	8,994,087,000
332	Empire of America Federal Savings Bank, Buffalo	7,947,151,000
371	Anchor Savings Bank, FSB, Northport	7,027,918,000
434	Bank of Tokyo Trust Co., New York	5,805,020,000t
	North Carolina	
248	Wachovia Bank & Trust Co. NA, Winston-Salem	11,344,443,000
263	NCNB National Bank of North Carolina, Charlotte	10,585,048,000
264	First Union National Bank, Charlotte	10,507,659,000
	Ohio	
369	Ameritrust Co. NA, Cleveland	7,072,134,000
394	Huntington National Bank, Columbus	6,566,863,000
412	Society National Bank, Cleveland	6,280,633,000
455	National City Bank, Cleveland	5,528,397,000
	Oregon	
373	United States National Bank, Portland	6,994,001,000
482	First Interstate Bank of Oregon NA, Portland	5,132,209,000
	Pennsylvania	
190	Mellon Bank NA, Pittsburgh	15,022,808,000
265	Meritor Savings Bank, Philadelphia	10,503,153,000
266	Pittsburgh National Bank	10,263,540,000
317	Meridian Bank, Reading	8,394,187,000
358	Philadelphia National Bank	7,261,814,000
380	Fidelity Bank NA, Philadelphia	6,919,305,000
440	Provident National Bank, Philadelphia	5,692,972,000
492	First Pennsylvania Bank NA, Philadelphia	4,933,350,000
498	Atlantic Financial Federal, FA, Bala Cynwyd	4,876,399,000
	Puerto Rico	
494	Banco Popular de Puerto Rico, San Juan	4,926,304,000
	Rhode Island	
420	Fleet National Bank, Providence	6,111,457,000
	Texas	
125	NCNB Texas National Bank, Dallas	25,623,428,000
313	Banc One, Texas NA, Dallas	8,525,136,000
354	First Gibraltar Bank, FSB, Dallas	7,555,575,000
405	Texas Commerce Bank NA, Houston	6,416,672,000
431	First Interstate Bank of Texas NA, Houston	5,881,038,000
	Virginia	
270	Sovran Bank NA, Richmond	10,193,846,000
345	Crestar Bank, Richmond	7,631,619,000
474	Signet Bank/Virginia, Richmond	5,204,778,000
	Washington	
283	Seattle-First National Bank	9,660,669,000
400	Security Pacific Bank Washington NA, Seattle	6,439,119,000

Top 500 Banks: Total Deposits

Dollar amounts in billions

	Number Of Banks 12/31/89	Total Deposits 12/31/89	Number Of Banks 12/31/88	Total Deposits 12/31/88	Deposit Percent Change
U.S. Banks	108	$ 1,351.6	107	$ 1,347.4	+0.31
Foreign Banks	392	12,213.8	393	11,489.2	+6.31
Top 500 Banks	500	13,565.4	500	12,836.6	+5.68

To avoid double counting, deposits for banks owned by other banks in the top 500 are excluded.

10 Countries with Most Deposits Among the Top 500 Banks

Dollar amounts in billions

		No. of Banks 12/31/89	Total Deposits 12/31/89	% of 500's Deposits 12/31/89	No. of Banks 12/31/88	Total Deposits 12/31/88	% of 500's Deposits 12/31/88
1	Japan	108	5,236.0	38.6	111	5,332.7	41.5
2	United States	108	1,351.6	10.0	107	1,347.4	10.5
3	Germany	37	1,308.9	9.7	38	1,150.8	9.0
4	France	20	970.4	7.2	20	821.6	6.4
5	Italy	28	708.4	5.2	29	606.0	4.7
6	United Kingdom	20	672.8	5.0	18	645.6	5.0
7	Switzerland	13	356.9	2.6	14	342.9	2.7
8	Canada	6	315.9	2.3	6	291.6	2.3
9	Spain	20	303.8	2.2	16	250.6	2.0
10	Netherlands	6	287.0	2.1	7	246.2	1.9

Addendum to Tabulation

Data for some banks were received after American Banker's July 12th deadline for inclusion in today's listing. These banks appear below with the 1989 ranks they would have had if all the data were received earlier. (Dollar Amounts in Millions)

Deposit Rank 12/89	Name of Bank	Deposits 12/31/89	Deposits 12/31/88	Deposit Rank 12/88
108	State Bank of India, Bombay[1]	32,889	31,099	102
187	Cassa di Risparmio di Torino, Italy[2]	15,407	13,455	206
219	Credit du Nord, Paris, France[3]	13,070	13,685	202
573	Bank Rakyat Indonesia, Jakarta	3,987	2,948	718
857	Hessische Landesbank Int'l, Luxembourg	2,273	1,901	942

(1)— Data are for the fiscal yearend March 31, 1990. (2)— Data were received too late for this bank to be placed on the Asset Rank Addendum list published yesterday. Its assets were $20,411 million at yearend 1989. It would have ranked 193d. In 1988, the bank had $16,671 million in assets and ranked 204th. (3)— A subsidiary of Compagnie Financiere de Paribas, Paris.

WORLD BANKING

Alphabetical Listing of Top 500 Banks in Deposit

With deposit and asset ranks on Dec. 31, 1989

		Deposits Rank	Asset Rank
77 Bank, Ltd., Sendai	Japan	148	157
AN-HYP N.V., Antwerp	Belgium	445	477
ASLK-CGER Bank, Brussels	Belgium	88	105
Aichi Bank, Ltd., Nagoya	Japan	277	316
Akita Bank, Ltd.	Japan	309	333
Alahli Bank of Kuwait	Kuwait	462	504
Algemene Bank Nederland, Amsterdam	Netherlands	51	44
Allied Irish Banks Plc., Dublin	Ireland	140	152
AmSouth Bank NA, Birmingham, Ala.	United States	436	434
American Express Bank Ltd., New York	United States	195	207
American Savings Bank, Irvine, Calif.	United States	207	223
Ameritrust Co. NA, Cleveland	United States	369	387
Amsterdam-Rotterdam Bank, Amsterdam	Netherlands	45	42
Anchor Savings Bank, FSB, Northport, N.Y.	United States	371	385
Aomori Bank, Ltd.	Japan	322	365
Arab Bank Ltd., Amman	Jordan	290	350
Arab Banking Corp., Manama	Bahrain	162	176
Ashikaga Bank, Ltd., Utsunomiya	Japan	93	106
Atlantic Financial Federal, FA, Bala Cynwyd, Pa.	United States	498	467
Australia & New Zealand Banking Group, Ltd., Melbourne	Australia	91	79
Awa Bank, Ltd., Tokushima	Japan	268	299
BFG Luxembourg	Luxembourg	410	452
Baden-Wuerttembergische Bank, Stuttgart	Germany	328	391
Banca Catalana, Barcelona	Spain	363	418
Banca Commerciale Italiana, Milan	Italy	41	48
Banca Nazionale del Lavoro, Rome	Italy	36	36
Banca Nazionale dell'Agricoltura, Rome	Italy	159	142
Banca Popolare di Bergamo	Italy	384	323
Banca Popolare di Milano, Milan	Italy	160	158
Banca Popolare di Novara	Italy	142	135
Banca Provinciale Lombarda, Bergamo	Italy	378	338
Banca San Paolo di Brescia	Italy	489	468
Banca Toscana, Florence	Italy	249	245
Banca d'America e d'Italia, Milan	Italy	411	400
Banca della Svizzera Italiana, Lugano	Switzerland	421	449
Banco Ambrosiano Veneto, Milan	Italy	185	172
Banco Atlantico, Barcelona	Spain	399	445
Banco Bilbao Vizcaya, Bilbao	Spain	75	83
Banco Brasileiro de Descontos, Sao Paulo	Brazil	331	154
Banco Central, Madrid	Spain	92	100
Banco Espanol de Credito, Madrid	Spain	114	127
Banco Espirito Santo e Comercial, Lisbon	Portugal	447	429
Banco Exterior de Espana, Madrid	Spain	154	171
Banco Hispano-Americano, Madrid	Spain	130	139
Banco Intercontinental Espanol, Madrid	Spain	385	340
Banco Itau, Sao Paulo	Brazil	497	210
Banco Lariano, Como	Italy	396	334
Banco Nacional de Mexico, Mexico City	Mexico	379	220
Banco Pastor, Coruna	Spain	442	487
Banco Pinto & Sotto Mayor, Lisbon	Portugal	493	486
Banco Popular Espanol, Madrid	Spain	170	185
Banco Popular de Puerto Rico, San Juan	United States	494	517
Banco Portugues do Atlantico, Oporto	Portugal	362	369
Banco Santander	Spain	101	109
Banco de Sabadell	Spain	372	414
Banco di Napoli, Naples	Italy	65	67
Banco di Roma, Rome	Italy	71	71
Banco di Santo Spirito, Rome	Italy	180	188
Banco di Sicilia, Palermo	Italy	112	119
Banco do Brasil, Brasilia	Brazil	95	35
Banco do Estado de Sao Paulo	Brazil	471	215
Bancomer, Mexico City	Mexico	198	234
Bangkok Bank, Ltd.	Thailand	226	225
Bank Bumi Daya, Jakarta	Indonesia	352	422
Bank Hapoalim, Tel-Aviv	Israel	126	124
Bank Leu, Ltd., Zurich	Switzerland	325	353
Bank Leumi le-Israel, Tel-Aviv	Israel	127	132
Bank Mees & Hope, Amsterdam	Netherlands	289	273
Bank Melli Iran, Tehran	Iran	66	61
Bank One, Texas NA, Dallas	United States	313	288
Bank Saderat Iran, Tehran	Iran	106	111
Bank fuer Arbeit und Wirtschaft, Vienna	Austria	191	229
Bank fuer Gemeinwirtschaft, Frankfurt	Germany	99	117
Bank of America NT&SA, San Francisco	United States	50	50
Bank of Baroda	India	351	393
Bank of California NA, San Francisco	United States	468	433
Bank of Communications, Taipei	Taiwan	424	349
Bank of Fukuoka, Ltd.	Japan	110	112
Bank of Hawaii, Honolulu	United States	377	419
Bank of Hiroshima, Ltd.	Japan	103	115
Bank of Ikeda, Ltd.	Japan	337	381
Bank of India, Bombay	India	299	339
Bank of Ireland, Dublin	Ireland	165	181
Bank of Iwate, Ltd., Morioka	Japan	298	319
Bank of Kansai, Ltd., Osaka	Japan	426	456
Bank of Kinki, Ltd., Osaka	Japan	208	233
Bank of Kyoto, Ltd.	Japan	161	179
Bank of Montreal	Canada	64	69
Bank of Nagoya, Ltd.	Japan	223	256
Bank of New England NA, Boston	United States	291	250
Bank of New York	United States	105	98
Bank of New Zealand, Ltd., Wellington	New Zealand	285	324
Bank of Nova Scotia, Toronto	Canada	68	73
Bank of Okinawa, Ltd., Naha	Japan	438	478
Bank of Osaka, Ltd.	Japan	252	263
Bank of Saga, Ltd.	Japan	359	409
Bank of Scotland, Edinburgh	United Kingdom	120	129
Bank of Seoul	Korea	83	89
Bank of Taiwan, Taipei	Taiwan	129	137
Bank of Tokyo Trust Co., New York	United States	434	424
Bank of Tokyo, Ltd.	Japan	19	16
Bank of Yokohama, Ltd.	Japan	58	56
Bank of the Ryukyus, Ltd., Naha	Japan	364	403
Bankers Trust Co., New York	United States	119	87
Banque Bruxelles Lambert, Brussels	Belgium	76	85
Banque Cantonale Vaudoise, Lausanne	Switzerland	398	442
Banque Cantonale de Berne	Switzerland	344	405
Banque Cantonale de St. Gallen	Switzerland	381	430
Banque Cantonale de Zurich	Switzerland	134	148
Banque Commerciale pour l'Europe du Nord, Paris	France	443	489
Banque Francaise du Commerce Exterieur, Paris	France	156	116
Banque Generale du Luxembourg	Luxembourg	242	270
Banque Indosuez, Paris	France	87	77
Banque Internationale a Luxembourg	Luxembourg	215	244
Banque Misr, Cairo	Egypt	469	503
Banque Nationale de Paris	France	7	8
Banque Paribas Belgique, Brussels (q)	Belgium	318	356
Banque Paribas, Paris (q)	France	46	53
Banque Regionale d'Escompte et de Depots, Vincennes	France	321	296
Banque Sudameris, Paris	France	446	469
Banque Worms, Paris	France	279	292
Banque et Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	261	302
Barclays Bank Plc, London	United Kingdom	15	13
Barclays Bank, Madrid	Spain	466	520
Barnett Bank of South Florida NA, Miami	United States	465	511
Bayerische Hypotheken-und Wechsel-Bank, Munich	Germany	38	46
Bayerische Landesbank Girozentrale, Munich	Germany	43	52
Bayerische Vereinsbank, Munich	Germany	33	38
Bergen Bank	Norway	267	239
Berliner Bank, Berlin	Germany	155	187
Berliner Handels und-Frankfurter Bank, Frankfurt	Germany	158	184
Biwako Bank, Ltd., Otsu	Japan	427	473
Boatmen's National Bank, St. Louis, Mo.	United States	485	427
Boston Safe Deposit & Trust Co.	United States	341	318
Bremer Landesbank, Bremen	Germany	174	203
C.O.B.-Caisse d'Epargne Privee, Brussels	Belgium	221	249
CIC-Union Europeenne, International & Cie, Paris	France	395	453
Caisse Centrale des Banques Populaires, Paris	France	176	174
Caixa Geral de Depositos, Lisbon	Portugal	216	209
Caja de Ahorros de Cataluna, Barcelona	Spain	389	425
Caja de Ahorros de Galicia, Coruna	Spain	484	490
Caja de Ahorros de Valencia	Spain	487	516
Caja de Ahorros y Monte de Piedad de Barcelona	Spain	272	293
Caja de Ahorros y Monte de Piedad de Zaragoza	Spain	456	472
Caja de Madrid	Spain	192	195
Caja de Pensiones para la Vejez, Barcelona	Spain	116	125
California Federal Bank, FSB, Los Angeles	United States	189	162
Canadian Imperial Bank of Commerce, Toronto	Canada	52	57
Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	301	308
Cassa di Risparmio delle Provincie Lombarde, Milan	Italy	89	68
Cassa di Risparmio di Firenze, Florence	Italy	391	363
Cassa di Risparmio di Genova e Imperia, Genoa	Italy	451	446
Cassa di Risparmio di Padova e Rovigo, Padova	Italy	413	395
Cassa di Risparmio di Roma, Rome	Italy	183	149
Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	Italy	312	262
CenTrust Bank, SSB, Miami	United States	429	411
Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	Belgium	199	224
Chang Hwa Commercial Bank, Ltd., Taichung	Taiwan	164	165
Chase Manhattan Bank NA, New York	United States	60	54
Chemical Bank, New York	United States	109	101
Chiba Bank, Ltd.	Japan	70	75
Chiba Kogyo Bank, Ltd.	Japan	281	311
Cho Hung Bank Ltd., Seoul	Korea	220	194
Christiania Bank og Kreditkasse, Oslo	Norway	194	199
Chugoku Bank, Ltd., Okayama	Japan	136	143
Chukyo Bank, Ltd., Nagoya	Japan	296	335
Ch[illegible]st & Banking Co., Ltd., Tokyo	Japan	59	63
C[illegible] NA, New York	United States	27	24
Citicorp Savings, FS&LA, San Francisco	United States	495	443
Citizens & Southern National Bank, Atlanta	United States	286	286
Citizens & Southern National Bank, Fort Lauderdale, Fla.	United States	461	497
Citizens National Bank, Seoul	Korea	253	272
City Savings Bank, FSB, Somerset, N.J.	United States	409	392
Clydesdale Bank Plc, Glasgow	United Kingdom	430	462
Coast Savings & Loan Assn., Los Angeles	United States	302	306
Columbia Savings & Loan Assn., Beverly Hills	United States	338	367
Comerica Bank-Detroit	United States	350	329
Commercial Bank of Greece, Athens	Greece	401	450
Commercial Bank of Korea Ltd., Seoul	Korea	214	167
Commercial Bank of Kuwait	Kuwait	407	465
Commerzbank International, Luxembourg	Luxembourg	275	313
Commerzbank, Frankfurt	Germany	28	32
Commonwealth Bank of Australia, Sydney	Australia	124	93
Commonwealth Banking Corp., Sydney	Australia	118	114
Commonwealth Savings Bank of Australia, Sydney	Australia	219	253
Connecticut Bank & Trust Co. NA, Hartford	United States	315	351
Connecticut National Bank, Hartford	United States	324	282
Continental Bank NA, Chicago	United States	168	133
Coutts & Co., London	United Kingdom	347	421
Credit Agricole Mutuel, Paris	France	14	7
Credit Commercial de France, Paris	France	102	95
Credit Foncier Vaudois, Lausanne	Switzerland	481	530
Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	368	321
Credit Industriel et Commercial, Paris (h)	France	256	254
Credit Lyonnais Bank Nederland, Rotterdam	Netherlands	187	216
Credit Lyonnais, Paris	France	12	12
Credit Suisse (Luxembourg)	Luxembourg	414	479
Credit Suisse, Zurich	Switzerland	62	47
Creditanstalt-Bankverein, Vienna	Austria	115	102
Credito Italiano, Milan	Italy	53	60

Alphabetical Listing of Top 500 Banks in Deposits

With deposit and asset ranks on Dec. 31, 1989

		Deposits Rank	Asset Rank
Credito Romagnolo, Bologna	Italy	269	247
Crestar Bank, Richmond	United States	345	327
CrossLand Savings FSB, Brooklyn, New York	United States	300	255
Dai-Ichi Kangyo Bank Ltd., Tokyo	Japan	1	1
Daisan Bank, Ltd., Matsuzaka	Japan	320	374
Daishi Bank, Ltd., Niigata	Japan	181	202
Daiwa Bank, Ltd., Osaka	Japan	25	25
Danske Bank, Copenhagen	Denmark	72	78
Deutsche Bank Berlin	Germany	480	525
Deutsche Bank Luxembourg	Luxembourg	172	191
Deutsche Bank, Frankfurt	Germany	9	15
Deutsche Genossenschaftsbank, Frankfurt	Germany	49	33
Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	Germany	128	145
Deutsche Siedlungs und Landesrentenbank, Bonn	Germany	326	140
Development Bank of Singapore Ltd.	Singapore	209	218
Dime Savings Bank of New York, FSB, Garden City	United States	280	297
Dresdner Bank Berlin AG	Germany	370	431
Dresdner Bank Luxembourg	Luxembourg	238	265
Dresdner Bank, Frankfurt	Germany	23	26
Ehime Bank, Ltd., Matsuyama	Japan	333	384
Eighteenth Bank, Ltd., Nagasaki	Japan	307	332
Empire of America Federal Savings Bank, Buffalo, N.Y.	United States	332	415
Erste Oesterreichische Spar-Casse, Vienna	Austria	273	285
Farmers Bank of China, Taipei	Taiwan	432	371
Fidelity Bank NA, Philadelphia	United States	380	370
First Bank NA, Minneapolis	United States	294	281
First Commercial Bank, Taipei	Taiwan	147	136
First Fidelity Bank NA, Newark, N.J.	United States	310	291
First Gibraltar Bank, FSB, Dallas	United States	354	347
First Interstate Bank of Arizona NA, Phoenix	United States	422	470
First Interstate Bank of California, Los Angeles	United States	173	186
First Interstate Bank of Oregon NA, Portland	United States	482	491
First Interstate Bank of Texas NA, Houston	United States	431	488
First National Bank of South Africa Ltd., Johannesburg	South Africa	304	355
First National Bank, Atlanta	United States	418	397
First National Bank, Boston	United States	143	131
First National Bank, Chicago	United States	123	122
First Nationwide Bank, FSB, San Francisco	United States	237	173
First Pennsylvania Bank NA, Philadelphia	United States	492	475
First Union National Bank of Florida, Jacksonville	United States	367	375
First Union National Bank, Charlotte, N.C.	United States	264	217
Fleet National Bank, Providence, R.I.	United States	420	354
Florida National Bank, Jacksonville	United States	425	426
Forsta Sparbanken, Stockholm	Sweden	360	416
Frankfurter Sparkasse, Frankfurt	Germany	278	326
Fuji Bank, Ltd., Tokyo	Japan	4	3
Fukui Bank, Ltd.	Japan	247	268
Fukuoka City Bank, Ltd.	Japan	206	238
Fukutoku Bank, Ltd., Osaka	Japan	239	259
Generale Bank, Brussels	Belgium	57	65
Genossenschaftliche Zentralbank, Stuttgart	Germany	262	304
Gibraltar Savings, FA, Simi Valley, Calif.	United States	441	451
Girozentrale und Bank der Oesterreich. Sparkassen, Vienna	Austria	150	151
Glendale Federal Bank, FSB, Calif.	United States	184	159
Goldome, Buffalo, N.Y.	United States	287	271
Gotabanken, Stockholm	Sweden	314	322
Great American Bank, SSB, San Diego, Calif.	United States	295	266
Great Western Bank, FSB, Beverly Hills	United States	135	123
Greenwood Trust Co., New Castle, Del.	United States	459	459
Groupe Des Banques Populaires, Paris	France	69	70
Gulf Bank, Kuwait	Kuwait	428	476
Gulf International Bank, Manama	Bahrain	288	343
Gunma Bank, Ltd., Maebashi	Japan	122	128
Habib Bank Ltd., Karachi	Pakistan	490	510
Hachijuni Bank, Ltd., Nagano	Japan	111	121
Hambros Bank Ltd., London	United Kingdom	477	551
Hamburger Sparkasse, Hamburg	Germany	188	221
Hamburgische Landesbank-Girozentrale, Hamburg	Germany	121	138
Hang Seng Bank Ltd., Hong Kong	Hong Kong	149	169
Hanil Bank Ltd., Seoul	Korea	212	177
Hanshin Bank, Ltd., Kobe	Japan	406	461
Harris Trust & Savings Bank, Chicago	United States	382	346
Hessische Landesbank-Girozentrale, Frankfurt	Germany	86	108
Hibernia National Bank, New Orleans, La.	United States	448	482
Higashi-Nippon Bank, Ltd., Tokyo	Japan	346	402
Higo Bank, Ltd., Kumamoto	Japan	210	235
Hill, Samuel Bank, Ltd., London	United Kingdom	467	200
Hiroshima-Sogo Bank, Ltd.	Japan	251	275
Hokkaido Bank, Ltd., Sapporo	Japan	163	175
Hokkaido Takushoku Bank, Ltd., Sapporo	Japan	63	64
Hokkoku Bank, Ltd., Kanazawa	Japan	211	237
Hokuetsu Bank, Ltd., Nagaoka	Japan	274	314
Hokuriku Bank Ltd., Toyama	Japan	74	76
Home Savings of America, FA, Irwindale, Calif.	United States	107	99
Homefed Bank, FSB, San Diego, Calif.	United States	217	208
Hongkong and Shanghai Banking Corp., Hong Kong	Hong Kong	26	27
Hua Nan Commercial Bank, Ltd., Taipei	Taiwan	153	161
Huntington National Bank, Columbus, Ohio	United States	394	388
Hyakugo Bank, Ltd., Tsu	Japan	204	231
Hyakujushi Bank, Ltd., Takamatsu	Japan	177	189
Hyogo Bank, Ltd., Kobe	Japan	137	147
Imperial Savings Assn., San Diego, Calif.	United States	393	360
Industrial Bank of Japan, Ltd., Tokyo	Japan	6	6
Industrial Bank of Korea, Seoul	Korea	353	284
International Commercial Bank of China, Taipei	Taiwan	488	438
Ippa Bank, Antwerp	Belgium	500	560
Israel Discount Bank, Ltd., Tel-Aviv	Israel	201	226
Istituto Bancario Italiano, Milan	Italy	402	376
Istituto Bancario San Paolo di Torino, Turin	Italy	39	34
Iyo Bank, Ltd., Matsuyama	Japan	175	198
Joyo Bank, Ltd., Mito	Japan	73	80
Juroku Bank, Ltd., Gifu	Japan	144	155
Jyske Bank, Silkeborg	Denmark	374	410
Kagawa Bank, Ltd., Takamatsu	Japan	491	537
Kagoshima Bank, Ltd.	Japan	259	279
Kansallis-Osake Pankki, Helsinki	Finland	145	118
Kanto Bank, Ltd., Tsuchiura	Japan	464	514
Keiyo Bank, Ltd., Chiba	Japan	257	283
Kita-Nippon Bank, Ltd., Morioka	Japan	499	546
Kiyo Bank, Ltd., Wakayama	Japan	193	213
Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	297	251
Kofuku Bank, Ltd., Osaka	Japan	231	260
Korea Development Bank, Seoul	Korea	342	156
Korea Exchange Bank, Seoul	Korea	243	166
Korea First Bank, Seoul	Korea	230	197
Korea Housing Bank, Seoul	Korea	390	303
Kredietbank N.V., Brussels	Belgium	80	90
Kredietbank S.A. Luxembourgeoise, Luxembourg	Luxembourg	260	289
Kreissparkasse Koeln, Cologne	Germany	388	448
Krung Thai Bank Ltd., Bangkok	Thailand	361	396
Kyowa Bank, Ltd., Tokyo	Japan	40	41
Kyushu Bank, Ltd., Sasebo	Japan	417	474
Land Bank of Taiwan, Taipei	Taiwan	179	190
Landesbank Rheinland-Pfalz Girozentrale, Mainz	Germany	131	141
Landesbank Schleswig-Holstein Girozentrale, Kiel	Germany	308	168
Landesgirokasse, Stuttgart	Germany	244	277
Lloyds Bank Plc, London	United Kingdom	37	43
Long-Term Credit Bank of Japan Ltd., Tokyo	Japan	20	21
Luzerner Kantonalbank, Lucerne	Switzerland	387	439
Lyonnaise de Banque, Lyon	France	339	358
Malayan Banking Berhad, Kuala Lumpur	Malaysia	305	325
Manufacturers Hanover Trust Co., New York	United States	79	81
Manufacturers National Bank, Detroit	United States	376	390
Marine Midland Bank NA, Buffalo, N.Y.	United States	169	178
Maryland National Bank, Baltimore	United States	392	383
Medium Business Bank of Taiwan, Taipei	Taiwan	235	211
Mellon Bank NA, Pittsburgh	United States	190	170
Meridian Bank, Reading, Pa.	United States	317	330
Meritor Savings Bank, Philadelphia	United States	265	276
Michigan National Bank, Farmington Hills	United States	336	344
Michinoku Bank, Ltd., Aomori	Japan	356	412
Midland Bank Plc, London	United Kingdom	35	39
Midlantic National Bank, Newark, N.J.	United States	340	348
Mie Bank, Ltd., Yokkaichi	Japan	457	508
Mitsubishi Bank Ltd., Tokyo	Japan	3	4
Mitsubishi Trust & Banking Corp., Tokyo	Japan	8	11
Mitsui Bank, Ltd., Tokyo	Japan	18	14
Mitsui Trust & Banking Co., Ltd., Tokyo	Japan	17	19
Miyazaki Bank, Ltd.	Japan	366	401
Monte dei Paschi di Siena	Italy	61	59
Morgan Grenfell & Co. Ltd., London	United Kingdom	343	328
Morgan Guaranty Trust Co., New York	United States	82	72
Motherwell District Municipal Bank Ltd.	United Kingdom	415	495
Musashino Bank, Ltd., Omiya	Japan	258	294
N.M. Rothschild & Sons Ltd., London	United Kingdom	449	505
NCNB National Bank of Florida, Tampa	United States	284	295
NCNB National Bank of North Carolina, Charlotte	United States	263	192
NCNB Texas National Bank, Dallas	United States	125	126
NMB Postbank Group, N.V., Amsterdam	Netherlands	48	51
Nanto Bank, Ltd., Nara	Japan	167	182
Nassauische Sparkasse Wiesbaden, Wiesbaden	Germany	365	432
National Australia Bank, Ltd, Melbourne	Australia	94	84
National Bank of Abu Dhabi	United Arab Emirate	486	531
National Bank of Canada, Montreal	Canada	139	134
National Bank of Detroit	United States	232	214
National Bank of Dubai Ltd., Dubai	United Arab Emirate	472	494
National Bank of Egypt, Cairo	Egypt	435	454
National Bank of Greece, Athens	Greece	133	144
National Bank of Kuwait	Kuwait	234	269
National City Bank, Cleveland	United States	455	413
National Commercial Bank, Jeddah	Saudi Arabia	146	163
National Westminster Bank Plc, London	United Kingdom	16	18
National Westminster Bank USA, New York	United States	225	248
Nedcor Ltd., Johannesburg	South Africa	311	377
Niigata Chuo Bank, Ltd.	Japan	470	512
Nippon Credit Bank, Ltd., Tokyo	Japan	34	31
Nippon Trust Bank, Ltd., Tokyo	Japan	151	146
Nishi-Nippon Bank, Ltd., Fukuoka	Japan	152	160
Nordbanken, Stockholm	Sweden	334	372
Norddeutsche Landesbank Girozentrale, Hannover	Germany	55	66
Norinchukin Bank, Tokyo	Japan	11	10
Norske Creditbank, Oslo	Norway	254	243
North Pacific Bank, Ltd., Sapporo	Japan	327	380
Northern Trust Co., Chicago	United States	473	394
Norwest Bank Minnesota NA, Minneapolis	United States	444	398
Oesterreichische Laenderbank, Vienna	Austria	157	164
Oesterreichische Postsparkasse, Vienna	Austria	218	240
Ogaki-Kyoritsu Bank, Ltd., Ogaki	Japan	202	227
Oita Bank, Ltd.	Japan	271	307
Osuuspankkien Keskuspankki Oy, Helsinki	Finland	496	267
Oversea-Chinese Banking Corp., Ltd., Singapore	Singapore	335	341
PKbanken, Stockholm	Sweden	97	86
Peoples Bank, Bridgeport, Conn.	United States	450	460
Philadelphia National Bank	United States	358	359
Pittsburgh National Bank	United States	266	228
Postipankki, Helsinki	Finland	203	193
Provident National Bank, Philadelphia	United States	440	407
Rabobank Nederland, Utrecht	Netherlands	56	45
Rafidain Bank, Baghdad	Iraq	85	97
Raiffeisen Zentralbank Oesterreich AG, Vienna	Austria	228	219

WORLD BANKING

Alphabetical Listing of Top 500 Banks in Deposits

With deposit and asset ranks on Dec. 31, 1989

		Deposits Rank	Asset Rank
Republic National Bank, New York	United States	200	205
Riggs National Bank, Washington, D.C.	United States	439	481
Riyad Bank Ltd., Jeddah	Saudi Arabia	292	305
Royal Bank of Canada, Montreal	Canada	44	49
Royal Bank of Scotland Plc., Edinburgh	United Kingdom	90	103
S.G. Warburg & Co., Ltd., London	United Kingdom	293	342
Saitama Bank Ltd., Urawa	Japan	42	40
Samuel Montagu & Co., Ltd., London	United Kingdom	476	539
San-in Godo Bank, Ltd., Matsue	Japan	229	252
Sanwa Bank California, San Francisco	United States	453	466
Sanwa Bank Ltd., Osaka	Japan	5	5
Saudi American Bank, Riyadh	Saudi Arabia	458	455
Seattle-First National Bank	United States	283	290
Security Pacific Bank Washington, Seattle	United States	400	420
Security Pacific National Bank, Los Angeles	United States	84	82
Senshu Bank, Ltd., Kishiwada	Japan	329	379
Shawmut Bank NA, Boston	United States	460	373
Shiga Bank, Ltd., Otsu	Japan	178	204
Shikoku Bank, Ltd., Kochi	Japan	255	287
Shimizu Bank, Ltd.	Japan	478	523
Shinhan Bank, Seoul	Korea	437	300
Shinwa Bank, Ltd., Sasebo	Japan	330	382
Shizuoka Bank Ltd.	Japan	78	88
Shoko Chukin Bank, Tokyo	Japan	47	55
Signet Bank/Virginia, Richmond	United States	474	386
Skandinaviska Enskilda Banken, Stockholm	Sweden	108	74
Skopbank, Helsinki	Finland	316	180
Societe Generale Alsacienne de Banque, Strasbourg	France	224	257
Societe Generale, Paris	France	21	20
Societe Nationale de Credit a l'Industrie, Brussels	Belgium	222	246
Societe de Banque Suisse (Luxembourg)	Luxembourg	475	522
Society National Bank, Cleveland	United States	412	417
Southeast Bank NA, Miami	United States	227	232
Sovran Bank NA, Richmond	United States	270	258
Sparbankernas Bank, Stockholm	Sweden	197	94
Sparekassen Bikuben, Copenhagen	Denmark	355	317
Sparkasse der Stadt Berlin West, Berlin	Germany	233	264
Stadt-Sparkasse Duesseldorf	Germany	463	527
Stadtsparkasse Koeln, Cologne	Germany	323	352
Stadtsparkasse Munchen, Munich	Germany	375	435
Standard Bank of South Africa Ltd., Johannesburg	South Africa	276	320
Standard Chartered Bank, London	United Kingdom	100	113
Standard Federal Bank, Troy, Mich.	United States	416	357
State Bank Victoria, Melbourne	Australia	213	222
State Bank of New South Wales, Sydney	Australia	349	315
State Bank of South Australia, Adelaide	Australia	245	280
State Street Bank & Trust Co., Boston	United States	419	331
Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	Germany	205	236
Sudwestdeutsche Landesbank, Stuttgart	Germany	77	92
Sumitomo Bank Ltd., Osaka	Japan	2	2
Sumitomo Trust & Banking Co., Ltd., Osaka	Japan	13	17
Suruga Bank, Ltd., Numazu	Japan	182	206
Svenska Handelsbanken, Stockholm	Sweden	113	104
Swiss Bank Corp., Basle	Switzerland	29	28
Swiss Volksbank, Berne	Switzerland	138	153
TSB Bank, Plc., London	United Kingdom	104	110
Taiheiyo Bank, Ltd., Tokyo	Japan	479	524
Taiwan Cooperative Bank, Taipei	Taiwan	117	130
Taiyo Kobe Bank, Ltd., Kobe	Japan	22	22
Texas Commerce Bank NA, Houston	United States	405	298
Thai Farmers Bank, Bangkok	Thailand	397	428
Thurgauische Kantonalbank, Weinfelden	Switzerland	483	526
Tochigi Bank, Ltd., Utsunomiya	Japan	403	447
Toho Bank, Ltd., Fukushima	Japan	250	274
Tokai Bank Ltd., Nagoya	Japan	10	9
Tokyo Sowa Bank, Ltd.	Japan	166	183
Tokyo Tomin Bank, Ltd.	Japan	236	261
Toronto Dominion Bank	Canada	81	91
Towa Bank, Ltd., Maebashi	Japan	303	345
Toyo Trust & Banking Co. Ltd., Tokyo	Japan	30	29
Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	Turkey	408	361
Ulster Bank Ltd., Belfast	United Kingdom	454	499
Unibank, Copenhagen	Denmark	98	107
Union Bank of Finland, Ltd., Helsinki	Finland	132	120
Union Bank of Norway, Oslo	Norway	452	463
Union Bank of Switzerland (Luxembourg)	Luxembourg	306	368
Union Bank of Switzerland, Zurich	Switzerland	31	30
Union Bank, San Francisco	United States	241	241
Union de Banques Arabes et Francaises, Neuilly (w)	France	383	423
United Mizrahi Bank Ltd., Tel-Aviv	Israel	404	441
United Overseas Bank Ltd., Singapore	Singapore	348	362
United States National Bank, Portland	United States	373	337
United World Chinese Commercial Bank, Taipei	Taiwan	386	406
Valley National Bank, Phoenix	United States	319	366
Vereins-und Westbank, Hamburg	Germany	240	278
Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	United States	248	242
Wells Fargo Bank NA, San Francisco	United States	96	96
West LB International, Luxembourg	Luxembourg	423	457
Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	Germany	196	212
Westdeutsche Landesbank Girozentrale, Duesseldorf	Germany	32	37
Westfalenbank, Bochum	Germany	186	230
Westpac Banking Corp., Sydney	Australia	67	58
World Savings, FS&LA, Oakland, Calif.	United States	246	201
Yamagata Bank, Ltd.	Japan	357	404
Yamaguchi Bank, Ltd., Shimonoseki	Japan	141	150
Yamanashi Chuo Bank, Ltd., Kofu	Japan	282	310
Yasuda Trust & Banking Co. Ltd., Tokyo	Japan	24	23
Yorkshire Bank Plc, Leeds	United Kingdom	433	480
Zenshinren Bank, Tokyo	Japan	54	62
Zentralsparkasse und Kommerzialbank, Vienna	Austria	171	196

Foreign Currency Exchange Guide and Exchange Rate Comparisons

Name of Country	Currency	Symbol	Rate 12/31/89	Rate 12/31/88	Gain /Loss
Argentina	Austral	AP	0.000735	0.061300	–98.80
Australia	Dollar	A$	0.776000[1]	0.783000[1]	-0.88
Austria	Shilling	AS	0.084000	0.080000	+5.00
Bahamas	Dollar	B$	1.000000	1.000000	00.00
Bahrain	Dinar	BaD	2.650000	2.640000	+0.38
Belgium	Franc	BF	0.028100	0.026800	+4.85
Brazil	New Cruzado	BC	0.112000[2]	0.001360	+8,135[2]
Canada	Dollar	C$	0.852000[3]	0.818000[3]	+4.16
Chile	Peso	CP	0.003000	0.004000	–25.00
Denmark	Krone	DK	0.151000	0.145000	+4.14
Egypt	Pound	EP	0.386000[4]	0.432000[4]	–10.65
Ethiopia	Birr	EB	0.483000	0.482000	+0.21
Finland	Markka	FM	0.246000	0.240000	+2.50
France	Franc	FF	0.173000	0.163000	+6.13
Germany	Deutsche Mark	DM	0.590000	0.560000	+5.36
Greece	Drachma	GD	0.006300	0.006700	–5.97
Hong Kong	Dollar	H$	0.128000	0.128000	.....
India	Rupee	InR	0.058000[5]	0.064390[5]	–9.92
Indonesia	Rupiah	IR	0.000560	0.000579	–3.28
Iran	Rial	Ri	0.014000[6]	0.014000[6]	.....
Iraq	Dinar	ID	3.100000	3.200000	–3.13
Ireland	Pound	IP	1.580000[5]	1.431000[5]	+10.41
Israel	Shekel	IS	0.530000	0.626000	–15.34
Italy	Lira	L	0.000789	0.000765	+3.14
Japan	Yen	Y	0.006289[5]	0.007508[5]	–16.24
Jordan	Dinar	JD	1.560000	2.100000	–25.71
Korea	Won	KW	0.001470	0.001400	+5.00
Kuwait	Dinar	KD	3.410000	3.550000	–3.94
Liechtenstein	(a)	...	....	....	.....
Luxembourg	Franc	LF	0.028000	0.026700	+4.87
Malaysia	Dollar	M$	0.370000	0.383000	–3.39
Mexico	Peso	MP	0.000372	0.000431	–13.69
Morocco	Dirham	MD	0.122000	0.122000	.....
Netherlands	Guilder	G	0.524000	0.498000	+5.22
New Zealand	Dollar	N$	0.590000[1]	0.613000[1]	–3.75
Norway	Krone	NK	0.151000	0.152000	–0.66
Pakistan	Rupee	PR	0.047000	0.054000	–12.96
Philippines	Peso	PP	0.045900	0.048300	–4.97
Portugal	Escudo	PE	0.006680	0.006810	–1.91
Qatar	Riyal	QR	0.274000	0.274000	.....
Saudi Arabia	Riyal	SAR	0.266000	0.260000	+2.31
Singapore	Dollar	S$	0.526000	0.513000	+2.53
South Africa	Rand	SR	0.371000[1]	0.401000[1]	–7.48
Spain	Peseta	SP	0.009130	0.008820	+3.51
Sweden	Krona	SK	0.161000	0.163000	–1.23
Switzerland	Franc	SF	0.648000	0.665000	–2.56
Syria	Pound	SyP	0.047000	0.088000	–46.59
Taiwan	NT Dollar	T$	0.038380	0.034600	+10.92
Thailand	Baht	TB	0.039000	0.039690	–1.74
Turkey	Pound	TP	0.000436	0.000550	–20.73
United Arab Emirates	Dirham	UD	0.272000	0.272000	.....
United Kingdom	Pound	P	1.610000	1.808000	–10.95
Yugoslavia	Dinar	YD	0.000008[7]	0.000190	–95.79

Figures shown are the dollar values per unit of foreign currency. Most of the currencies are converted into dollars using the New York cable rate for the date shown. Unless otherwise noted, the exchange rates shown are for yearend 1989 and 1988, respectively. Exchange rates for dates other than 12/31/89 and 12/31/88 indicate that most or all banks in a country reported data as of the date indicated. **(a)**— Banks in country use Swiss francs. **([1])**— As of 9/30/89 and 9/30/88, respectively. **([2])**— The official rate for the new cruzado at yearend was $0.088. Since yearend, the market rate of the new cruzado has fallen 85% to $0.0166 as of 6/29/90. **([3])**— As of 10/31/89 and 10/31/88, respectively. **([4])**— As of 6/30/89 and 6/30/88, respectively. **([5])**— As of 3/31/90 and 3/31/89, respectively. **([6])**— As of 3/20/89 and 3/20/88, respectively. **([7])**— Dinar was devalued 10,000-to-1 shortly after yearend.

Compiled by American Banker, Copyright 1990.

C0175-1

AMERICAN BANKER

VOL. CLV NO. 147 Monday, July 30, 1990 year

NEWSPAPER 155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 300
BETHESDA MD 20814

Lenders Seeking Payment If Loan Becomes HLT

By STEVEN LIPIN

The $1 billion in bank financing lined up for Kansas Gas and Electric Co.'s bid for Kansas City Power & Light Co. was significant for the banking community because it was the first hostile takeover financed by banks in many months, and, at the same time, avoided the tag of highly leveraged transaction.

But the bank facility – led by First Chicago Corp. and Westpac Banking Corp. – is important for another reason: It is the largest loan to date that has included language protecting lenders if the loans are ever classified as HLTs.

ANALYSIS: *Follow-up on the news*

Even as leveraged lending picks up from its lows, a growing number of lenders are including the protective "event risk" language that ensures banks some form of compensation if the loans slip into the classification.

"We're trying to make it a standard clause," said one money-center banker. "It doesn't make a difference who the borrower is."

Standard Language on the Way

No less than seven new loans have included the language, and bankers said many new non-HLT loans will include the provisions. Eventually, bankers said, it could be standard operating language for deals that at the margin are not HLTs but could fall into that category.

"Lenders are calling the shots to a much greater degree," said Dennis Amato, senior vice president at Continental Bank. "The concern is if a loan becomes an HLT, that banks get paid for it."

Limited Capital for HLTs

Bankers note that regulatory and shareholder pressure has limited the amount of capital devoted to HLTs. But if loans are reclassified either because of additional leveraging or because regulators deem the loans HLTs after origination, banks want to be rewarded for the increased risk.

"It's a typical market response to a new regulatory constraint," said Christopher L. Snyder, president of Loan Pricing Corp.

While no boilerplate language has been developed for the new loans, a number of common themes have emerged:

- Step-up pricing. The interest rates on the Kansas Gas loans increase 50 basis points if the loan becomes an HLT. In a $300 million loan for Mark IV Industries by Continental Bank and

See **LANGUAGE** *page* **18**

INSIDE NEWS

WASHINGTON

THE FDIC will appeal a recent court ruling that the agency overstepped its authority in declaring 12 subsidiaries of Texas American Bancshares insolvent. *Page 2*

THE ENVIRONMENTAL liability debate has focused on lenders, but apparently the federal government is also looking for ways to avoid having to pay for the cleanup of properties it has inherited from failed banks and thrifts. *Page 8*

CONSUMER

ACTIVISTS SAY NCNB has not done enough for low-income consumers in Texas, in view of all the tax breaks it received to move into that market. *Page 6*

INTERNATIONAL

A HONG KONG billionaire will acquire a 50% stake in a New York investment company that is purchasing $3 billion in junk bonds and preferred stock from Columbia Savings and Loan Association. *Page 14*

FINANCE

SHARPLY LOWER earnings at Coast Savings Financial and Great American Bank are causing analysts to question the viability of these California institutions. *Page 20*

TECHNOLOGY

INCREASED USE of satellite communications may pay dividends even for banks that sidestep the technology and stick with phone company services. *Page 3*

COMMENT

THE COURTS have often applied legal and economic theories with questionable validity to impose new obligations on lenders, write Henry A. Hubschman and Jesse M. Caplan. *Page 5*

PEOPLE

JAMES C. GRANT, chief technologist at Royal Bank of Canada, has encouraged the development of what he calls hybrid bankers: technologists who are also businessmen. *Page 2*

INDEX

Company Index 2
Sound Off 4
Classified Advertising 16
Bank and Thrift Stocks 19

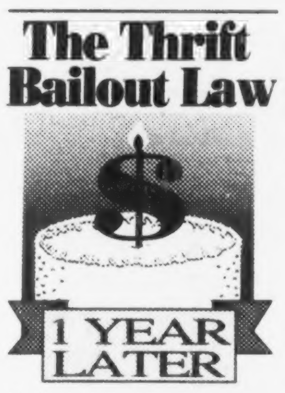
AP/Wide World

BIRTH OF A BAILOUT: Banking, politics, and the economy felt the aftereffects of the law President Bush signed last August.

Despite Flaws, Slow Start, Bailout Is Picking Up Steam

By ROBERT M. GARSSON
First of a Series

WASHINGTON — When President Bush walked into the Rose Garden on a sun-filled day last Aug. 9, the world seemed bright with promise. He was about to sign a landmark savings and loan bill that not only would make huge sums of money available for the costly cleanup, but would also bring authentic reform to an industry long accustomed to lax supervision and phony accounting.



That heady moment proved short-lived, however, as the Bush administration hit the ground crawling in the days that followed. The first eight months of the bailout were characterized by bureaucratic infighting and little action in dealing with the hundreds of insolvent institutions that dotted the financial landscape.

Size of Problem Unanticipated

Today, as the Financial Institutions Reform, Recovery, and Enforcement Act nears its anniversary, the bailout appears to have been overtaken by cash shortages, political bickering, and a growing realization that the thrift problem was much deeper than anyone ever imagined.

Yet for all the law's apparent flaws, many observers believe that its reform elements are working exactly as intended and that the cleanup, despite its

See **BAILOUT** *page* **12**

Visa Is Firing New Volley At American Express Card

By YVETTE D. KANTROW

NEW YORK – Having spent millions to persuade consumers to choose its card, Visa U.S.A. is opening another front in its war with American Express Co.

On Wednesday, Visa will begin a mass-market campaign attacking the rates that merchants pay for what it sarcastically calls the "privilege" of accepting American Express cards.

If a merchant's customers are paying with American Express cards, the ad states, "call 800-Visa-511, and we'll show you how to turn a bigger profit."

Wheel of Comparison

Respondents will receive a Visa "profit-improvement calculator," which is a cardboard wheel they can use to compare what they spend on American Express transactions with what they spend on Visa transactions.

"We want to remind merchants that they pay more for American Express, and hopefully they will show a preference for Visa," a spokesman for the bank card association said. The ad is scheduled to run in *The Wall Street Journal, Business Week, Time, Forbes,* and other business and trade publications.

To accept credit cards, merchants typically pay their banks or other service providers fees, known as discounts. These discounts are a perecentage of each credit card sale and vary by the retailer's industry and sales

See **VISA** *page* **6**

Avantor, We Hardly Knew Ya

By KENNETH CLINE

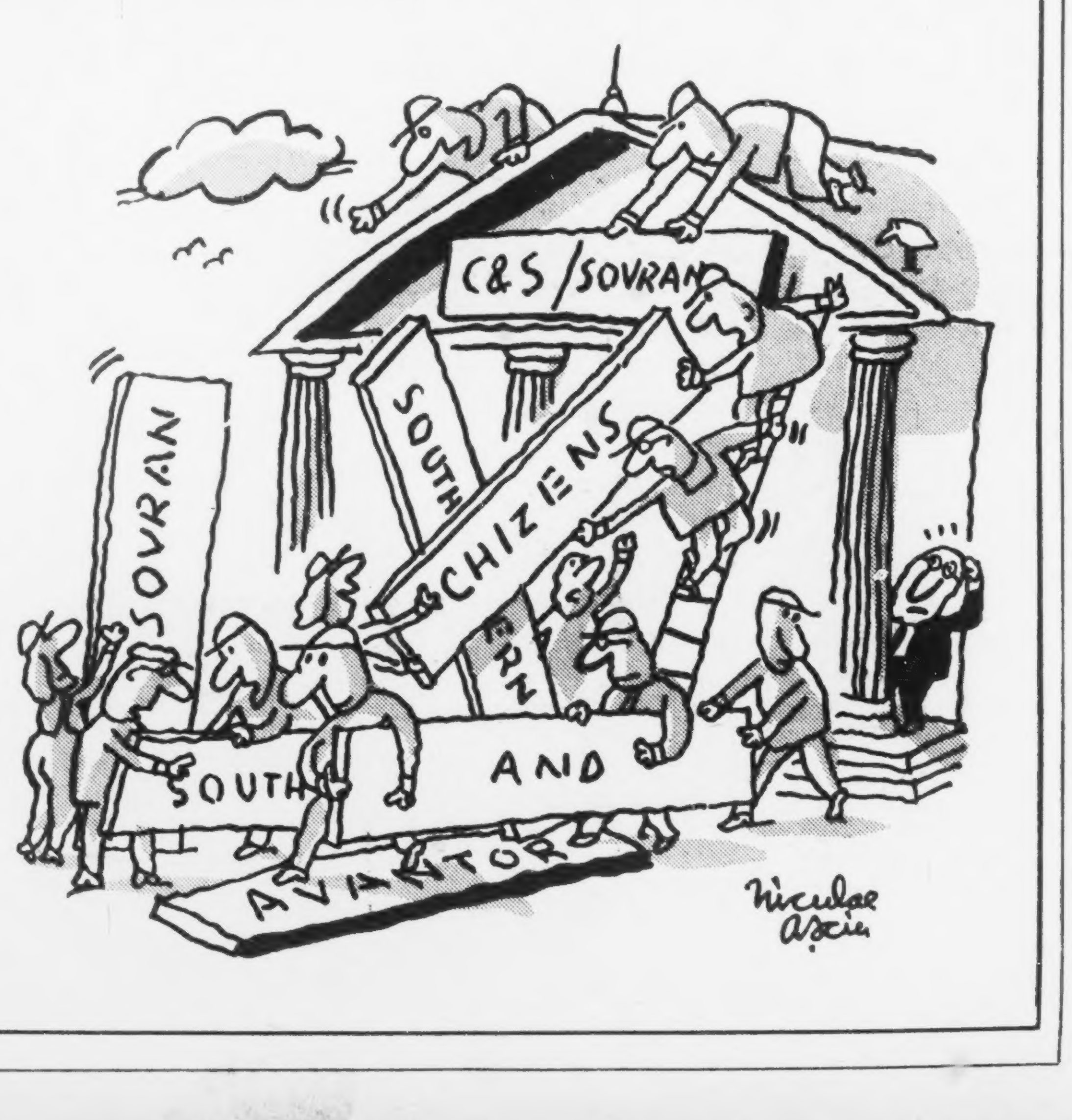
ATLANTA — Last fall, when Citizens and Southern Corp. and Sovran Financial Corp. announced plans to merge, they proudly revealed the name for the joint company: Avantor Financial Corp.

The doubts started to set in during the ensuing months, as the companies' top executives got an earful of snickers and criticism from employees, customers, journalists, and investors.

"Nobody told us that Avantor is a wonderful name," said Dennis C. Bottorff, president and chief operating officer of Sovran, which is based in Norfolk, Va.

During a meeting with analysts this year in Atlanta,

See **AVANTOR** *page* **17**



PEOPLE *in the news*

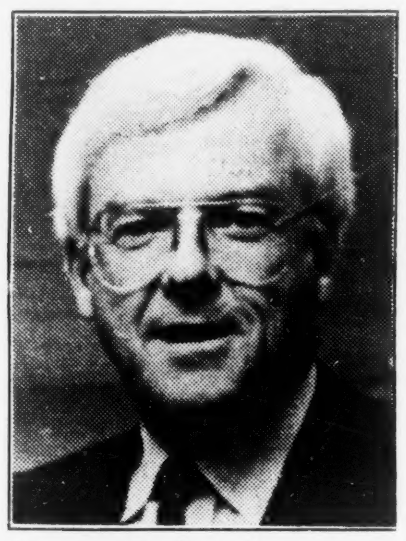
James C. Grant Engineers PC Network for Royal Bank

By JEANNE IIDA

James C. Grant, chief technologist at Royal Bank of Canada, is a hard-driving engineer who has encouraged the development of what he calls hybrid bankers – technologists who are also businessmen.

His vision has helped make the Canadian bank one of the top business performers in North America.

With the largest branch network in North America, Royal Bank is now engaged in an ambitious project that is rivaled in scope only by those of one or two U.S. banks. It plans to install 15,000 personal computers in its 1,560 branches by year-end and redesign those branches to create a sales-oriented environment.


James C. Grant

Mr. Grant is well-suited for the mission. He spent spent four and a half years heading retail operations of the bank before becoming senior vice president of operations in October 1984 and executive vice president of systems and technology in February 1987.

A winner in 1989 of the prestigious information management award from Carnegie Mellon University, Mr. Grant is a hands-on manager who draws innovative ideas from his staff, then pushes hard for those ideas with top management.

"He doesn't just sit in a mahogany office," said Kenneth Morrison, vice president of technology and distribution in corporate banking at the Royal Bank, which is based in Toronto.

"He's a gentleman demanding respect," said Frank Lablans, vice president of retirement income services at Royal Bank. At the same time, "he's aggressive, he likes new directions and new things – he's a go-getter."

Several years ago, Mr. Grant designed a weeklong course on the benefits of technology that all of the banks' top 200 employees, including the chairman, attended.

The cross-fertilization of technology and traditional banking talent has led to some changes at the bank. Many of its top executives in retail banking, corporate banking, and credit card services are now systems people who requested transfers.

When he headed the retail unit, Mr. Grant positioned the area for its rapid growth of the past few years through a shrewd use of technology and keen sense of the banking and investment habits of consumers.

Sophisticated Systems that U.S. Banks Lack

Royal Bank's share of the Canadian retail market has grown over the past four years to 25.5% from 23.75%. The bank offers network services such as electronic data interchange to large corporate customers and has had integrated customer profile information for years. Most U.S. banks are just beginning to build such systems.

"Jim's been a key player in the bank's success," said Mr. Lablans.

When asked about his private life, Mr. Grant jokes, "What private life?" but concedes he is an avid squash player who makes time for three to five games a week.

Born in Nova Scotia, Mr. Grant has an electrical engineering degree from St. Francis Xavier College there. For five years he worked as an air traffic controller, "keeping planes from bumping into each other over the North Atlantic." ☐

NEWS *briefs*

First Union's Florida Chief To Oversee Credit Policy

JACKSONVILLE, Fla. — Billy J. Walker, chairman and chief executive officer of First Union National Bank of Florida, said he is taking on additional responsibility as chairman of the credit policy committee. He said the move reflects a growing commitment to commercial lending following the company's acquisition by First Union Corp. of Charlotte, N.C.

Mr. Walker, who is also a vice chairman of the $38 billion-asset parent, is preparing to step down as Florida CEO next March.

Pacific First of Seattle To Sell Utah Branches

TORONTO — Royal Trustco said its subsidiary, Pacific First Financial Corp. of Seattle, will sell its 17 Utah branches to First Security Corp. of Salt Lake City, Utah, for $3.25 million. The sale is subject to regulatory approval.

Pacific First acquired the Utah operations in June when it acquired American Savings and Loan of Oregon. But Royal Trustco President Michael Cornellissen said that Utah was "not in line with our strategy to focus on the West Coast."

Through Pacific First, Royal Trust operates 163 branches in four states.

Synovus to Buy Fairbanco

COLUMBUS, Ga. — Synovus Financial Corp. signed a letter of intent to acquire Fairbanco Holding Co. Inc., parent of the $68 million-asset Fairburn (Ga.) Banking Co. Terms were not disclosed.

The $2.7 billion-asset Synovus owns 14 banks in three Southeastern states. ☐

FDIC to Appeal Texas Decision

Seeks to Vindicate Handling of 12 Bank Closings

By BILL ATKINSON

WASHINGTON — The Federal Deposit Insurance Corp. will appeal a recent court ruling that the agency overstepped its authority in declaring 12 subsidiaries of Texas American Bancshares insolvent, a senior FDIC legal official said.

The agency is trying to recover from a stunning defeat in June when U.S. District Judge Barefoot Sanders awarded Fort Worth-based Texas American $5 million in damages.

Illegal Seizure Is Claimed

Texas American sued the FDIC about a year ago, shortly after its 24 subsidiary banks were declared insolvent. Robert G. Clark, the FDIC's senior litigation counsel, said Friday an appeal should be filed within the next two weeks.

Texas American argued that 12 of the banks were solvent and should not have been seized. The FDIC claimed that the 12 healthy banks would have become insolvent once the agency took Texas American's flagship bank in Forth Worth.

After declaring all 24 banks insolvent, the FDIC sold them as a package to an investor group that offered to pump money into the network.

Further Lawsuits Pending

The case is complex and could affect the FDIC's procedures in closing solvent subsidiaries of troubled holding companies.

In addition to Texas American, the FDIC is wrestling with a $70 million suit filed by Dallas-based MCorp that alleges that the FDIC overstepped its bounds by shutting profitable units when the main bank failed. The suit is still pending.

Judge Sanders, presiding over the U.S. District Court for the Northern District of Texas, Dallas, ruled that the solvent banks were not treated equally as other creditors, and ruled in favor of Texas American.

Alfred J.T. Byrne, the FDIC's recently appointed general counsel, called the decision "a setback, and an important setback that we need to address forthright and carefully." ☐

Bank Panel Hears of Ailing Student Loan Guarantors

Reuters

WASHINGTON — U.S. Education Under Secretary Ted Sanders told the Senate Banking Committee on Friday that five to seven student loan guarantee agencies besides the ailing Higher Education Assistance Foundation are in a weakened condition.

HEAF, Overland Park, Kan., which is one of the nation's largest guarantors of student loans, faces serious financial problems because of higher default rates, and the Department of Education is negotiating for its takeover.

Mr. Sanders said the department is in intensive negotiations with one or more entities interested in assuming HEAF's obligations. He told the committee the maximum cost to the U.S. taxpayers of a takeover of HEAF would be $100 million.

Sallie Mae Solution

One possible solution would be for the Student Loan Marketing Association to become the guarantor of HEAF loans originated under the guaranteed student loan program. After *The Wall Street Journal* reported last Friday that Sallie Mae had bid to take over HEAF's assets, the agency issued a statement confirming only that the Education Department had invited proposals to resolve HEAF's difficulties.

A decision on HEAF's future should be made "in the near term," Mr. Sanders said in a subsequent interview. He declined to be more specific.

Committee Chairman Donald Riegle, D-Mich., argued that "once again it appears the federal government has explicitly or implicitly guaranteed risks stemming from the behavior of financial institutions over which it has little or no control."

Default Rate Soared

Mr. Riegle, at the start of the hearing on HEAF and Sallie Mae, said there was no adequate mechanism for the federal government to require sufficient capital or to step in more directly in the event of insolvency of privately run student loan guarantors. The Senate panel learned that the default rate on student loans grew 352% from 1983 to 1989, from $441 million to $2 billion.

Louis Gerhardstein of the Medill News Service contributed to this article.

Correction

A listing of the largest banks in Japan (July 26, page 24A) contained incorrect data for Sumitomo Bank Ltd., Osaka. Sumitomo had assets of $368.2 billion on Dec. 31, 1989, to rank as the second-largest in Japan and the world. Dai-Ichi Kangyo Bank, Tokyo, was the largest with $403.4 billion. Both banks were listed correctly in the ranking of the world's 500 largest banks, which began on page 14A.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Alerion ... 1
Altus ... 1
American Bankers Assn. ... 8
American Express ... 1
American Federal ... 6
Australia and New Zealand ... 19

B
Baltimore Federal ... 12
Banc One ... 6,20
Bank of Boston ... 20
BankAmerica ... 3,20
Barnett Banks ... 3
BayBanks ... 20
Bear Stearns ... 20
J.C. Bradford ... 1

C
Cheung Kong (Holdings) ... 14
Citizens and Southern ... 1,3
City Federal ... 12
Coast Savings ... 20
Columbia Savings ... 14
Commonwealth Federal ... 12
Continental ... 1
CoreStates Financial ... 6
Crestar ... 1

D - E
Diamond Shamrock ... 6
Duval Federal ... 12

F
Fairbanco ... 2
First Chicago ... 1,20
First Gibraltar ... 6
First Interstate ... 3
First Security ... 2
First Union ... 2,3
Fitch Investors Service ... 1
Florida Federal Savings ... 17
Franklin Federal ... 6

G
GE Information Services ... 3
Glenn Monigle & Associates ... 1
Gordon America ... 14
Gordon Investment ... 14
Great American Bank ... 20
Guaranty Federal Savings ... 6

H - I
HomeFed ... 1
Horizon Financial ... 12
Hutchison Whampoa ... 14
Independent Bankers Assn. ... 1

J - L
JPS Textile ... 18
Kansas City Power Light ... 1
Kansas Gas and Electric ... 1
Lefkowith ... 1
Loan Pricing ... 1

M
Manufacturers Hanover ... 1,18
Marine Midland ... 8
MasterCard ... 1
Mechanics and Farmers Savings ... 1
Merrill Lynch ... 20
Midland Bank IBCA ... 14
Mitsui Taiyo Kobe ... 14
Moody's Investors Service ... 18,20

N - R
NCNB ... 6
Rabobank Nederland ... 14
Resolution Trust Corp. ... 1,8,12
Rivken & Associates ... 1
RJR Nabisco ... 18
J.E. Robert ... 1
Royal Bank of Canada ... 2
Royal Trustco ... 2

S
Salomon Brothers ... 20
Sanford C. Bernstein ... 1
Seafirst ... 3
Security Homestead ... 12
Security Pacific ... 1
Shawmut National ... 6
Signet ... 20
Society Corp. ... 20
Southern Finance Project ... 6
Sovran Financial ... 1,3
Standard & Poor's ... 20
Sutro ... 20
Synovus ... 1,2

T
TeleChoice ... 3
Texas American Bancshares ... 2
Trustcorp ... 20

U - Z
Unifirst ... 12
United Bank of Philadelphia ... 6
United Savings of Texas ... 6
Visa ... 1
Wells Fargo ... 20

COMMENT/*By Paul Nadler*

Banking Industry Follows In the Railroads' Tracks

To get a picture of what is happening to financial institutions today, just look at the main line of the old New York Central Railroad as it wends its way up to Albany from New York City.

Though the roadbed is wide enough for the four tracks that trains used to keep busy, now there are only two ¬ and for a while, part of the route was served by just one track!

Downscaling Needed

In sum, the railroad had too much invested in capital facilities for today's needs, so major downscaling was needed to avoid substantial losses.

Looking at the communities that have far too many bank and thrift offices – many of them large, expensive structures that devoured a lot of capital – one has to conclude that banking, too, must downsize. And though it is much easier to rip up rails than to find other uses for structures built as banks, finding those uses is part of the price for rationalizing bank and thrift operations and making them prosper again.

The reduction in the number of bank and thrift offices started with the merger-and-acquisition movement of the late 1980s. Now, the sale of troubled thrifts and banks to more profitable ones will undoubtedly speed up the process.

Looking at Who Failed

There is another way that the trend in railroads gives lessons for banking. This involves analysis of which organizations have failed.

As a graduate student in history, this writer became the world's leading expert on the abandoned railroads of Wisconsin. (I can claim the title because I am the only person who ever studied them.)

For my work, I had to examine every railroad in Wisconsin that had ever been abandoned – and there were lots of them. I found that though railroad building had started in the 1820s, every railroad ever abandoned in Wisconsin had been chartered and built after 1890.

In other words, the builders of the first 70 years had filled an economic need. But those who got into financial trouble had entered the field late, hoping to profit by generating new needs – or from the financing process, without regard to what the railroad would earn once completed.

Fast Growth Presaged Failure

Similarly, the vast majority of the banks and thrifts that have recently gotten into trouble grew from small shops into large institutions in the 1980s, under conditions that gave them virtually unlimited access to deposits and considerable freedom in their use.

As the president of a surviving thrift said of competition that had gone the Resolution Trust Corp. route: "They were growing more in one year during the 1980s than we had grown in 100 years!"

Many Closings Ahead

Just as railroads have abandoned entire lines (giving the nation the opportunity to acquire a large network of hiking and biking paths) and have downsized trackage on the lines still running, banking is likely to see a continued mergers and acquisitions and the closing of a tremendous number of branches.

Those branches cost a fortune to operate, and they are not needed in an era of automated teller machines, automatic borrowing through lines of credit and home equity loans, and centralized lending operations in headquarters.

Extensive Layoffs

And it is not just bank buildings that will have to be rationalized, although that will do a lot to reduce noncredit expenses. As banks try to boost profitability, the number of employees being laid off is staggering.

The chief executive of one major bank told a bank analyst friend of mine, for example, that the merger he has in mind could save his bank up to $300 million a year!

It is doubtful that banking will ever again need as many people as it employed as recently as a year ago.

To resist the trend would be folly, the kind lampooned in a 19th century satire in which candlemakers petition to force people to close their blinds in the daytime so more candles will be used.

Banking will rationalize itself into fewer and fewer companies. Some will be small, some medium-size, and some large – but far fewer will be redundant, as many have been up to now.

In banking and thrift operations as in railroads, our economy appears unable or unwilling to support excess capacity. A healthy, rationalized financial system is far superior to one that tries to do all things for all people, inside and outside the bank, but whose survival is in jeopardy every day. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

"SOUND OFF"

Securities and Exchange Commission Chairman Richard C. Breeden recently suggested to Congress that the government should consider selling deposit insurance to consumers at a market rate. Mr. Breeden said such a system would allow each depositor to choose what level of insurance he or she desired and could help cut the deficit. The *American Banker's* Chicago bureau chief, Nanine Alexander, asked the following question:

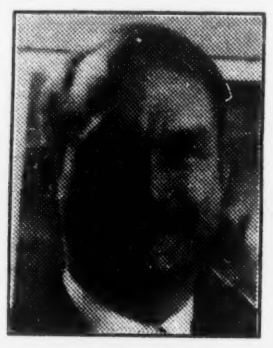
Q *What is the political viability of such a proposal among legislators, with the public, and within the banking community?*

■ Michael Heffer
Senior staff
San Francisco Consumer Action
San Francisco, Calif.

The timing is terrible for a proposal like this because of the publicity of the cost of the savings and loan bailout. What this says to the public is: not only will you have to pay for the bailout, but you will have to pay directly for insurance. It's similar to the 25-cent surcharge on deposits (a proposal abandoned by the Bush administration last year). Only this would be worse because people are in a state of shock.

An important concern of ours would be how this would affect consumers of different income levels. Would low-income consumers be priced out of insurance coverage because they couldn't afford it?

■ John Mitchell
Chief economist
U.S. Bancorp.
Portland, Ore.



I'm not sure this would fly. You can just picture an elderly widow appearing before a congressional committee saying how she didn't know that she had to get insurance on her life savings. That's one of the problems with a separate transaction notion.

I like the idea of lowering the amount that's covered, because not many families have $100,000. What we're supposed to try to do is to protect the family savings. This proposal would presumably affect higher income individuals, those with assets above the insurance limits. And we can also look at making it more difficult to broker deposits.

One thing that's good about the impulse behind the proposal is that you want to give people incentives to pay attention to where they put their money.

■ Larry A. Frieder
Professor of banking and finance
Florida A & M University
Tallahassee, Fla.

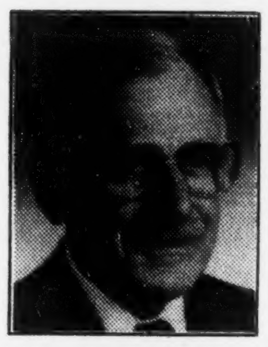
You'd get a public outcry whether you charge consumers for insurance or if you reduce the coverage.

There are some assumptions implied in Breeden's proposal. He supposes that depositors are earning more on accounts than they should and that savers are benefiting inappropriately by the current system. I wouldn't suggest lower coverage, but something should be done about multiple accounts. One solution would be to have separate deposit accounts that the banks would only be able to invest in safe securities like Treasury bills.

The insurance system as it exists isn't rational. The public perception is that the insurance system is endangered, that we have losses greater than the insurance fund. There is concern that the insurance system would break down and the taxpayer will end up picking up the tab.

I can't see the banks supporting such a proposal. It tends to increase the amount of government involvement in the operation of commercial banks. The Breeden proposal would increase the bureaucracy, restructuring it in a more problematic fashion. I think banks would find such a system impractical to implement.

■ Holmes Foster
Chief executive officer
Banks of Iowa
Des Moines, Iowa



From the industry standpoint, such a proposal drives money out of the bank to nonbank entities that are not insured. I think that does the public a disservice. The public probably isn't aware that they already pay for deposit insurance indirectly.

I don't know how this would help the deficit, and besides, I think the deficit is an excuse. What we need is some candor. What is the true cost of the S&L bailout? Where is the money going? Is it going to pay off depositors, is it the expense of regulation?

And don't blame this all on fraud. The thrift industry was vulnerable to deregulation. The regulators were warned and they ignored it. The Federal Home Loan Bank Board encouraged a lot of these problems when they began to reach for ways to help thrifts avoid the interest rate squeeze. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Ellen Memmelaar, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at New York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copy $5.75
Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Single copies available day of publication: $5.75; back-issue prices based on date of publication. Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4

$00

NEWSPAPER 15538Y000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 300
BETHESDA MD 20814

AMERICAN BANKER

VOL. CLV NO. 149 Wednesday, August 1, 1990 155th year

Some Banks Opt Not to Travel The PC Route

By JEANNE IIDA

A few leading-edge banks are installing multimillion-dollar networks of personal computers in their branch offices, and many more are considering such outlays.

Proponents of the new approach say PCs can change the way branch personnel work, allowing them to market more effectively. But some bankers contend that branch personnel do not need PCs to cross-sell products.

ANALYSIS: *Follow-up on the news*

Traditional systems with a controller supporting scores of dumb terminals "get the same thing accomplished as a PC," said George P. DiNardo, executive vice president and technology chief at Mellon Bank Corp.

Controller-based systems are more sophisticated than ever before, observers say. And although controllers are expensive, the overall cost of such systems is considerably less than that of a PC network. A system of 10 PCs can cost one and a half to three times that of 10 terminals attached to a controller.

The cost of replacing an entire branch network with PCs can cost a large banking company tens of millions of dollars.

Two leaders in the migration to PCs, BankAmerica Corp. and Royal Bank of Canada, are near completion of personal computer networks. Analysts say each banking company will spend $50 million to $100 million on the project.

Security Pacific Corp. and Banc One Corp. are among the large companies following suit.

Advocates Cite Functionality

The main benefit of PCs is functionality, these advocates argue. Personal computer networks will open a whole range of new opportunities for selling products, they contend, because users have access to graphic, standard spreadsheet, and word processing software.

"Smart banks know you have to put in PCs to give people the functionality to serve customers," said Michael Simmons, executive vice president and chief of technology at Bank of Boston. "It's the coming trend."

During his tenure as technology chief at BankAmerica, Mr. Simmons oversaw the plan to install 21,000 PCs in the branches by early 1991. He is heading a similar effort at Bank of Boston, which has not established a timetable for its project.

Shawmut National Corp. and

See **TRADITIONAL** *page* **10**

INSIDE NEWS

WASHINGTON

M. DANNY WALL defended his handling of the 1988 sale of 15 Texas thrifts to James Fail. He told a Senate panel that a lobbyist with ties to then Vice President Bush did not influence his decision. *Page 2*

FINANCE

SALLIE MAE shares fell $2.25 by late afternoon Tuesday as investors bailed out of the once highly regarded stock. *Page 24*

TECHNOLOGY

THE GENERAL Accounting Office contends that poorly planned information systems at the Resolution Trust Corp. could delay as well as raise the cost of the thrift cleanup. *Page 3*

INTERNATIONAL

NATIONAL WESTMINSTER, Britain's No. 2 bank, faces a tough second half, according to its chairman, Lord Alexander. *Page 14*

CONSUMER

THE BIGGER the bank, the greater the likelihood that it charges above the average for a regular retail checking account, according to an ABA survey of 448 commercial banks. *Page 2*

MANY CUSTOMER service representatives, who have a key role in cross-selling bank products, do not receive even basic training. *Page 8*

COMMENT

THE CRISIS in banking has far more serious implications for the economy, and the nation, than simply another taxpayer bailout, writes Lowell L. Bryan. *Page 4*

INDEX

Company Index **2**
Grapevine **4**
Executive Changes **13**
Classified Advertising **20**
Bank and Thrift Stocks **23**

Seidman Sees $2 Billion Loss at FDIC

By BILL ATKINSON

WASHINGTON — In the strongest indication to date that the cost of bank failures will rise dramatically, Federal Deposit Insurance Corp. Chairman L. William Seidman said on Tuesday that the bank insurance fund is likely to suffer a net loss of $2 billion this year.

The net decline, to about $11 billion after accounting for interest and premium income, would reflect gross payouts from the insurance fund of about $6 billion. That would be 50% more than the FDIC's $4.1 billion in gross liquidation and insurance losses in 1989 but still below the $7.4 billion it paid out in 1988.

No Specific Predictions

While Mr. Seidman was not specific in his predictions of possible bank failures and their timing, he called the $2 billion loss "a reasonable estimate."

It could be caused by one or more large bank failures or an increase in failures of smaller institutions.

Mr. Seidman said the number of banks on the FDIC's problem list continues to exceed 1,000, where it has hovered since last year. The agency has closed 113

See **SEIDMAN** *page* **15**

Citicorp Defection Seen Derailing UAL Buyout

By WILLIAM GOODWIN

Citicorp's departure from the bank group leading the financing for the proposed $4.4 billion union-led buyout of UAL Corp. appears to have all but doomed the deal for now, banking sources said Tuesday.

Unless the buyout group can come up with an outside equity investor before its Aug. 9 deadline, the bankers said, it was hard to see how the deal could be completed.

Citicorp and Chemical Banking Corp. both pulled out of the bank group Friday, sources said, because the unions had failed to come up with an equity investor.

It remained unclear Tuesday whether Chase Manhattan Corp. had also balked. Chase, along with Citicorp and Chemical, did not attend a UAL bank meeting Friday.

That would leave only Bankers Trust New York Corp. and Manufacturers Hanover Corp. remaining in what was originally a five-bank group. None of the five banks would comment.

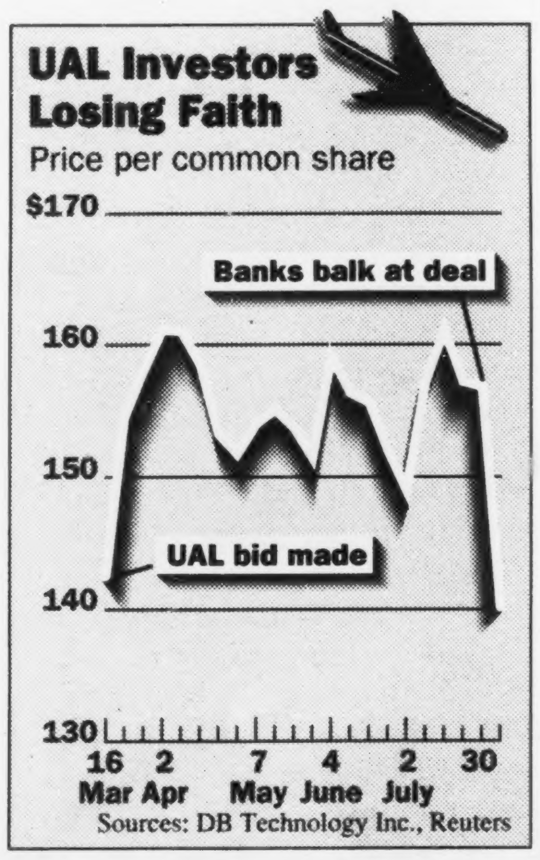
UAL Stock Plunges

A number of UAL's investors, evidently concluding that the deal had hit a major roadblock, bailed out of the stock Tuesday. The company's shares plunged $16.875 following a report in this newspaper that Citicorp and Chase were likely to pull out of the deal. The stock was down as much as $21 before rebounding somewhat late in the day.

The union group proposed to buy out the airline holding company in March for $201 in cash and securities, looking for roughly $4 billion from the banks. This offer was scaled down from management's aborted $300-a-share bid that failed noisily last October.

Citicorp's departure from the bank group is considered to be

See **CITICORP** *page* **22**



UAL Investors Losing Faith

Price per common share

Sources: DB Technology Inc., Reuters

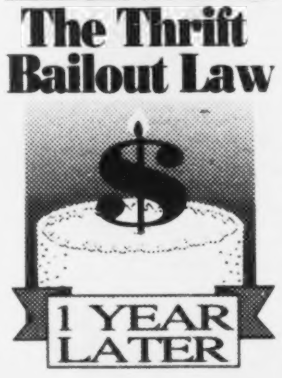
Year-Old Resolution Trust Corp. Is Under Pressure to Move Assets

By DEBRA COPE

Third of a Series

Nobody can say the Resolution Trust Corp. isn't trying.

One year into the massive job of mopping up failed savings and loans, the agency has racked up some impressive achievements: 211 thrifts shut or sold at a cost of $25 billion; 257 lined up in conservatorship; more than $60 billion in 5.7 million deposit accounts protected, and nearly $50 billion of assets transferred to private hands.



But the real work is just beginning. The RTC starts its second year with a mountain of distressed real estate, troubled loans, and other sour assets that totaled $37 billion at the end of June and could ultimately top $100 billion.

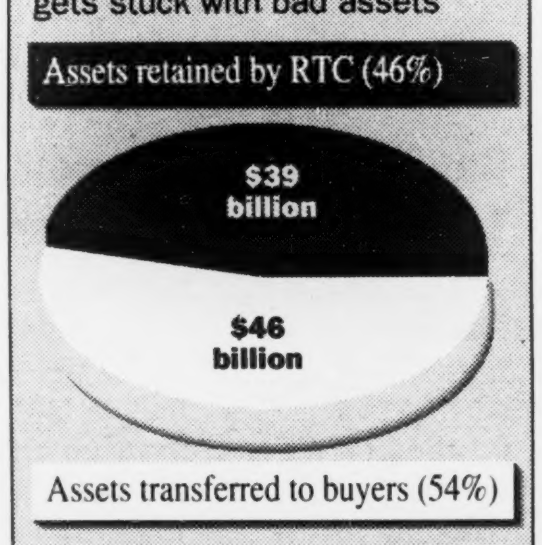
Bush administration officials estimate an additional 250 to 550 thrifts could ultimately require aid, bringing total failures into the range of 700 to 1,000. The Office of Thrift Supervision has already earmarked 621 thrifts with $343 billion in assets and $249 billion in deposits that may eventually need assistance.

Moving impaired assets, the residue of S&Ls deemed "resolved" by the RTC, won't be easy – especially in an increas-

See **RTC** *page* **18**

When Assets Are Liabilities

In S&L sales, the RTC often gets stuck with bad assets



Data from 207 cases resolved through June 30

Source: RTC

BNE Discussing Membership in Home Loan Bank

By TOM LEANDER

Bank of New England Corp. is holding discussions on becoming a member of the Federal Home Loan Bank of Boston, the *American Banker* has learned.

The unusual membership would have attractions for both sides. Bank of New England would gain the ability to borrow at low rates from the district banks, providing another source of liquidity. The Home Loan Bank would gain by far its largest commercial bank member – $23 billion in assets – at a time when many of its thrift constituents are going out of business.

Law Expanded Eligibility

Under the thrift bailout law, membership eligibility in the Federal Home Loan Bank System was expanded to include credit unions and commercial banks that have at least 10% of their assets in residential mortgage loans.

"This is something that more and more commercial banks are

See **BANK** *page* **11**

COMMENT/ *By Lowell L. Bryan*

Banking Crisis Is Different And Could Be More Serious

Journalists are already comparing the developing crisis in commercial banking to the savings and loan crisis. "What will this new crisis cost the taxpayers?" they ask.

They miss the point.

The banking crisis has far more serious implications for the economy, and the nation, than simply another taxpayer bailout. What is at risk is the health of the nation's $5.4 trillion economy and the global competitiveness of the United States in years to come.

The savings and loan crisis is a story of unenforced regulation, fraud, political gridlock, and with few exceptions, a decade of neglect by political leaders. The bottom line of this story is grim enough. Best estimates are that it will take $150 to $200 billion in current cash from the taxpayers to achieve an orderly liquidation of insolvent savings and loans.

A Different Story

The banking industry story is substantially different. That industry has about $200 billion in equity capital to absorb losses, while the savings and loan industry has had no tangible capital to speak of over the past decade. The banking industry is about three times the size of the thrift industry and is far more important to the economy.

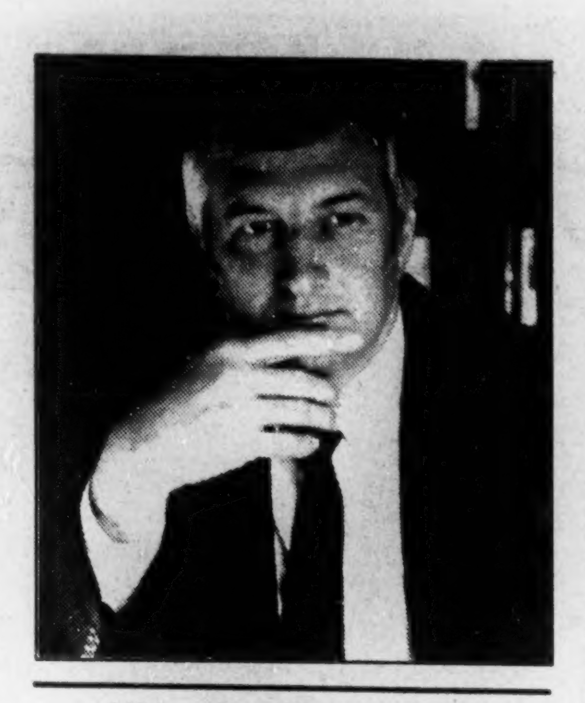
Banks are the primary source of finance for individuals, small businesses, and midsize companies. Banks provide the payment services (checks and money transfers) for the entire nation.

Money-center banks finance U.S. industries worldwide and represent the nation in the world's global capital markets. Moreover, banks are the Federal Reserve's primary vehicle for implementing monetary policy.

While the nation needs banks, the S&L industry lost its primary reason for existence about 10 years ago with the development and maturity of the mortgage-backed securities market. For the most part, healthy S&Ls are healthy because they act more like commercial banks or mortgage banks than classic thrifts.

A Plague of Loan Losses

There are, of course, some similarities between the savings and loan crisis and the problems developing in the banking industry. In particular, loan losses, in both industries have been massive. Commercial bank loan writeoffs have been over $70 billion during the past four years and are headed higher still; $6.6 billion was charged off in the first quarter of 1990.



"Institutions that take uneconomic risks should be allowed to fail, regardless of size."

In contrast, commercial banks wrote off only $28 billion from 1948 to 1981. If we were to have a recession, commercial bank loan losses would rise dramatically and the bank insurance fund would be under enormous strain.

Regulators have focused on the similarity between S&Ls and banks. No one wants to be held responsible for a repeat of the S&L crisis. Their first impulse has been to toughen lending standards and raise capital requirements.

Such conservative regulation is appropriate for all government-insured depositories, and it should have been started several years ago. In the short term, however, we face a potentially devastating credit crunch, particularly for small businesses, midsize companies, and builders.

Regulators are now aware of these risks. In their public discussions with bankers they have urged them to keep funds flowing to all creditworthy borrowers. The regulators face an unenviable task. They are walking a tightrope between being too strict and not strict enough.

Tougher regulation is not enough. If we want to maintain global economic leadership into the next century, we must remake our banking system to accommodate emerging markets around the world.

Both the savings and loan and banking crises share a common cause. They are both a result of unleashing market forces without fundamentally reforming the regulatory structure. In particular, interest rate ceilings on deposits were removed without consideration of the consequences.

Weak competitors, which were least able to replace their regulatory-based profits, plundered the deposit insurance system to replace this lost income with high-risk assets. In many thrifts, outright frauds were allowed to raise money and funnel it into their own pockets.

Uneconomic Activities Abetted

But the larger problem was that credit flowed into uneconomic activities. In a few years, a mountain of credit was created to finance commercial real estate, condominiums, and takeovers of companies at prices well in excess of the ability of borrowers to finance that debt out of cash flow. Meanwhile, the government was slow to remove failing competitors from the industry.

The result is a fundamental overcapacity that has eroded the profitability of even the best banking competitors. More seri-

See **COMMENT** *page* **12**

Mr. Bryan is head of the North American banking practice at McKinsey & Co. in New York.

GRAPEVINE/ *By Jed Horowitz*

Citi Clamps Down, Callen-Style. The memo to 15,000 Citibankers arrived last Friday with an ominous introduction. "We must act," wrote Michael Callen, head of investment and corporate banking in Japan, Europe, and North America. "Our performance versus plan makes that abundantly clear. No one can wave a magic wand and make the marketplace a kinder or gentler place — that's not reality."

But instead of hoisting the ax, Mr. Callen merely outlined eight policies on expense cutting — most of which staff member thought were already in place.

The "new" policies: Prior written approval from senior executives is required for any external hires, for external consultants, for purchases of PCs and mobile phones, and for offsite conferences; meals among staffers in the same city will no longer be reimbursed; economy class is the rule when flying domestically, and business class may be used only on international flights beyond six hours. Mr. Callen also urged that use of hired cars be limited.

A spokeswoman said that Mr. Callen's intent was to ensure "a more even, across-the board approach to costs." As for the staff cuts? "Everyone is still waiting for the other shoe to fall," said one banker.

* * *

Banks In Armor. After almost 20 years, the Federal Reserve Board is letting banks into the armored car business. The Fed last month overturned a ruling by an administrative law judge who said that armored car services are not closely related to banking, so bank holding companies and their subsidiaries cannot run them.

Most banks own armored cars and use them to service automated teller machines and transfer funds among their own offices. But the banks also have excess capacity, which they want to sell to customers, said Richard Whiting, general counsel at the Association of Bank Holding Companies.

For Metrocorp, the small East Moline, Ill., holding company that was the subject of the administrative law judge's ruling, the victory is not so clear. "We still have a relatively big fight on our hands," said Marcus Hobert, general counsel of the $160 million-asset company.

He said the judge, Paul G. Clerman, has now been ordered by the Fed to determine whether armored car services meet a second test of "proper incidence" to banking. All the major armored car companies and their trade associations are fighting to prove that they do not, he said.

While the "closely related" decision provides a general imprimatur, the proper incidence qualification is much more bank-specific. Metrocorp will have to show that offering the services won't harm competition locally, violate local branching laws, or affect the safety and soundness of its main subsidiary, Metro Bank, Mr. Hobert said.

* * *

Republic In the Palms? It's an open secret that Republic New York Corp., the capital-rich New York bank, wants to buy Florida Federal Savings Bank, the failing St. Petersburg-based thrift.

Officials at neither institution would confirm rumors that have circulated throughout Florida for several weeks. But the *St. Petersburg Times* reported on Tuesday that Republic is pursuing a deal. "We do have an investor with a strong interest in recapitalizing us," a spokeswoman for Florida Federal said Monday, noting that several other potential rescuers dropped out after the company said it would have a negative net worth of about $90 million after adding $36.3 million to its loan loss reserves.

Officials at Lyons, Zomback & Ostrowski, the New York investment bank that represents Florida Federal and also has done deals for Republic, would not comment.

A deal would almost certainly be contingent on the government's pumping at least $90 million into Florida Federal and assuming some problem loans. Republic, controlled by Edmond Safra, would have to add about $135 million of capital to bring the $4.5-billion asset thrift's tangible capital up to the 3% level required by regulators, said Samuel Beebe, an analyst at Williams Securities Group.

Republic, which prides itself on cheap funding that comes from having a large retail deposit rate, in the past three years has purchased the $3 billion-asset Manhattan Savings Bank and the $3 billion-asset Williamsburgh Savings Bank. The 78-branch Florida Federal – despite its involvement in a student loan scandal – would be a natural fit for Republic, analysts said.

* * *

Still Hot on Junk. Bankers Trust New York Corp. lost the bidding for Columbia Savings and Loan Association's $3 billion-plus portfolio of junk bonds last week, bank sources confirmed, but picked up an education in the process. "We showed some credit horsepower in evaluating the pieces and presumably picked up some leads," said one banker.

Bankers Trust also is readying a private placement of a junk issue that should be "teed up within the next few weeks," an official said. It would be the first junk issue managed by Bankers Trust since it received permission from the Federal Reserve Board last year to underwrite corporate debt. □

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-382-6346
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

PRIVATE BANKING

Offitbank Is Set to Open - With Help from a Rival

By MAUREEN NEVIN DUFFY
Special to the American Banker

Morris W. Offit is converting his small, closely held investment management firm into a limited-purpose trust company, or private bank. And one of his initial investors is a competitor.

Pitcairn Financial Management Group, a high-end investment firm in Jenkintown, Pa., has put $500,000 in the newly formed Offitbank, New York.

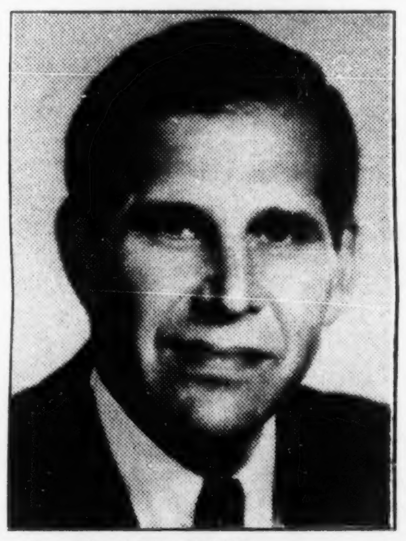
Pitcairn, which is entering private banking through the acquisition of Trustees' Private Bank in Philadelphia, bought the stake in Offitbank on the recommendation of David Lawson, Pitcairn's vice president in charge of small capitalizations. Mr. Lawson said he was impressed by the firm's "ability to leverage its investment management business with private bank services."

As with many other investment houses, "a lot of high-net-worth clients were going elsewhere for their private bank needs, such as collateralized lending," said Mr. Lawson. "I saw Offit Associates' move as the opportunity to recapture that base of business. Furthermore, he's got a pretty big upside to his private bank just by tapping his existing client base."

Offit has some 170 clients, 130 of whom are individuals or families. The rest are corporations, universities, and cultural and religious institutions. Its prime market is families with $10 million net worth.

Expanding Its Services

Because of its beginnings as a small, closely held investment advisory, Offitbank is similar to Pitcairn and to Bessemer Trust Co., New York. Both started with family trusts and branched out into other banking services.



Morris W. Offit

"I guess anyone in the investment business would be a competitor," Mr. Lawson said of Offitbank. But he stressed that the companies have had different investment strategies, Pitcairn being heavily involved in equities and Offit concentrating on fixed-income instruments.

Mr. Offit's fixed-income house concentrates on low-risk treasuries and mortgage-backed bonds, but it also manages some high-yield bonds.

The newly chartered investment management bank will emphasize global investment, Mr. Offit said. With the charter, he hopes to enter relationships with overseas banks of the European or Swiss tradition, which he used as a model for Offitbank.

Mr. Offit said he is even considering sharing ownership with foreign banks.

The charter also paves the way for the company to offer a broader array of services. Instead of directing clients to other banks for lending services, the company can now offer loans with portfolio collateralization, provide custodial services, and can act as a trustee.

Offitbank also plans to expand its foreign exchange services from individual to corporate clients. "We needed the charter to get access to the interbank market in foreign exchange dealings," Mr. Offit said. Foreign exchange transactions for clients amounted to $2 billion last year. About $600 million of the company's $2.5 billion under management is in global fixed-income products.

Offitbank, which was capitalized at $10 million, does not have Federal Deposit Insurance Corp. coverage, nor is it taking deposits. But Mr. Offit said it would consider both in the future.

Regulators Welcome

The New York State Banking Department approved Mr. Offit's charter application in late July after an 18-month application process.

Mr. Offit, 53, says he put his investment advisory service, Offit Associates Inc., into the arms of state banking regulators without apprehension. "I've always welcomed the prospect of regulatory oversight, because I thought it would make customers even more comfortable," he said. "Clients can walk in our offices any day and take a look at their records."

Before starting his own firm, Mr. Offit was with Julius Baer Securities until 1982. There he was responsible for domestic and international portfolio management. Before that, he spent 12 years with Salomon Brothers Inc. as a partner in charge of investment research, international sales, and trading. He was research head of Mercantile Safe Deposit and Trust Co., Baltimore, until 1968.

Perrin Long, an analyst with Lipper Analytical, New York, said Mr. Offit has had a good record as an investment adviser. "There is a great place for investment management services in today's economy," he said.

Mr. Offit is using the tag line "the investment management bank" on all promotional literature to distinguish the company from its credit-driven competitors.

Ms. Duffy is a freelance banking reporter based in New York.

Customer Service Training Gap Seen

Many Institutions Lack Formal Programs, Survey Finds

By ELLEN MEMMELAAR

NEW YORK — Customer service representatives are gaining in importance as bankers turn to them to aggressively cross-sell products. But many of these key staff members do not receive even basic training.

Only 64% of banks have formal training programs for customer service representatives, according to a survey by the Bank Administration Institute. The same poll showed that 57% of customer service managers consider training a critical issue over the next two years.

Second-Class Programs

Banks are indeed behind the times in training programs, some industry watchers said. They said expenditures for training are of secondary importance, management is often unfamiliar with the sales process, and many bankers attack sales from the wrong side of the desk.

"Banks need to do a better job of understanding the economic benefits of training over time," said Les Dinkin, a Westport, Conn.-based consultant. "It's a different way of doing business."

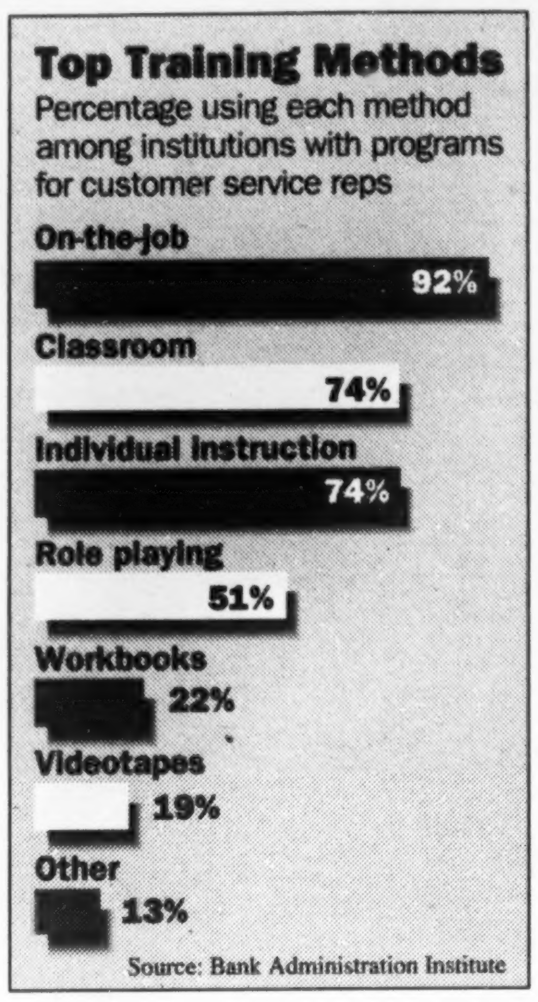
Only 64% of banks have formal training programs for customer service representatives.

Bankers are relying less on rate slashing to attract customers and more on tellers and customer service representatives to generate revenue, observers said. To be effective, the employees must be well versed in cross-selling.

The Art of Cross-Selling

Customer service is the most important aspect of establishing a sales culture, said Robert Hall, president of Action Systems, a Dallas-based consulting firm.

Top Training Methods
Percentage using each method among institutions with programs for customer service reps



Source: Bank Administration Institute

In the first part of his company's employee training program, Mr. Hall takes bankers through steps to understand what service is, its importance to the overall institution, and the specific skills needed to improve service.

Then clients can be trained to cross-sell. For this stage, Mr. Hall teaches customer service representatives about the products and what they should look for in potential customers.

"It is as important to know who not to cross-sell as it is to know who to cross-sell," Mr. Hall said.

Reluctance at the Top

Bankers, however, are reluctant to inject dollars and manpower into such training programs because results are difficult to trace, Mr. Dinkin said.

Other experts cite a problem that begins at the top. Managers who have spent their careers in banking often do not know how to foster a sales culture.

Some managers simply "do not understand how to talk to the customer's needs," said David Bennett, president of Omega Performance Corp., a San Francisco-based consulting firm. "Bankers tend to talk about the product from the banker's point of view."

Creating a Sales Culture

A sales culture can be fostered only if management is knowledgeable about the sales process and actively encourages it, said James Schneider, a consultant based in Jupiter, Fla. If key people don't understand the process, "their own discomfort will be passed down," he said.

Of the respondents in the Bank Administration Institute study who have formal educational programs for customer representatives, 92% use on-the-job training; classroom and individual training tied for second place, at 74%. These methods get thumbs-up from consultants because they offer individualized training and allow for role-playing.

Self-directed programs using videotapes were reported by 19% of respondents, and 22% used workbooks. Other tools used include computer-based training, audio tapes, books, and manuals. But consultants caution that these self-training methods may only appear to be cost-effective.

57% of customer service managers consider training a critical issue over the next two years.

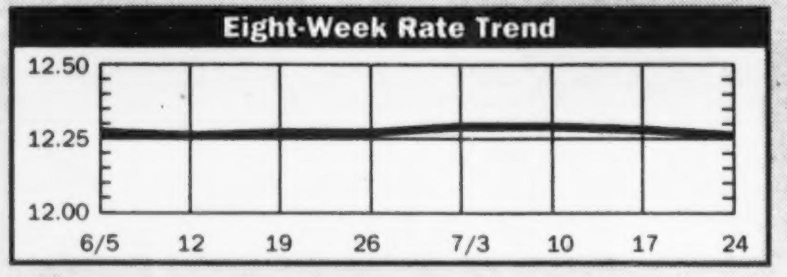
"Videos are too passive," said Mr. Schneider. "Most programs teach a monkey-see, monkey-do kind of thing. Too often, the scenarios are not relative to the person working."

Mr. Dinkin said videos can effectively convey product knowledge but are less successful when used for sales training. "There needs to be a high level of interactive participation in order to understand and refine sales skills," he said. ☐

AMERICAN BANKER /*Bank Rate Monitor's™*

Consumer Money Index

Auto loan rates and fees



Here are the auto loan rates and fees being charged by selected large banks and thrifts nationwide on July 31. The rates are for a fixed rate $9,000, new-car loan, with a 20% down payment and a 48-month term. The 8-week trend is based on the rates charged by the 10 largest banks and thrifts in each of the nation's 10 largest markets on the dates shown.

Thrifts

THRIFT	RATE	FEES
Chevy Chase Svgs Bank, Maryland	11.50%	None
Great Lakes Bancorp, Ann Arbor, Mich.	12.75	None
St Paul Fed Bank, Chicago	11.50	None
San Jacinto Svgs, Houston	11.25	None
Sunbelt Svgs Dallas	11.25	None

Banks

BANK	RATE	FEES
American Security Bank, Washington D.C.	11.25%	None
Bay Bank, Middlesex, Mass	12.40	None
First American Bk of Virginia Mclean	11.50	None
Mellon Bank (East), Philadelphia	11.95	None
Riggs National Bank, Washington D.C.	11.75	None

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 8

850

AMERICAN BAN

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 153 Tuesday, August 7, 1990 155th year

Higher Capital May Impair Bank Safety

By SANFORD ROSE

By persistently demanding that banks operate with ever higher ratios of capital to assets, the regulators may end up doing a disservice to the industry, to the country, and to themselves. Higher capital ratios may under certain circumstances increase rather than decrease the risk profile of banking institutions.

In theory this isn't supposed to happen. The greater the owner's stake in the business, the more prudent he is supposed to be. Unfortunately, theories don't always work out in practice.

Comment

As noted in a previous comment, it makes little sense to ask banks to raise capital-asset ratios by increasing the numerator – i.e., by selling additional shares. Why, pray tell, should we encourage the expansion of an already overcrowded industry whose marginal revenues are likely to fall short of the marginal cost of the equity raised? That course of action is unsound from the viewpoint of both the individual firm and society as a whole.

In practice, faced with the need to lift capital-asset ratios, most banks will choose to shrink by paring assets and paying down liabilities. What will be the impact of this maneuver on the safety of banks?

Two Steps Up, One Step Down

By definition, retrenchment will raise the book value of the capital-asset ratio. But the relevant question is what will happen to that ratio in market-value terms. That is, the regulators should be concerned with whether the market value of capital ends up as a larger or smaller fraction of the market value of bank assets.

Retrenchment should raise this market-value ratio, but by less than the increase in book-value terms. That's because the per-share value of bank capital should fall, for at least two reasons. First, as banks substitute equity for debt, their taxes will rise. Interest on debt is tax deductible, while dividends are not. Thus, higher capital-asset ratios will tend to reduce after-tax profitability, lowering per-share values.

The second reason for falling per-share values has to do with deposit insurance. Bank shares include a premium for what is called the deposit-insurance subsidy. That is, by failing to graduate deposit-insurance

See **COMMENT** page 4

INSIDE NEWS

PEOPLE

MANUEL H. JOHNSON, in his departing remarks as vice chairman of the Federal Reserve Board, said the Fed may move away from the holding company structure that he has advocated. *Page 2*

FINANCE

MAJOR BANK and thrift stocks fell sharply Monday as heavy across-the-board selling continued. *Page 20*

WASHINGTON

JAMES M. FAIL defended himself against charges that he misled regulators about his past to acquire Bluebonnet Savings Bank. *Page 2*

INTERNATIONAL

AMID CONFUSION over the terms of a freeze on Kuwait's assets, First National Bank of Chicago blocked and then released a $111 million payment to a Kuwaiti bank. *Page 12*

CONSUMER

VALLEY BANK of Nevada's application to accept ATM cards bearing the Cirrus logo could touch off another round of lawsuits in an industry already jittery over antitrust litigation. *Page 6*

TECHNOLOGY

GEOSERVE, the wholesale banking arm of Manufacturers Hanover, is creating relational data bases for customer and product information. *Page 3*

REAL ESTATE

THE BOTTOM FELL out of the real estate portfolios of the nation's 10 largest banks in the first half as the banks racked up massive nonperforming loans. *Page 8*

INDEX

Company Index 2
Executive Changes 7
Weekly Index of Stories 13
Classified Advertising 16
Bank and Thrift Stocks 19

MNC to Place $180 Million Of Preferred

By KELLEY HOLLAND

In its first move to boost capital and liquidity since disappointing second-quarter results prompted funding difficulties, MNC Financial Inc. said on Monday that it will privately place $180 million of preferred stock with an already powerful member of its board of directors.

"The sale of the preferred shares represents a significant step in the company's efforts to strengthen its capital position," said Alan F. Hoblitzell Jr., president and chief executive officer, in a prepared statement.

Line of Credit in Works

The announcement confirms earlier reports that MNC was seeking an equity infusion of about $200 million. In addition, the company is also known to be putting together a $750 million line of credit with J.P. Morgan & Co.

The move, which does not necessarily reopen the capital market for the Baltimore-based company, could increase company director Alfred Lerner's ownership of MNC equity to 23%, analysts said.

"He was the dominant shareholder before. This makes him

See **MNC** back page

Firstar of Wisconsin To Buy Banks of Iowa

By NANINE ALEXANDER

Banks of Iowa Inc., which recently canceled a nine-year-old agreement to merge into First Bank System Inc. of Minneapolis, said Monday that it would instead be acquired by Firstar Corp.

Milwaukee-based Firstar Corp. agreed to pay about $219 million in stock, about 20% below the price First Bank System agreed to pay before its own earnings problems scotched the deal.

First Deal Under New Law

The Firstar acquisition would be the first allowed under an interstate banking law passed by the Iowa legislature earlier this year and taking effect next Jan. 1. Banks of Iowa would become a wholly owned subsidiary called Firstar Corp. of Iowa, part of a five-state superregional with $11 billion in assets.

With Banks of Iowa's assets added, Firstar would rise about seven places from its yearend 1989 rank of 62d among bank holding companies. It is already the largest in Wisconsin.

Value is $75.60 a Share

The definitive agreement, announced Monday after what company officials said were several months of negotiations, calls for Firstar to exchange 2.7 of its shares for each of Banks of Iowa 2.9 million outstanding shares. Based on Firstar's $28 price at last Friday's close, the transaction would have an indicated value of $75.60 for each Banks of Iowa share.

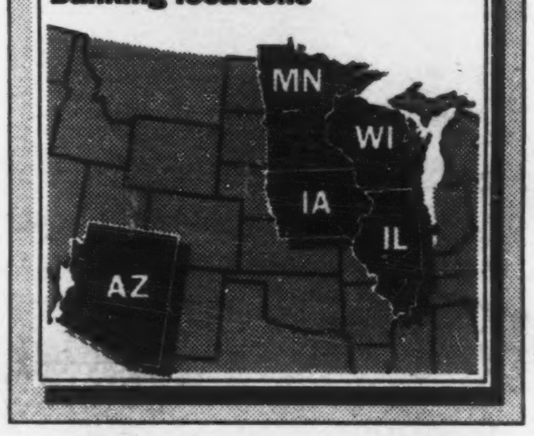
By contrast, First Bank System's unconsummated stakeout agreement called for an eventual purchase price equal to one and

See **FIRSTAR** back page

The Merged Bank At a Glance

Head office	Milwaukee
Assets	$11.0 billion
Rank by assets	55
Deposits	$8.9 billion
Employees	7,776
Bank subsidiaries	52
Banks and branches	174

Banking locations



Nuclear Industry Promises to Be A Hot Source of Trust Business

By RICHARD LAYNE

NEW YORK — Regulatory changes governing the nuclear power industry have created a potential pool of $100 billion in trust assets, the largest source of new trust business in recent memory.

In keeping with two-year-old federal regulations, corporations that own nuclear power plants had to establish trust funds by July 27 for dismantling those plants. The initial funding of the accounts is small, but the guaranteed annual growth and staggering potential have had bankers scrambling for the business.

"All of a sudden," nuclear decommissioning trusts have become "a new, large market," said Richard L. Deeter, vice president at Harris Trust and Savings Bank, Chicago.

Four Clear Winners

Four banks have emerged as the early winners in the battle for these trusts accounts, according to trust bankers. They are Harris Trust, Mellon Bank, Bankers Trust New York Co., and State Street Bank and Trust Co., Boston.

The trusts are mandated by Congress to ensure that funds will be available to clean up nuclear power plants when their 40-year licenses expire. The Nuclear Regulatory Commission reports that 60 utility companies have 114 nuclear plants in operation, with more being added yearly.

$1 Billion to Be Added Yearly

The Edison Electric Research Institute in Washington said utilities have so far put $2 billion in what are termed nuclear

See **NUCLEAR** page 11

Initial Winners
Banks capturing big share of nuclear cleanup trusts

	Number of trusts	Trusts' assets ($ in millions)
Mellon	11	$310
Harris	8	$275
Bankers Trust	4	$150

Source: Bank reports

Middle-Market Relationships Face a Threat

By WILLIAM GOODWIN

At a time when banks are at least paying lip service to relationship banking, their interest in securitization could endanger the relationships that have always driven middle-market lending.

"Certainly, there's going to be a lot more securitization of middle-market loans in the next five years," said John Leahy, senior vice president in charge of middle-market lending in the Northeast at Chase Manhattan Corp.

Since the mid-1980s, banks have been securitizing everything from credit card receivables to recreational-vehicle loans, to highly leveraged transactions. Securitization allows banks to remove these assets from their balance sheets, thereby improving financial ratios and cutting capital requirements.

Middle-market borrowers are generally defined as companies with annual sales of $5 million to $250 million. According to

See **SECURITIZATION** page 18

COMMENT/*By Sanford Rose*

Higher Capital May Impair Bank Safety

"Rising capital ratios will force banks to opt out of national credits, to their detriment."

Continued from *page* **1**

charges according to bank riskiness, the government in effect subsidizes the bank shareholder, and this subsidy is embedded in the stock price. Any increase in the owner's capital stake in the bank tends to reduce the value of the subsidy, thereby lowering the worth of individual shares.

Nevertheless, these tax and deposit-insurance consequences are what economists call second-order effects. By reducing per-share values, they limit the gains in capital-asset ratios in market-value terms. But they do not nullify these gains.

A Disturbing Proviso

An increase in capital-asset ratios, whether achieved by raising additional capital or by paring assets, will probably raise the amount of market-value capital backing each dollar of assets. Provided the risk profile of assets remains unchanged, the capital cushion protecting the deposit-insurance fund will become somewhat more adequate than it was previously.

But the proviso is terribly important. If, in the process of retrenching, banks increase the risk profile of assets, the additional capital cushion may prove insufficient, and the effort to raise capital-asset ratios may end up being counterproductive.

A case can be made that asset shrinkage is in fact apt to increase the riskiness of bank assets. When banks retrench, they probably do so by eliminating those assets whose profit per unit of required capital is lowest.

Since capital requirements are not at present graduated according to the true riskiness of loan assets, banks earn less per dollar of required capital on low-spread, low-risk commercial loans made to national companies than they do on, say, credit extended to local middle-market firms.

Therefore, if pressed to retrench, banks are most likely to purge relatively high-grade commercial credits from their portfolios. And although not exactly loaded with such loans, banks still hold a measurable chunk of the business. As these sounder commercial credits are eliminated, the average probability of loan defaults will rise.

But the effects of asset retrenchment will extend beyond that of increasing expected losses. The true riskiness of the loan portfolio depends on the correlation or covariance of asset returns, which measures the likelihood that a given economic disturbance will result in a simultaneity of customer defaults.

Down with Interdependence!

The evidence shows that most large as well as small banks have highly concentrated loan portfolios. They lend to predominantly local borrowers, most of whom tend to be vulnerable to the same regional economic shocks.

Otherwise put, the customer populations of most banks exhibit high positive loss correlations. Borrower business fortunes are closely interdependent, whereas, from the banks' viewpoints, these business fortunes should be as independent of each other as possible.

In order to lower loss correlations, banks should *increase, not decrease,* their lending to nationwide firms. That's because while loss correlations are in most cases strongly positive within given regions, they are much less positive, and may even be negative, across regions.

Disproportionate Drop in Risk

A study of the 50 largest banks in the country done some years ago found that these institutions could have greatly improved their asset-efficiency ratios – defined as returns minus average losses divided by a measure of loss volatility (standard deviation) – by substituting a hypothetical pool of loans made to nationwide companies for a large fraction of their existing, and mostly local, business credits.

Although spreads would have fallen, asset-efficiency ratios would have risen because the decline in risk, as measured by the loss volatility, was greater percentagewise than the drop in returns. The reason for the sharp decline in risk was that the loss correlations between the loans in the nationwide pool and the loans in the banks' existing portfolios were lower than those within these portfolios.

In other words, the factors that produced clusters of local losses did not affect, to nearly the same degree, the fortunes of the national firms, reaffirming that banks can materially reduce the threat of loss simultaneity by lending across regional lines. But if banks curb interregional lending – if they in effect turn completely away from the national firm – they obviously circumscribe their diversification opportunities and increase their risks.

More Failures Likely

Yet because lending to national firms is generally a low-spread activity, that is precisely what will probably happen when capital requirements are increased.

As a result, asset shrinkage will not only raise the mean probability of loan defaults, it will also increase their variance. When times turn bad in a particular region, its banks will experience a higher percentage of portfolio losses than would have been the case had they remained active in the national loan market.

Therefore an indirect, but nonetheless very real, consequence of higher capital-asset ratios is likely to be more rather than fewer bank failures. And while capital cushions, expressed in both book- and market-value terms, will rise, they will probably not rise sufficiently to protect the deposit-insurance fund from the increased threats to its integrity. ☐

CRIME BLOTTER/*By Tom Leander*

Trust Officer Violated Trust

"What I did was my own fault," a fallen trust officer told the judge as he was sentenced in Milwaukee federal court last week.

"I was in a dream world," added Dale Phillips, 44, formerly of Associated Kellogg Bank in Green Bay, Wis. Mr. Phillips was convicted of embezzling $1.5 million from trust accounts and spending the money on luxury items – including a $350,000 house, a $100,000 sailboat, and expensive cars.

Judge Thomas Curran gave Mr. Phillips the maximum penalty of 51 months in prison. The stiff sentence was partly to punish the the former trust officer for reneging on a promise he made in May, when he was convicted, to sell off his ill-gotten assets to make restitution to the bank.

Defense attorney Gerald Boyle, arguing for a lighter sentence, sought to portray Mr. Phillips as a "Walter Mitty" character who led a fantasy life of luxury, while his actual salary at the bank was $30,000 a year.

Mr. Phillips avoided detection while skimming off the money over five years, prosecutors explained, because most of his clients were elderly and did not keep a close eye on their trust accounts.

* * *

In-Law Gets into the Act

The long arm of the law reached out last week to a money launderer's mother-in-law, who was charged with threatening a customs agent who helped convict her son-in-law.

Gloria Parra De Espinosa is the mother-in-law of money launderer Akbar A. Bilgrami, one of five former bankers convicted last week of laundering illicit drug profits at the Bank of Credit and Commerce International, Tampa.

After the verdicts were read on July 28, Ms. Espinosa allegedly grabbed U.S. customs agent Gregory Cook, who participated in a two-year sting that netted Mr. Bilgrami and the others, and said: "You did a good job, agent – your children will pay for this."

Ms. Espinosa, 54, is a Panama national who earned a doctorate in psychology in the United States. Both her husband and her ex-husband signed a $250,000 bond to obtain her release.

Robert Polli, an attorney for Ms. Espinosa, said the remark was not a genuine threat, but rather the "emotional outburst of a distraught mother."

The trial in Tampa drew international attention because one of the convicted bank employees was Amjad Awan, the former personal banker to deposed Panamanian strongman Manuel Noriega. The money-laundering ring was broken via an intricate, two-year sting operation in which customs agents posed as financial consultants with close ties to Colombian drug lords.

* * *

More Troubles for Spiegel

The screws appear to be tightening on former Columbia Savings and Loan chief executive Thomas Spiegel. Last month, the Office of Thrift Supervision accused Mr. Spiegel of squandering $19 million of Columbia's money on such frivolous items as corporate jets, condominiums, and expensive free concert tickets for friends.

Mr. Spiegel resigned as Columbia's chief executive in December, after losses in the thrift's large junk-bond portfolio left it teetering on the brink of seizure by regulators. Next, the OTS filed a civil complaint against Mr. Spiegel, seeking to recover the $19 million along with $5 million in fines.

In the latest development, Mr. Spiegel's lawyers last week said that the OTS is ready to add new charges to the original complaint, involving expenditures for Mr. Spiegel's private security staff.

* * *

Variation on an Old Trick

A ruse that usually works well for pickpockets tricked an armored-car employee out of $50,000 last Thursday outside LaSalle Bank Lake View, in Chicago.

The employee was making a routine delivery to tellers, pushing a cart loaded with cash into the bank branch, when he noticed a stack of $1 bills on the sidewalk.

The employee, whose name was not revealed by police, rose to the bait. He left his cart momentarily to pick up the money, which he handed over to a teller inside the bank.

Only later, according to Detective Ernest Ursitti of the Lake View police, did the employee notice that $50,000 had been removed from his cart while he was picking up the singles.

Detective Ursitti said a witness provided a description of the man who dropped the bills, but no arrests have been made. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Nuclear Power Industry Is Hot Source of Trust Business

Continued from *page* **1**

decommissioning trusts. The institute said $1 billion more will be invested by yearend. Required contributions will bring in at least another $1 billion in assets yearly. By 2008, the nuclear trusts will have $100 billion in assets, the NRC estimates.

The trusts are attractive not only because of their potential size, but also because no money can be withdrawn until the 40-year licenses for the plants expire. Until the licenses run out, utility companies must continue to put money into the trust.

"The real impact is they have to set aside large amounts of money every year," said Mr. Deeter. "It's a steady stream of assets." As of last week's deadline, Harris said it had gained $275 million in assets from nine nuclear trust accounts, about the same as a medium-size pension fund. Two of the trust accounts cover big California nuclear plants and could be worth nearly $1 billion apiece in 20 years.

Oldest Plant Still Operating

The Nuclear Regulatory Commission estimates that it will cost $165 million to clean up the average plant, but costs vary greatly by size. The oldest nuclear plant is the Yankee Row plant near Pittsfield, Mass., which was licensed in 1960 and is still operating.

Utilities with older plants must make fairly large trust contributions now; contributions for new plants will be small initially.

Utility companies with older plants must make fairly large trust contributions now, while contributions for new plants will be relatively small initially.

"These assets are expected to grow dramatically," said Carter Reynolds, senior vice president of Bankers Trust, which now has four nuclear trust accounts with a combined $150 million in assets. Ms. Reynolds said its trusts will grow tenfold over the remaining life of the plants, roughly 20 years.

So far, Mellon's 11 nuclear trusts represent $310 million in assets, said Timothy F. Keaney, Mellon vice president.

State Street did not return phone calls or answer inquiries about the size of its nuclear trust business.

Fee Growth Seen

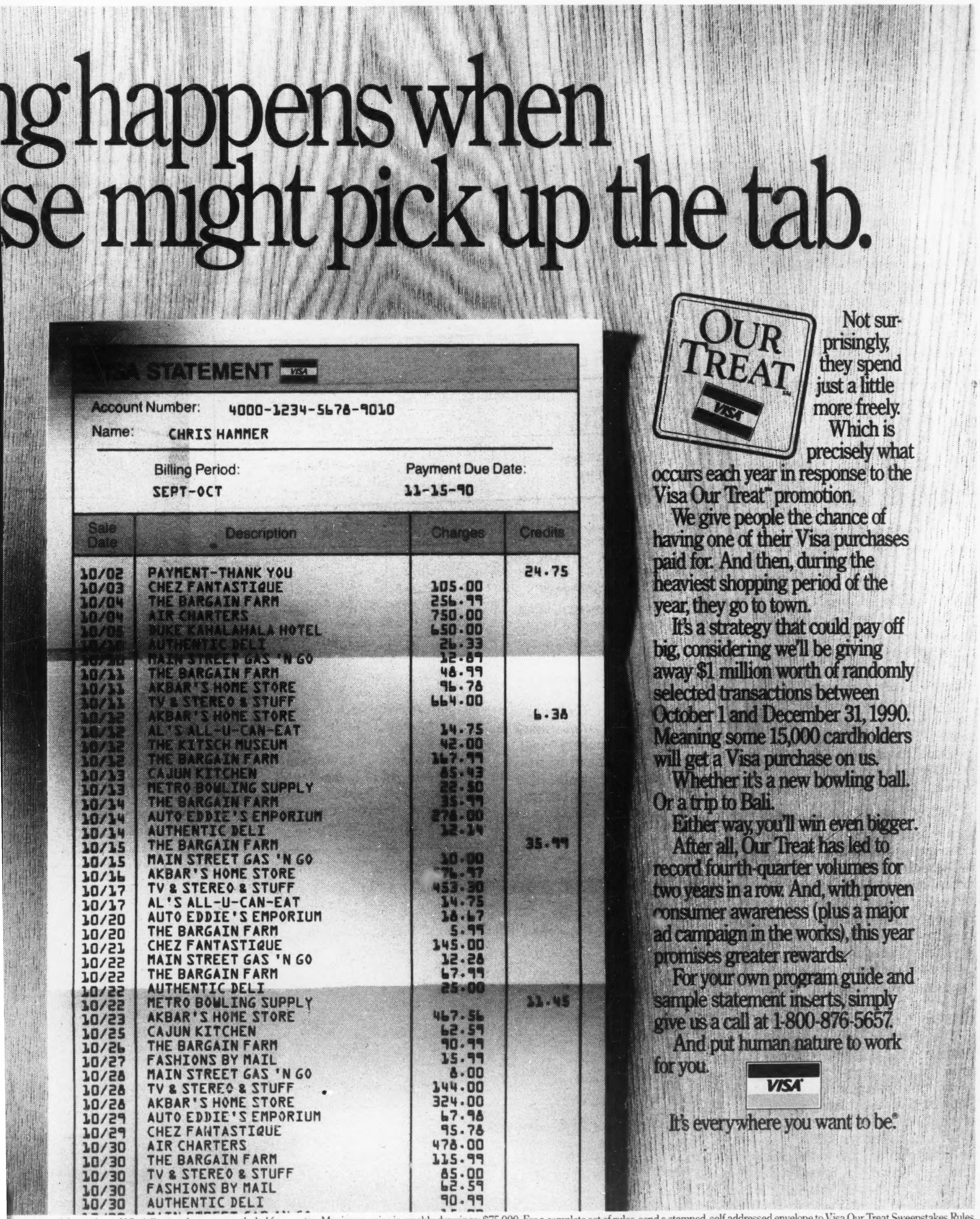
The nuclear decommissioning trust accounts are generating only limited fees at this time, say bankers. The average account size – about $30 million – and regulations limit tax-credit investment to safe securities such as municipal bonds.

"For now, their contribution to our profitability is small," said Mr. Keaney of Mellon, which has opened twice as many decommissioning trust accounts as employee-benefit accounts in the past year. "But in five years, we expect it to be significant."

When the accounts grow, some trusts will require five investment managers and sophisticated monitoring of performance. As a master trustee overseeing the investments of these funds, Mellon expects its service fees to increase commensurately.

Karen Adams, a vice president at Mellon, said that only half of the 60 corporations that set up trusts looked for a national trust bank. The balance elected to open trust accounts with their local banks, in some cases for political reasons.

But some of these utilities may switch trust providers, she said, because small banks may not be able to supply the monitoring and investment managers required. Complex back-office systems, typically present in big master trust banks, are needed to do the job. ☐



ISA STATEMENT

Account Number: 4000-1234-5678-9010
Name: CHRIS HAMMER

Billing Period: SEPT-OCT
Payment Due Date: 11-15-90

Sale Date	Description	Charges	Credits
10/02	PAYMENT-THANK YOU		24.75
10/03	CHEZ FANTASTIQUE	105.00	
10/04	THE BARGAIN FARM	256.99	
10/04	AIR CHARTERS	750.00	
10/05	DUKE KAHALAHALA HOTEL	650.00	
[illegible]	AUTHENTIC DELI	26.33	
[illegible]	MAIN STREET GAS 'N GO	12.89	
10/11	THE BARGAIN FARM	48.99	
10/11	AKBAR'S HOME STORE	96.78	
10/11	TV & STEREO & STUFF	664.00	
10/12	AKBAR'S HOME STORE		6.38
10/12	AL'S ALL-U-CAN-EAT	14.75	
10/12	THE KITSCH MUSEUM	42.00	
10/12	THE BARGAIN FARM	167.99	
10/13	CAJUN KITCHEN	85.43	
10/13	METRO BOWLING SUPPLY	22.50	
10/14	THE BARGAIN FARM	35.99	
10/14	AUTO EDDIE'S EMPORIUM	278.00	
10/14	AUTHENTIC DELI	12.19	
10/15	THE BARGAIN FARM		35.99
10/15	MAIN STREET GAS 'N GO	10.00	
10/16	AKBAR'S HOME STORE	76.97	
10/17	TV & STEREO & STUFF	453.30	
10/17	AL'S ALL-U-CAN-EAT	14.75	
10/20	AUTO EDDIE'S EMPORIUM	18.67	
10/20	THE BARGAIN FARM	5.99	
10/21	CHEZ FANTASTIQUE	145.00	
10/22	MAIN STREET GAS 'N GO	12.28	
10/22	THE BARGAIN FARM	67.99	
10/22	AUTHENTIC DELI	25.00	
10/22	METRO BOWLING SUPPLY		11.45
10/23	AKBAR'S HOME STORE	467.56	
10/25	CAJUN KITCHEN	62.59	
10/26	THE BARGAIN FARM	90.99	
10/27	FASHIONS BY MAIL	15.99	
10/28	MAIN STREET GAS 'N GO	8.00	
10/28	TV & STEREO & STUFF	144.00	
10/28	AKBAR'S HOME STORE	324.00	
10/29	AUTO EDDIE'S EMPORIUM	67.98	
10/29	CHEZ FANTASTIQUE	95.78	
10/30	AIR CHARTERS	478.00	
10/30	THE BARGAIN FARM	115.99	
10/30	TV & STEREO & STUFF	85.00	
10/30	FASHIONS BY MAIL	62.59	
10/30	AUTHENTIC DELI	90.99	

Not surprisingly, they spend just a little more freely. Which is precisely what occurs each year in response to the Visa Our Treat℠ promotion.

We give people the chance of having one of their Visa purchases paid for. And then, during the heaviest shopping period of the year, they go to town.

It's a strategy that could pay off big, considering we'll be giving away $1 million worth of randomly selected transactions between October 1 and December 31, 1990. Meaning some 15,000 cardholders will get a Visa purchase on us.

Whether it's a new bowling ball. Or a trip to Bali.

Either way, you'll win even bigger.

After all, Our Treat has led to record fourth-quarter volumes for two years in a row. And, with proven consumer awareness (plus a major ad campaign in the works), this year promises greater rewards.

For your own program guide and sample statement inserts, simply give us a call at 1-800-876-5657.

And put human nature to work for you.

It's everywhere you want to be.®

articles and non-U.S.-dollar purchases are excluded from entry. Maximum prize in weekly drawings: $75,000. For a complete set of rules, send a stamped, self-addressed envelope to Visa Our Treat Sweepstakes Rules, P.O. Box 8605, Elmhurst, IL 60126-8605 (VT and WA residents may omit return postage). Sweepstakes open to all residents of the 50 United States and the District of Columbia 18 years or older except employees and their families of Visa, its advertising and promotional agencies and Visa card issuers. Promotion ends December 31, 1990, or when total prize pool is awarded, whichever occurs first. © Visa U.S.A. Inc. 1990

Bluebonnet Deal Defended by Fail

Continued from *page* **2**

Metzenbaum.

Bankers Life, an insurance Company he dealt with, "gave me $25 million at the closing and said they would be responsible for the other $10 million under certain circumstances."

On key details, including the date on which Bankers Life committed to fund the deal, Mr. Fail was hazy. For example, Mr. Fail said he was not sure if newspaper reports that Bluebonnet received $275 million last year are true.

He also told the panel he probably did not look over a statement he signed that represented that he had not been the subject of civil or criminal actions.

A 1976 Alabama indictment against Mr. Fail was dismissed with the stipulation that it could not be brought again, but the insurance company he owned was convicted of fraud and Mr. Fail agreed not to underwrite or sell insurance in the state again.

But Mr. Fail said that some details might have been overlooked in the rush to get the deal done by the end of the year.

Mr. Fail said it was not until Dec. 9 that the Federal Home Loan Bank Board, the now-defunct thrift regulatory agency, told him he was once again considered a serious bidder for the group of Texas thrifts. After a week of negotiations, he said, the Bank Board gave him a Dec. 28 closing date.

That date was moved up to Dec. 22. After a week of frantic work, he arrived at the Bank Board offices to face "the biggest pile of documents I have ever seen in all my life." ☐

800

AMERICAN

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 156 *Friday, August 10, 1990* *155th year*

An Equity Swap Is Considered Crucial for BNE

By TOM LEANDER

ANALYSIS: *Follow-up on the news*

The $33 million second-quarter loss posted by Bank of New England Corp. did not conclusively signal whether the deeply troubled institution can rebound from staggering real estate loan problems. But it is looking as if the third quarter could be decisive.

By the end of September, the Boston-based company and its subsidiaries will have to increase its razor-thin 1.64% capital ratio, decrease its whopping 13% ratio of nonperforming loans, and convert a significant amount of its $700 million in outstanding debt to equity, thereby avoiding hefty interest payments.

With the $23 billion-asset company's options for raising capital running out and with an absence of operating income, an exchange with bondholders is becoming critically important.

Retiring all outstanding debt would free the company from about $60 million in interest payments a year. Some $28 million is due by Oct. 1. The next payment, $7.1 million, is due next Wednesday.

Need for Agreement Cited

"The holding company has to come to terms with the bondholders," said Gerard Cassidy, a securities analyst for Tucker, Anthony & R.L. Day in Portland, Maine.

"In light of the deepening banking crisis in New England, regulators will be hesitant to approve the interest payments [on the company's bonds]," he added.

A deal to swap all of the company's senior and subordinated debt for cash and securities could possibly increase its capital level to about 3% or 4%, one analyst estimated. Regulators had ordered the company to raise its equity level to 3% by May 31, but so far have not penalized the bank for failing to do so.

Exchange Offer Expected

"We believe an exchange offer for all issues of [Bank of New England's] debt is imminent," said Douglas Randall, managing director of Balfour, Maclaine Capital Markets Inc., a brokerage house.

"We would regard the absence of an attempt to exchange as a sign of imminent seizure by the regulatory authorities," he said in a recent report.

Sources close to the bond-

See **CAPITAL** *back page*

INSIDE NEWS

INTERNATIONAL

ARGENTINA WILL TRY harder to privatize state-owned companies to improve its finances and help pay its commercial bank debt. *Page 10*

MORTGAGES

CITICORP'S MortgagePower system, which lets brokers collect fees for referring borrowers to the bank, is eliciting a chorus of protest in Washington. *Page 6*

CONSUMER

A HANDFUL of big banks will accept automated teller machine cards bearing the logos of either Cirrus or Plus when the networks begin sharing ATMs on Aug. 20. *Page 8*

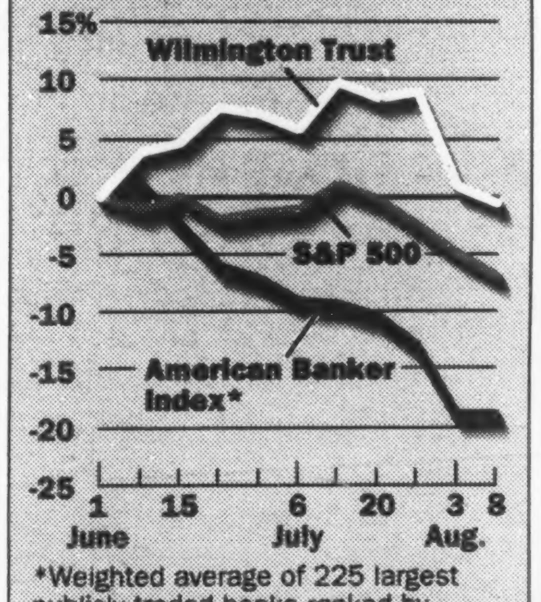
TECHNOLOGY

SEAFIRST is upgrading its systems to take advantage of opportunities for low-risk fee income in the trade finance arena. *Page 3*

FINANCE

Wilmington Trust: Ahead of the Market

Percentage change



*Weighted average of 225 largest publicly traded banks ranked by market capitalization

Sources: DB Technology Inc., SNL Securities

WILMINGTON TRUST has stayed several steps ahead of the industry, bucking the downward trend among East Coast bank stocks. *Page 16*

R.H. MACY selected Manufacturers Hanover Real Estate to arrange a mortgage on several warehouses and distribution buildings. The proceeds will be used to reduce bank debt. *Page 16*

WASHINGTON

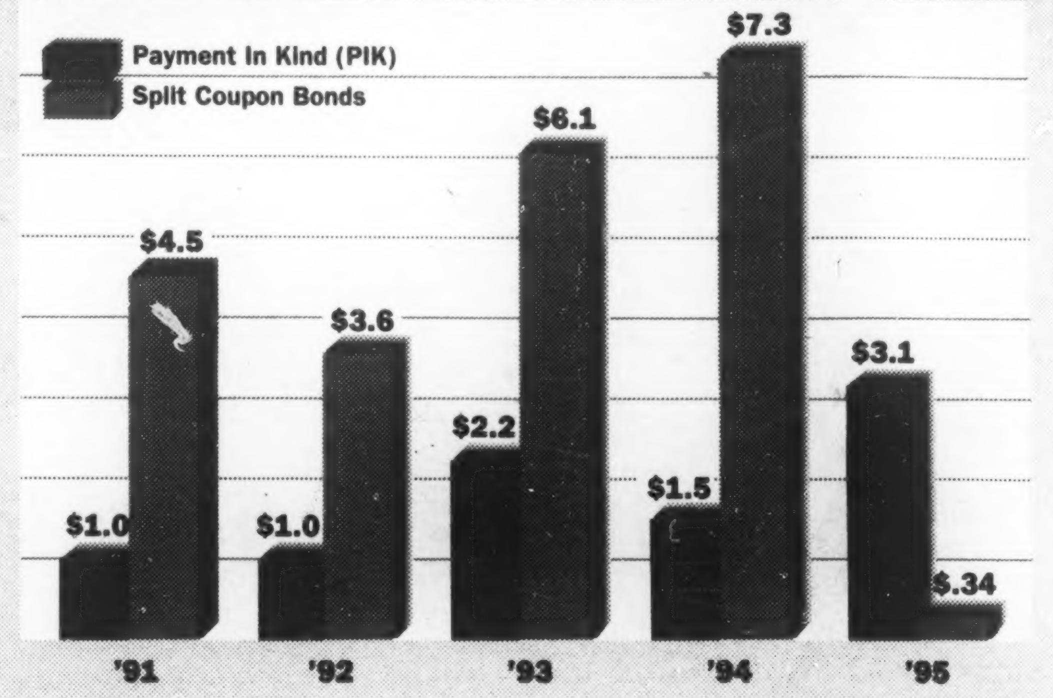
REX R. VEAL, top lawyer at the Resolution Trust Corp., is laying down his guns and going into private practice. *Page 2*

INDEX

Company Index 2
Classified Advertising 12
Bank and Thrift Stocks 15

Opportunity or Time Bomb for Banks?

Amount of securities that begin paying interest in cash, by year. Dollars in bilions



Source: McCarthy, Crisanti & Maffei, Salomon Bros.

Judgment Day for the Leveraged: Time to Start Paying the Interest

By STEVEN LIPIN

The day of reckoning is rapidly approaching for many companies that used interest-deferred securities to finance recapitalizations or leveraged buyouts. For banks, that will provide both opportunities and dangers.

As the deadlines approach for billions of dollars in securities to begin paying interest in cash, leveraged companies that are doing well will probably seek to replace much of the debt with bank loans, creating a large market for lenders.

But for companies doing poorly, the required payments could sap cash flow, threaten balance sheets, and weaken the position of existing bank loans senior to the debt.

The exotic high-yield securities that defer cash interest are a child of the LBO wave of the '80s. These instruments became popular because they temporarily took some of the pressure off the borrowers. One type, called payment-in-kind securities, enabled payments to made in the form of additional securities. Another type, zero-coupon bonds, deferred any payments for a number of years.

But starting in 1991 and in-

See **DAY** *page* **14**

OTS Seeking $40.9 Million In Restitution From Keating

By DEBRA COPE

WASHINGTON — Stepping up its effort to salvage some cash from the ruins of Lincoln Savings and Loan Association, thrift regulators took action on Thursday to obtain $40.9 million in restitution from Charles H. Keating Jr. and five former directors of American Continental Corp., Lincoln's Phoenix-based parent.

T. Timothy Ryan Jr., director of the Office of Thrift Supervision, said the restitution amount is the largest ever sought from a single thrift, though it is dwarfed by the $1.1 billion racketeering claim that the Resolution Trust Corp. has filed against American Continental. The restitution tactic is designed to increase the pressure on Mr. Keating to account for his holdings.

"We are just trying to move on multiple fronts," Mr. Ryan said.

Poor-Mouthing Fails

"Charles Keating Jr. has amassed vast sums at Lincoln's expense, and he now claims he is broke," Carolyn Lieberman,

See page **11**

Analyst Testifies That Banks Need 'Breathing Room'

By ROBERT M. GARSSON

WASHINGTON — The commercial banking industry does not need forbearance from regulators, but it does require "a little breathing room" to adjust to the softening real estate markets, a prominent bank stock analyst told a House panel on Thursday.

But to do that, the agencies would have to build up their corps of examiners to ensure that banks do not simply "roll the dice," to recover from losses on their real estate portfolios, said Charles Cranmer, who follows banks for Shearson Lehman Brothers Inc.

Staffing Problem

"Regulatory agencies are woefully understaffed and are losing good people daily to the private sector," he said. "The cost to taxpayers now of a fully staffed corps of examiners would be more than offset by the money saved in loan losses down the

See page **11**

Analysts Expecting FDIC to Push Premiums Well Above 15 Cents

By BILL ATKINSON

WASHINGTON — Following hints from Federal Deposit Insurance Corp. Chairman L. William Seidman that banks' premiums could go higher than expected next year, several industry analysts now say the industry should expect a substantial increase – perhaps approaching the FDIC's legal limit of 19.5 cents for each $100 of insured deposits.

The FDIC board is expected to consider at its meeting next Tuesday an increase in bank premiums above the rise of 3 cents per $100 of insured deposits slated to take effect next year. The scheduled increase will bring the premium to 15 cents per $100, and the FDIC's total assessment income to $3.75 billion from $3 billion this year.

Maximum Not Expected

Most observers do not expect the premium to hit the 19.5-cent ceiling, but they see an increase well beyond the 15-cent mark as all but certain. Each one-cent increase in the rate adds $250 million to the bank insurance fund, which is expected to need replenishment as banks suffer from a slowing economy.

Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the FDIC can raise the premium as much as 7.5 cents in one year.

But the agency might shy away from adopting the 19.5-cent rate because it would be politically unpalatable, said Bert Ely, president of Ely & Co., a Alexandria, Va.-based financial consulting concern. "If it goes to the final amount, that may raise complaints of gouging," he said.

Mr. Ely expects the FDIC to raise the premium to 18 cents per $100. Then the law would allow another 7.5-cent hike in 1992.

Agreement on Higher Level

Robert Litan, a senior fellow at the Brookings Institution in Washington, also said he would not be surprised if the FDIC board raised the assessment above the slated 15 basis points, but he is hard-pressed to be more exact.

"It is hard to know whether

See **ANALYSTS** *page* **11**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 11

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 14

COMMENT/*By Joseph A. DiNuzzo*

Some Thrifts Converting Into State Savings Banks

Since the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act in August 1989, several federal and state savings associations in states with savings bank statutes have begun to change their charters to state savings bank.

A state-chartered savings bank is a hybrid between a commercial bank and a savings and loan association, with a mixture of commercial banking and thrift lending and investment powers.

Historically they have been insured by the Federal Deposit Insurance Corp. and regulated by the FDIC and the applicable state chartering authority.

The savings-bank charter alternative has become popular, in part, because of the thrift law's elimination of the Federal Savings and Loan Insurance Corp. and the transfer of thrift insurance responsibilities to the FDIC under the Savings Association Insurance Fund.

Some states with savings bank statutes require that institutions be insured by the FDIC to be eligible to become savings banks. Because all federally insured thrifts are now insured by the FDIC under SAIF, they may qualify to convert to savings banks under the applicable state statutes.

> **"The savings-bank charter alternative has become popular, in part, because of the thrift law's elimination of the Federal Savings and Loan Insurance Corp.**

After conversion, the savings bank is subject to regulation by the state banking authority and, ordinarily, the FDIC.

Pioneer Federal Savings Bank, a $680 million-asset institution in Lynnwood, Wash., recently received what we believe was the first post-FIRREA approval by the Office of Thrift Supervision of a savings-bank charter conversion.

The conversion was facilitated by the strong capital position of Pioneer and the active cooperation of the state supervisor and his office in reviewing the application.

The supervisor's office and the FDIC conducted a joint examination of Pioneer. Before the regulatory examination, the Pioneer stockholders met and voted to approve the charter conversion.

Other Conversions in Progress

Several other savings associations in the Washington also are in the process of converting to a state savings banks.

Federal law does not prohibit a savings institution from converting to a state-chartered savings bank.

In fact, a provision in the thrift law specifies that the five-year moratorium on conversions from the SAIF to the Bank Insurance Fund shall not be construed to prohibit a savings association from converting to a bank charter if the resulting bank remains a SAIF member.

FDIC Status Is Same

Upon converting to a state-chartered mutual savings bank, the deposit insurance status of the institution does not change. Thus, the eligible deposits held at the institution continue to be insured under SAIF and the institution must continue to pay assessments to the FDIC for SAIF insurance.

The applicable state regulatory authority and, ordinarily, the FDIC become the primary regulators of the institution, replacing the OTS.

Also, the institution may remain a member of the Federal Home Loan Bank System, assuming continued compliance with the qualified thrift investment requirements.

The staffs of the OTS and the FDIC have acknowledged that such conversions are permissible, with the caveat that policy implications would arise if the converting institution has safety and soundness problems.

OTS Application Required

With respect to the termination of its current charter, an institution must file an application with the OTS. No formal conversion-related application must be filed with the FDIC. State and FDIC examinations of the institution, however, usually are required before the final approval of the conversion.

Ordinarily, the applicable state law requires the adoption of a plan of conversion by a majority of the members of the institution's board of directors and approval of the conversion by a majority of the stockholders or members of the institution.

The advantages in converting to a state savings bank may include the benefits of being regulated and supervised by a regulator in the institution's home state, reduced costs in examination and supervisory fees, and more favorable lending and investment powers.

Charter flips to a state savings bank also do not require an institution to recapture any portion of its bad-debt reserve.

In addition, in situations in which the converting institution is owned by a savings and loan holding company, the conversion process is further simplified because of the ease by which a vote of the stockholders, namely the holding company, may be obtained.

Higher Capital Requirements

One possible disadvantage in converting to a state savings bank is the higher capital requirements imposed by the FDIC. The FDIC presently requires a primary capital ratio of 5.5% and total capital of 6%. These contrast with OTS core and tangible capital requirements of 3% and 1.5% respectively.

The risk-based capital requirements of both the FDIC and the OTS are essentially the same. The FDIC, however, has a two-tiered phase-in of the risk-based capital requirements, unlike the OTS, which has an interim phase-in requirement of 6.4% until Jan. 1, 1991, when the OTS and the FDIC both will enforce the 7.2% requirement.

A Regulatory Test

An additional issue to address in connection with such a charter conversion is whether the FDIC will deem the institution to be a savings bank under the Federal Deposit Insurance Act and thus consider the institution a state nonmember bank, so as to come within the primary regulatory jurisdiction of the FDIC.

> **"The advantages in converting may include being regulated and supervised in the institution's home state and more favorable lending and investment powers."**

The test under the FDI Act in this respect is whether the applicable state law imposes "special requirements on such banks governing the manner of investing their funds and conducting their business."

If the FDIC determines that the institution does not so qualify, then the institution would continue to be deemed a savings association, and thus would continue to be regulated by the OTS.

Indiana recently passed a law permitting the conversion of mutual federal and state savings associations to Indiana mutual savings banks. The law becomes effective July 1, 1990.

Other States Consider Change

Also, New Jersey, Wisconsin, and Illinois, among others, are in the process of considering either savings bank charters or charter conversion provisions.

Charter flips to a state savings bank may not be available or advisable for all savings associations, but those that are eligible for such a conversion should give some thought to the option. ☐

Mr. DiNuzzo is a partner in the Washington, D.C., law firm Breyer & Zinski, which specializes in representing banks and thrift institutions.

LETTERS *to the editor*

Rose Wins Jeers, Cheers for Blast At Greenspan Call for More Capital

To the Editor:

I'm surprised that in 1990 a commentary such as Sanford Rose's July 24 article regarding bank capital ["For Shame, Chairman Greenspan!" on page 1] is deemed worthy of printing.

I've been a bank regulator, both state and federal, for 34 years, and I've never seen a bank fail because of too much capital.

I've seen them fail because of inadequate capital, and that's the point: The greater the risk in an institution, the more capital is required.

Time and time again, bankers want to leverage their minimal equity capital to the point that a minor downturn in the economy leaves them with insufficient capital to absorb loan losses.

Safety and Soundness

I also know that when investors and shareholders have sizable investments in a bank they take a special interest in safety and soundness.

Maybe we should go back to requiring shareholders to be subject to a mandatory call for capital contributions in time of need. That way, the taxpayers won't need to have their checkbooks handy.

Thomas K. Desch
Senior Vice President
Federal Reserve Bank
Philadelphia

To the Editor:

As a frequent reader of Sanford Rose's columns in the *American Banker*, I was particularly impressed with the July 24 commentary on Alan Greenspan's proposal for raising bank capital.

As Mr. Rose suggested, its likely effect is to cause bank managements to take yet greater risks in order to achieve the yields necessary to justify and sustain higher capital levels.

This seems to me to be the same mechanism that caused the massive losses in the savings and loan industry – managements, abetted by the easy availability of federally insured funds, seeking higher and higher yields to compensate for mounting losses on earlier risks.

There is, in my view, no way to address this problem within the current system. Your views on Alan Greenspan's approach suggested to me that my own proposal for a privatized deposit insurance system, utilizing the capital of the banking industry, would be of some interest.

Privatization offers a mechanism for introducing the right kind of market discipline into the deposit insurance system and forcing unproductive capital out of the banking industry.

Peter J. Wallison
Gibson Dunn & Crutcher
Washington, D.C.

Editor's Note: Mr. Wallison was White House counsel to President Reagan and chief counsel to the Treasury Department under Donald Regan.

Have an Important Legal Notice?
Call Penny Papakostas at
212/943-5739

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

DEALS

SAS Taps Morgan for Buyout of Lorenzo's Stake in Continental Airlines

By JED HOROWITZ

Morgan Guaranty Trust Co. is advising Scandinavian Airlines System on its buyout of Frank Lorenzo's stake in Continental Airlines Holdings Inc., according to spokesmen for the bank and the buyer.

SAS will invest $50 million, about $27 million of which will go to the controversial Mr. Lorenzo in return for his stepping down as head of the airline.

The SAS mandate, while relatively small, represents something of a coup for the J.P. Morgan & Co. unit in a climate not too conducive to dealmaking.

Role in IBM Transaction

Just last week the bank emerged as an adviser to IBM Corp., which plans to sell most of its low-technology businesses to Clayton & Dubilier for a price believed to exceed $2 billion. Morgan does not have the sole advisory mandate in the IBM transaction, but is expected to be one of three lead banks financing the IBM buyout.

The SAS transaction is not expected to require bank financing, said Charles Dumas, a managing director in the bank's mergers and acquisitions division.

Morgan, which has been working on the airline deal for more than a year, previously advised SAS on its unusuccessful bids for a portion of Aerolineas Argentinas and British Caledonian Airways, Mr. Dumas said.

Lorenzo's Contract a Factor

SAS will buy Jet Capital Corp., a company that holds 2% of Continental Airlines' capital and is 48% owned by Frank Lorenzo. The European airline – which is 50% controlled by the governments of Sweden, Denmark, and Norway – is paying about $20 million for Jet and $20 million to buy out Mr. Lorenzo's five-year contract.

The SAS bid is not expected to require bank financing.

Mr. Lorenzo – whose empire once included Eastern Airlines, now in Chapter 11 bankruptcy proceedings – will receive about $27 million from the transaction, Mr. Dumas said.

SAS also is injecting about $10 million into Continental, a company formerly known as Texas Air Corp. SAS, which already owns 9.9% of Continental, will emerge with 16.8% of stock and 18.4% of voting control if the purchase wins approval from the U.S. Department of Transportation and from Mr. Lorenzo's approximately 90 partners in Jet Capital.

The purchase price of about $15.30 per share is well above the $4.50 at which Continental's common stock was trading before the deal was revealed in Thursday's edition of *The Wall Street Journal*. SAS, a long-term client of Morgan, probably will fund the purchase out of its current treasury, Mr. Dumas said. SAS officials did not return calls for comment. □

Day of Reckoning Nears for Interest on High-Yield Debt

Continued from *page* **1**

creasing through 1995, billions of dollars of these PIKs and zeros have to begin paying interest in cash. In addition, billions of dollars worth of junk bonds carrying resettable coupons will get new rates in 1991 and 1992.

All these factors will significantly increase the cash interest costs of many companies that were taken private or recapitalized in the 1980s. When the interest payments kick in, some companies' coverage ratios will fall to potentially troubling levels that could put them in violation of loan covenants, or worse, bankers and analysts warn.

The silver lining for banks is that many of these securities trade at a discount, and many companies in solid financial shape will be coming to banks for refinancing, since the new-issue market in high-yield bonds is nonexistent.

Opportunities for Borrowers

Any company that can buy its bonds back at a discount increases its equity – while reducing overall indebtedness – by booking the gain on the difference between the retirement price and par, noted Kingman Penniman, senior vice president at McCarthy, Cristanti & Maffei, a junk bond research firm.

Creditworthy companies will likely find banks willing to refinance, given the lenders' need to put funds to work in high-yielding assets, bankers say. RJR Nabisco Inc., for instance, is solving its PIK problem through a combination of financings that include a new $2.25 billion bank loan. And Santa Fe Pacific Corp. is speaking with its banks about a major refinancing.

Bankers, in fact, say they have targeted companies with junk bonds as potential lending opportunities, noting that any debt retired at a discount can greatly improve the credit. Companies that have paid down senior bank debt will have the easiest time arranging new bank loans, lenders said.

"If banks can see that it will enhance the credit, you'll see more of that," Mr. Penniman said.

Lenders Are Receptive

"Some companies are taking constructive steps to make them viable concerns. And banks are saying: 'If a company has a good track record and has made a significant effort to reduce bank debt, it behooves us to lend,' " he added.

"The willingess of banks to refinance is a function of how well a company has done," said Mark Gold, a vice president at Chancellor Senior Secured Management Inc., a mutual fund that invests in bank loans. "If a company has paid off a lot of debt, they might find that banks may be willing to come in and take out the PIKs."

The idea behind noncash high-yield securities seems dubious in retrospect. The deals assumed that operating income would grow, and that asset sales would be successful.

Many deals crafted in the mid to late '80s used zero-coupon bonds or so-called cramdown securities – technically "merger debentures" that were distributed, or "crammed down" the throats of shareholders in lieu of cash for a buyout.

Use of the securities allowed acquirers to raise their bids without arranging more financing, since the bonds deferred cash interest for a number of years by paying in additional securities.

No Longer 'Academic'

But because many acquirers "never expected to be around five years later, it was sort of an academic issue," says a veteran LBO lender. It's no longer academic.

For companies like Viacom Inc. and Owens-Corning Fiberglas Corp. that are in solid financial shape, banks hungry for high-yielding assets are likely to target the outstanding PIKs for refinancing.

While many "trigger" dates don't kick in until next year, bankers and analysts say companies that have access to additional capital are not likely to wait until the bonds begin paying cash.

"They want to deal with it six to nine months before the things kick in," said one banker.

Coping with Event Risk

Santa Fe Pacific, for instance, has PIKs that don't start paying cash until 1992, but is moving now to deal with the "event risk" embedded in its balance sheet.

The Chicago-based company recently announced that it was exchanging $200 million of its $780 million PIK that becomes cash pay in 1992 for cash and common stock, and will call the rest of the tranche in October. The cramdown PIKs were issued as part of a recapitalization two years ago.

Analysts expect the company to arrange a new $400 million bank facility to call the bulk of the outstanding bonds.

Bank Debt Replaces 'Junk'

"Some of the new financing will be a bank facility," confirmed Robert Gehrt, a spokesman for the company. "We're in the process of negotiating that... We've met with them and they know what we're trying to do." The company's agent banks are the banking units of Chase Manhattan Corp., Chemical Banking Corp., J.P. Morgan & Co., and Security Pacific Corp.

"Companies are going to move before it becomes a problem," Mr. Penniman said.

For many companies, though, it will not be quite so easy. On the marginal deals that banks will not refinance, they may nevertheless have senior loans outstanding from the original transaction that could look much worse off with a PIK paying cash.

"For banks, it's a problem for weaker deals," said one lender to leveraged transactions. "There will be some opportunities, but on the whole I think it's a problem."

Timetable for Cash Payments

In 1991, about $1 billion in PIKs and $4.5 billion in zeros start paying cash interest, according to data from Salomon Brothers Inc. In 1992, a bit less than $1 billion in PIKs and around $3.6 billion of zeros become cash pay.

In 1993, the PIK figure jumps to $2.2 billion, while the amount of zeros skyrockets to just over $6 billion. In 1994, $1.485 billion in PIKs become cash pay, while a whopping $7.3 billion in zeros kick in. The figures assume that RJR Nabisco leaves outstanding $330 million of its 17% PIKs due in 2009 and $2.3 billion of its 17% PIKs due in 2007.

For resets, $3.2 billion of public and private junk bonds will be reset next year, $1.72 billion in 1992, then falling to $706 million in '93, according to Salomon Brothers.

Leveraged Roll Call

Leveraged companies with debt that becomes cash pay include: Jack Eckert Corp. – $345 million in zero-coupon bonds, May 1991; Owens Corning Fiberglas – $1 billion in zeros, December 1991; National Gypsum Co. – $847 million in zeros with 15.5% coupon, June 1991; and Viacom – $449 million in PIKs at 15.5% interest, June 1991.

Most of these companies will likely be able to refinance or meet their cash interest obligations, but companies like Southland Corp. – with $402 million in zero-coupon bonds that pay in cash next year – clearly will not.

And the increased risk of a recession stemming from the Middle East crisis could put pressure on cyclical companies, further tipping the marginal deals into potentially distressed situations, bankers warned.

Tarnished in Hindsight

The idea behind noncash high-yield securities seems dubious in retrospect. The deals were structured on the assumptions that operating income would grow, and that asset sales would be successful.

In the case of Interco Inc., which has $213 million in bonds that become cash pay in 1993, neither worked; it's clear that the company and its investment bankers were using a rose-colored calculator.

Banks began to target junk bond buybacks as a potential opportunity after Campeau Corp.'s failure sent the junk bond prices of many leveraged deals plunging. It's an opportunity to lend at leveraged pricing and with fees in the range of 300 to 400 basis points. □

CREDIT CARD PORTFOLIOS.

We are Rocky Mountain BankCard System, a sizeable issuer and processor of Visa and MasterCard cardholder and merchant services, seeking ***to purchase large and small credit card portfolios*** from any financial organization in the country.

What we are offering is a competitive premium dollar for your accounts. D. Dale Browning, President of Rocky Mountain BankCard System, has made quality customer service a hallmark of the organization. You will have our assurances that your credit card customers will continue to receive this high level of quality customer service.

Please Call:
Gary Upson,
Vice President,
at 303-620-7385
for additional
information.

RMBCS
Rocky Mountain BankCard System®

the credit card subsidiary of the Colorado National Bank of Denver
©1990 Rocky Mountain BankCard System, Inc.

800

AMERICAN BANKER

NEWSPAPER
1553890000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ~ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 159 | Wednesday, August 15, 1990 | 155th year

Bankers Foresee 3% Capital Rule Stifling Growth

By LINDA CORMAN

ANALYSIS: *Follow-up on the news*

WASHINGTON — Federal Reserve Board officials insist most banks have little reason to contest its most recent minimum capital requirement, known as the 3% leverage ratio. But some bankers disagree as controversy lingers over the usefulness of this method of measuring capital.

The standard, adopted Aug. 2 by the Fed – other regulators are soon to follow – requires the strongest banks to hold equity capital equal to at least 3% of assets. Bank health is measured on the regulators' Camel scale, an index based on capital, asset quality, management, earnings, and liquidity.

Lower-rated banks will have to maintain leverage ratios at least one percentage point higher than 3%.

The leverage ratio must be met in tandem with the broader, risk-based capital requirement. At the end of this year, for example, banks must meet both the 7.25% risk-based standard and the 3% capital requirement.

Problem Only in U.S.

Therein lies the rub for U.S. banks. While most major foreign banks must comply with risk-based capital rules, they do not have to worry about the additional requirement that, in effect, limits U.S. banks' ability to leverage their assets.

The 3% capital must consist of Tier 1 capital, defined as common equity and perpetual preferred. State institutions must deduct goodwill.

Much of the debate over the risk-based capital requirements occurred several years ago in anticipation of the international negotiations that culminated in the Basel accords, which made the risk-based requirements an international standard.

The Fed, however, has gone beyond the Basel agreement by adopting the 3% leverage ratio as well, which some domestic bankers say will hinder them in competition with overseas institutions not equally restricted.

Problem for Some Banks

U.S. bankers also argue the 3% leverage ratio prevents a bank with a large portfolio of low-risk assets from taking full advantage of the risk-based capital standards.

Beyond the dispute over the leverage ratio, analysts say banks already are on edge. To meet higher capital minimums,

See **BANKERS** *page* **20**

INSIDE NEWS

THRIFT CRISIS

COLUMBIA SAVINGS and Loan Assoc. announced that it lost $136.5 million in the second quarter. The loss increased Columbia's capital deficit 63% to $352.1 million, increasing the likelihood that it will be seized by regulators. *Page 2*

THE RESOLUTION Trust Corp. decided to extend to all investors the same quality guarantees on mortgage-related assets that it gives the governmental secondary-market agencies. *Page 2*

TECHNOLOGY

A POWER OUTAGE in New York's financial district continued to disrupt many back-office bank operations on Tuesday, as institutions diverted resources to keep trading and funds-transfer areas working smoothly. *Page 3*

FINANCE

THE SPIKE IN RATES on government securities could hold for a while, and a debate is emerging over whether the rate increase and resulting plunge in prices has further wounded the already limping banking industry. *Page 24*

CITICORP, First Chicago, and Bank of Boston, among others, are expected to look long and hard before agreeing to a plan by Atlanta developer John C. Portman to give his unsecured lenders a security lien. *Page 22*

CONSUMER

THE CIRRUS and Plus networks can proceed with their plans to share automated teller machines without fear of antitrust litigation – at least for now. *Page 8*

INTERNATIONAL

BANK OF MONTREAL caught industry analysts and money market participants off guard when it cut its prime rate to 14.25% from 14.75%. *Page 14*

COMMENT

REGULATORS are in the process of rethinking their position on the treatment of asset sales with recourse, writes Gail Patelunas. *Page 4*

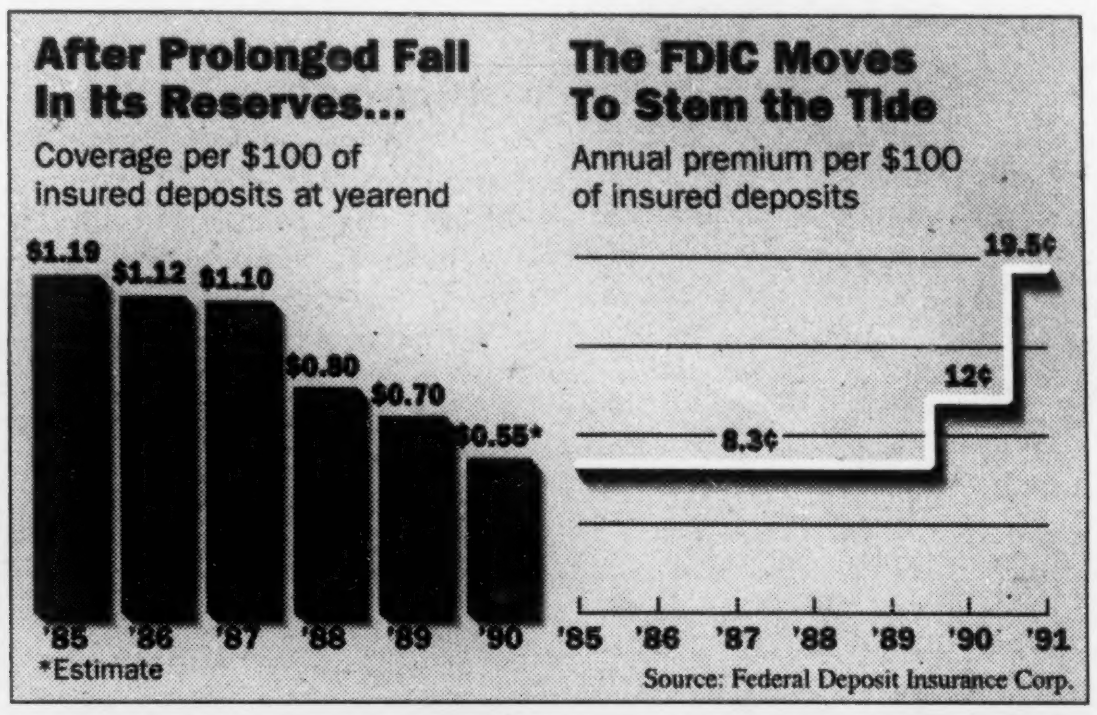
INDEX

Company Index 2
Grapevine 2
Executive Changes 7
Classified Advertising 18
Bank and Thrift Stocks 23

FDIC Premiums to Skyrocket 63%

Insurer Votes Largest Allowable Increase for 1991

By BILL ATKINSON


After Prolonged Fall In Its Reserves...
Coverage per $100 of insured deposits at yearend

The FDIC Moves To Stem the Tide
Annual premium per $100 of insured deposits

*Estimate

Source: Federal Deposit Insurance Corp.

WASHINGTON — Moving to replenish the dwindling bank insurance fund, the Federal Deposit Insurance Corp. board voted Tuesday to raise bank premiums next year by a record 63%.

The proposed increase – the maximum allowed in a single year – is to 19.5 cents for every $100 of insured bank deposits in 1991. The 1990 rate is 12 cents per $100.

In a unanimous vote for the 19.5-cent rate, the five-member FDIC board superseded a scheduled 3-cent rise that had been mandated by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The higher rate for next year would become official after a 30-day period for public comment.

7.5 Cents More in 1992?

The FDIC has authority to consider another 7.5-cent rise in the rate to take effect in 1992.

The move came after a month of hints from FDIC Chairman L. William Seidman and other officials that a premium hike beyond the scheduled 3 cents per $100 was in the offing. While the increase will shore up an insurance fund that is at an all-time low relative to the deposits it covers, bankers and industry analysts have noted that higher insurance premiums will mean lower profits.

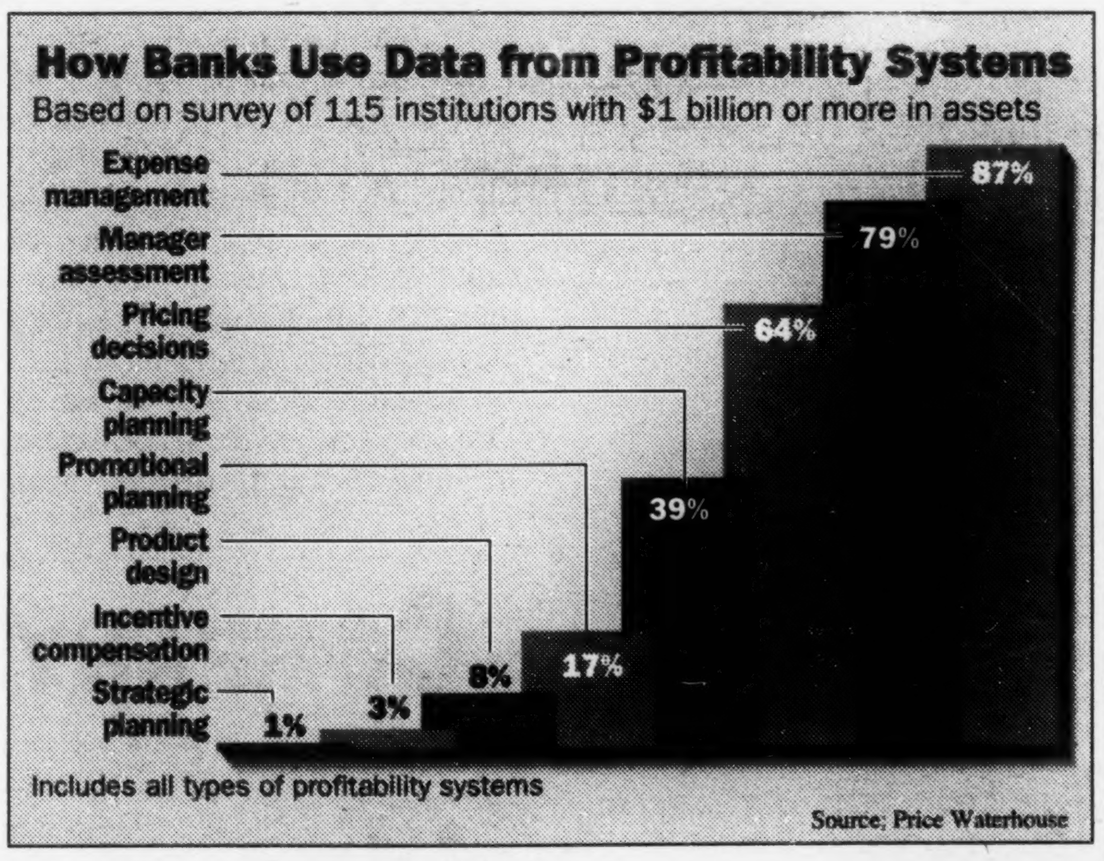
But a study by the FDIC staff concluded that the 7.5-cent assessment increase "would have a minimal impact on current industry capital levels." Commercial banks with deposits backed by the bank insurance fund had $224.7 billion at yearend 1989.

The increase in the premium will affect only commercial banks, which since 1989 will have seen a 135% boost in their premium rates, from 8.3 cents to 19.5 cents. Thrifts backed by the savings association insurance fund, which now pay 20.8 cents per $100, are to pay 23 cents next year.

Impact on Bank Costs

At the 19.5-cent premium level, banks insured by the FDIC's bank fund face a $1.1 billion in-

See **FDIC** *page* **12**


How Banks Use Data from Profitability Systems
Based on survey of 115 institutions with $1 billion or more in assets

Includes all types of profitability systems

Source: Price Waterhouse

Major Banks Seeking to Calculate Profitability of Products, Clients

By RICHARD LAYNE

In an attempt to bolster stock prices and allocate capital more effectively, major banks are building sophisticated information systems that measure the profitability of individual products, customers, and lines of business.

While many sizable banks can measure profitability companywide, only a handful have taken the next, crucial step: installing systems that measure the risk-adjusted return on equity for business units. With such systems, banks can manage their enterprises with the same eye to unit costs and dead wood that a manufacturer has.

About six of the nation's 20 largest banks have already developed such systems, including Security Pacific Corp., Bankers Trust New York Corp., First Chicago Corp., and Mellon Bank Corp., according to James M. McCormick, president of the First Manhattan Consulting Group, New York. Another eight or so, including Chase Manhattan Corp., Chemical Banking Corp., and PNC Financial Corp., are in the midst of de-

See **BIG** *page* **10**

Global Data: U.S. Banks In Retreat

By JOHN EVANS

LONDON — Plagued with rising credit problems and worldwide concern about the health of the U.S. banking industry, American banks staged a major retreat from international credit activities in the first quarter, according to the Bank for International Settlements.

U.S. overseas banking assets fell $47 billion, or 8%, to $550.8 billion from the period ended Dec. 31, the Basel-based central banking organization said in a report prepared for release today. Foreign borrowings of U.S. banks declined $36 billion, or 6%, to $611.2 billion.

The BIS said the reduction was the sharpest it every recorded, surpassing a 4% decline of U.S. banking assets overseas and a 3% decline in liabilities in the quarter ended June 30, 1989.

All Areas Involved

The scaling-back of the international activities of American banks was worldwide and involved "all geographical areas and included both interbank and final lending business," the BIS said. The reduction in the first quarter reflected "the grow-

See **U.S. BANKS** *page* **14**

COMMENT / *By Gail Patelunas*

Regulators Examining Risk In Asset Sales with Recourse

Presently, banks and savings associations do not follow the same practices in reporting asset sales with recourse for regulatory reporting nor in calculating capital adequacy. For both banks and savings associations, the divergence between regulatory reporting and capital requirements presently requires capital for recourse contingencies twice for the same institution.

An allowance is established for estimated credit losses at the time of sale, and capital is generally required for the off-balance sheet recourse contingency as if the assets sold were still on the institution's books.

These treatments impact competition, pricing, and efficiencies of the secondary market for mortgages.

This article will look at how recourse is treated by banks and savings associations for regulatory reporting and capital adequacy purposes and some of the issues presented by these treatments.

Positions Under Review

The regulators are in the process of rethinking their position on the treatment of asset sales with recourse, given the convergence of savings association regulations with those for banks and the Financial Institutions Reform, Recovery, and Enforcement Act mandate for the federal thrift and banking agencies to establish uniform regulatory accounting standards.

The Federal Financial Institutions Examination Council recently issued a request for public comment on recourse arrangements. The paper addresses a wide range of recourse arrangements, regulatory reporting requirements and the capital ramifications. Issues covered include:

- When is a sale with recourse a sale?
- When is it a financing?
- How does recourse affect the amount of capital required to support the activity?
- Should regulatory reporting differ from generally accepted accounting principles in this area?

Comments received in response to this request will ultimately affect the way in which asset sales are reported for regulatory purposes and the amount of capital required for the recourse contingency.

Risks Taken in Early 1980s

Prior to the adoption of risk-based capital guidelines, capital requirements for banks were only levied against balance sheet assets. Formalization of bank capital guidelines in the early 1980s encouraged management to take risks off the balance sheet, thus spawning new products and variations of securitization and asset sales with recourse.

This article addresses recourse as a credit enhancement only. Many other forms of recourse exist to protect the investor from such things as interest rate risk and risks stemming from natural disaster.

Heretofore, savings associations' capital requirements were based on liabilities and other risk factors, rather than on assets and the attendant credit risks. Savings associations took advantage of securitization to restructure their balance sheets and stabilize and grow earnings through risk-controlled arbitrage.

Mortage-Backed Securities

The securitization market has grown substantially in the past decade providing a liquid secondary market for mortgages on one- to four-family homes. The volume of mortgage-backed securities has grown from $373 billion at year-end 1985 to $859 billion by the third quarter of 1989, or more than 238%, compounded annually.

Regulators have recognized risks presented by the growing volume of recourse assumed during the securitization process and have taken steps to measure it and require capital for the credit risk it presents. In this effort, bank call reports have been modified by adding supporting schedules to capture information regarding the amount of loans sold each quarter and the amount of recourse retained by the selling institutions.

In all but limited situations, banks do not follow generally accepted accounting principles in reporting asset sales with recourse for regulatory reporting, nor in calculating capital requirements. Under generally accepted accounting principles, assets sold with recourse can be removed from the balance sheet provided certain requirements are met.

> **"Regulators have recognized risks presented by the growing volume of recourse assumed during the securitization process and have taken steps."**

However, under regulatory reporting for banks, if a sale results in the retention of recourse, the transaction is treated as a financing for regulatory reporting; the asset is not removed from the balance sheet. The Call Report instructions specifically state that this treatment is "for purposes of . . . determination of capital adequacy."

Secondary Mortgage Markets

One major exception to this rule exists for the sale or swapping of mortgages to one of the federal or federally-sponsored agencies. In such instances, the reporting bank may account for the transaction as a sale for regulatory reporting purposes, thereby removing the mortgages from the balance sheet even if risk is retained. (Where no risk is retained, securitized mortgages can reduce the amount of capital required under the risk-based guidelines from 50 to 20%, or even to zero, based on the weight assigned to the security.)

During the development of the secondary mortgage markets, banks soon found that the best prices could be obtained if recourse was retained for 100% of the mortgages, since the securitized assets were still treated as a sale for regulatory reporting purposes.

Privately issued mortgage-backed transactions also may be accounted for as a sale for regulatory reporting, depending on the structure and amount of risk retained. If the selling bank retains recourse representing less than a "significant risk of loss," the transaction is reported as a sale for regulatory reporting purposes, and the mortgages are removed from the balance sheet.

A "significant risk of loss" exists when the maximum contractual recourse exposure retained by a bank exceeds its estimated probable loss. Many private deals do not meet the test for treatment as a sale because the recourse retained is several times the amount of the expected losses.

Capital Requirements for Loans

For regulatory capital requirements, removing assets from the balance sheet reduces capital requirements for the leverage ratio which is calculated using balance sheet assets. However, recourse retained on mortgages sold requires the selling bank to hold capital for the entire amount of loans sold under the risk-based capital ratio as if the loans were still on the books.

If the security is held by the securitizing bank, it is not required to be capitalized in addition to the underlying mortgages. However, if the security is subsequently sold, capital is required to be maintained by both the depository institution that securitized the loans with recourse, and the depository institution purchasing the security. This is referred to as "double counting," that is, the original mortgages now require capital twice within the banking system, by the holder of recourse and by the purchaser of the security.

In addition, the diverging treatment of recourse under generally accepted accounting principles and for capital adequacy purposes is the equivalent of requiring capital twice for the same bank. A number of large players in the residential mortgage market are publicly reporting banking organizations using generally accepted accounting principles.

Under GAAP, a bank's obligation under the recourse arrangement is estimated and a allowance is established for this contingency at the time of the sale. However, this allowance for loss no longer counts as capital under the new risk-based capital calculations.

Under the capital requirements, capital is required to be held for recourse on the securitized assets. Therefore, under GAAP, a charge to income is taken to establish an allowance for the recourse contingency, but capital is still required to be maintained.

Savings Associations

Savings associations are required to follow generally accepted accounting principles in regulatory reporting for asset sales with recourse. Like banks, assets sold with recourse can be removed from the balance sheet, thereby reducing capital for the leverage requirement. And, like banks, savings associations must hold capital for recourse provisions under the risk-based capital framework.

However, the capital requirement for savings associations is slightly different from that for banks. The leverage requirement is somewhat easier for savings associations to meet, given their ability to report sales with recourse in accordance with GAAP, regardless of whether they are to agencies or without a significant risk of loss.

Banks are only accorded this exception in limited instances. Savings associations are required to maintain risk-based

See **COMMENT** *page* **6**

Ms. Patelunas is a senior manager with KPMG Peat Marwick in Washington, working in its financial institutions advisory service.

LETTERS *to the editor*

Chemical Chief: Shake-Up Gives More Responsibilities to Hartigan

To the Editor:

Chemical Banking Corp. would like to lodge a strong protest over a reference to one of our senior executives, Maurice H. Hartigan II, in an article on Aug. 9 ("Younger Executives Gain in a Shake-Up at Chemical," page 1).

The article said that Mr. Hartigan became an "apparent also-ran" under a realignment of Chemical's top management and implied that his duties were changed because Chemical's real estate lending is "troubled." Both contentions are incorrect.

Under Mr. Hartigan's leadership, Chemical reduced its real estate lending by 22% since 1988. Mr. Hartigan also shifted Chemical's focus away from construction lending, which is now the most troubled part of the market, toward lower-risk types of lending and advisory activities. Recent developments in the real estate market clearly prove that his conservative strategy was correct.

Rather than becoming an "also-ran" under the new structure, Mr. Hartigan has assumed much broader responsibilities as the No. 2 executive in charge of Chemical's New York region, including our consumer, middle market, and private banking businesses, as well as real estate.

Walter V. Shipley
Chairman
Chemical Banking Corp.
New York

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Big Banks Seek Deeper Data on Profitability to Aid Stock

Continued from *page* **1**

veloping them, he said.

The growing importance of these systems has not gone unnoticed on Wall Street. Analysts say that banks lacking these systems are more likely to stay in losing businesses and fail to back potential winners.

These profitability systems, which cost millions of dollars to design and install and can require a bank to solve some knotty accounting problems on allocating equity, are the managerial tools of choice for a new breed of executive.

An Eye on Risk and Reward

Observers call this group "systematic managers," for their focus on managing businesses based on apples-to-apples comparisons of such performance criteria as risk-adjusted return on equity for business lines.

Members of this new class say they can strengthen their companies' return on equity by as much as two percentage points. The average return on equity for all banks last year was 7.79%, while in 1988 it was 12.79%. Return on equity, or ROE, is a significant determinant of stock value.

The need for profitability systems is spurred by the growing complexity of the banking business. A bank operating 100 lines of business in several states must be able to optimally price products and decide on a quantitative basis, primarily ROE, which business to exit or build up.

"Banks that have this capability have a leg up on understanding their resources," said Arthur P. Soter, a banking analyst with Morgan Stanley & Co.

"That doesn't guarantee success, but it increases the likelihood that they are putting their money to work in the better opportunities."

Mr. Soter said the use of a profitability-measurement systems was a key factor in the recent turnaround of Detroit-based Comerica Inc.

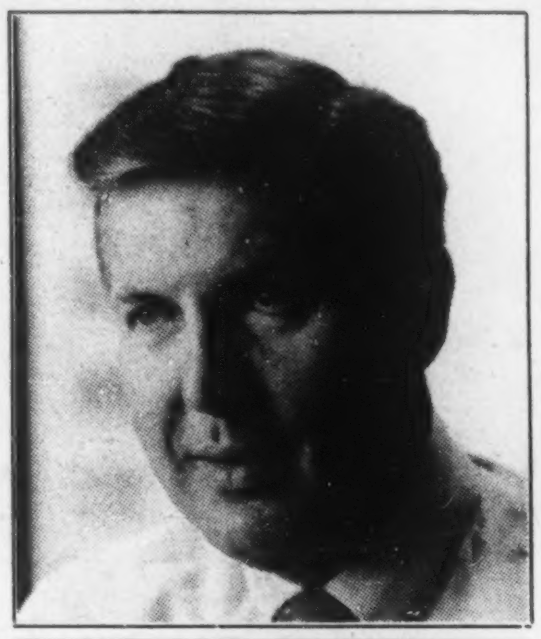
"Not having such a system hurts banks," said Diogo B. Teixeira, a banking technology specialist with McKinsey & Co. If "you don't know your product profitability, it's hard to make the right decision on how to price a product or whether to drop out of a business."

Setting the Standards

At a meeting last month in San Diego, Security Pacific's top 85 managers sat on the edges of their seats while executives announced which of the bank's 49 major businesses reached the goal of a 20% ROE. Fourteen businesses did not. The result: Security Pacific plans to announce the sale of some units and will restructure others.

For Security Pacific, the focus on ROE, derived via the profitability system, is new. "We've never been able to monitor these businesses as well before – you had some gut feelings, but you couldn't prove them," said John Singleton, the new chief operating officer at Security Pacific.

"In manufacturing, you live and die by unit costs and product costs," said Mr. Singleton. "Banking never had to do this."



"You had some gut feelings, but you couldn't prove them."

John Singleton
Security Pacific Corp.

A Heavyweight Group

Mr. Singleton is one of the new systematic managers, a group that includes Edward Miller, vice chairman of Manufacturers Hanover Trust Co., New York; Terrence A. Larsen, chairman of CoreStates Financial Corp., Philadelphia; and Anthony P. Terracciano, who used such a system at Mellon before taking the top job at First Fidelity Bancorp, Newark, N.J.

Executives at Security Pacific believe the the system can increase ROE by 1.5 to 2 points. "If you are going to be a powerhouse acquirer, you have to drive your stock price up," said Mr. Singleton.

Security Pacific is not alone. At CoreStates, which finished its profitability system last year, hundreds of financial analysts, wholesale bankers, and even the chairman, Terry Larsen, check the system regularly, monitoring the performance of customers, business units, and products, according to Robert N. Gilmore, executive vice president.

Other banks must follow the example of these pioneers, according to observers.

"How can you manage without knowing how profitable your businesses are?" asks Mr. McCormick of First Manhattan Consulting .

Mr. McCormick said the first profitability system was installed in 1983, although he declined to name the bank.

Mr. McCormick said that in a sizable bank holding company with some 100 businesses, a third have a high ROE; a third have an ROE from 10% to 20%; and a third have an ROE of less than 10%.

"Once you know the ROE for lines of business, you behave fundamentally different – you know whether to fix, restructure, or wind down," he said. "That's the world that allows for the systematic management for shareholder value."

While few banks have systems that measure return on equity, most can measure profitability to some degree.

In a 1989 survey by the accounting company Price Waterhouse & Co. of 115 of the 250 biggest bank holding companies, all but a few said they had at least some ability to measure the organizational unit profitability, whether through return on assets, net income, or performance to budget. The study said product and customer profitability systems were far less common.

The Price Waterhouse study did find that two out of every three bank holding companies with more than $1 billion in assets said they planned to install or enhance their profitability system within two years.

Accounting Needs Work

Building profitability systems is an enormous undertaking. First, the bank must hammer out the accounting practices: how to allocate equity, funds transfer pricing, and goodwill, to name just a few.

Then it must overcome the technological hurdles. A profitability system sits on top of a bank's transaction processing systems. It must snatch up-to-the-minute information from scores of systems to create individual balance sheets and income statements on balances.

Then the data gleaned from the bank's operations must be stored in such a way that managers can easily retrieve it.

Mr. Soter and others point to the unique problems of banks as compared with other industries that has slowed this progress: a lack of separation between lines of business, issues in transfer pricing, the allocation of capital.

BT Tymnet Is

Electronic Transaction Services

BT Tymnet offers the broadest array of Electronic Draft Capture (EDC) and other Point-of-Sales transaction services in the industry. Quality BT Tymnet services enable banks to provide merchants with innovative, highly competitive and profitable solutions. Full service capabilities include: a wide range of connectivity, state-of-the-art card and check support and reliable performance worldwide. Just call our toll-free number for complete details.

BT Tymnet Is: Global Network Services,℠ Network Management System, Dialcom® Messaging Services, EDI*Net,® LAN Connectivity Services and much more.

Contact BT Tymnet: 2560 North First Street
P.O. Box 49019 ♦ San Jose, CA 95161-9019 ♦ **800-872-7654**

BT TYMNET™
A British Telecom Company

Spirited.
Solid.
Strong.
Business Communications Around The World.

ISSUES

Machine Dialing Speeds Collections

By KAREN GULLO

NEW YORK — Using technology that automates telephone dialing, banks have discovered that they can greatly speed collection operations, reduce labor costs, and increase their telemarketers' productivity.

Banks began installing automatic or "predictive" dialing systems in the mid-1980s to make collections and telemarketing operations more efficient. Such systems can be programmed to dial several hundred phone numbers an hour and route calls and customer information to operators.

In Massachusetts and a few other states, any company using an autodialing system for telemarketing must buy lists from the phone company of consumers who do not want to receive the calls. So far, banks that use such systems for collections are not covered by such legislation.

200 Bank Installations

Davox Corp., a Billerica, Mass.-based major provider of such systems, said it has installed autodialing systems at about 200 U.S. banks. Citicorp is one of its largest customers, with systems for its nationwide Visa and MasterCard account collection network. Last spring, the banking company ordered $1.4 million worth of Davox products for its regional collection center in Erlanger, Ky.

A typical system uses personal and mainframe computers with a dialing device. The mainframe sorts delinquent files with customers' names, addresses, and phone numbers and sends them to the PC.

Contacting More People

The PC is programmed with calling criteria that sort the accounts by area code and delinquency period. The information is passed to the autodialer, which begins dialing numbers in rapid succession and passing answered calls to operators.

"The system allows us to talk to more people," said William H. Haddock, collection manager in the credit card group at Star Banc Corp., Cincinnati.

His company installed its first Davox system in the loan collection department two years ago. With 5,000 delinquent accounts to contact each day, collections moved slowly; operators contacted two to five customers an hour. The automatic dialing system picked up the pace to 20 to 35 calls an hour. ☐

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10

800

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ‑ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

AMERICAN BANKER

VOL. CLV NO. 161 Friday, August 17, 1990 155th year

Why Did Fed Finally Reject Northeast Deal?

By GORDON MATTHEWS
and BARBARA REHM

NEW YORK — The Federal Reserve Board rejection of Bank of New York Co.'s foot-dragging bid to acquire Northeast Bancorp probably stifles what life was left in the moribund bank merger and acquisition scene.

The question some observers are now asking is whether the Fed has raised the capital requirement for bank mergers.

"I doubt if too many tears are being shed at Bank of New York over this, but the message here may be that regulators right now will not approve any deal in which capital ratios are weakened, even when they don't go below the minimum limits," said Felice M. Gelman, a bank analyst at Dillon Read & Co.

ANALYSIS: *Follow-up on the news*

Meanwhile, Northeast, based in Stamford, Conn., signaled that it is not yet ready to give up the fight. It asserted Thursday that Bank of New York deliberately filed an incomplete application with the Fed to ensure that the deal would be rejected.

'Breach of Contract'

"Northeast believes that the lack of a proper capital plan within the application constitutes a breach of contract, and it will decide within the next few days whether to pursue legal action," Frank J. Kugler Jr., its chairman, said in a statement.

"We were not asked by the Fed to submit a capital plan," responded a spokesman for Bank of New York. "Moreover, the management at Northeast saw this application before it went to the Fed, and we did not previously hear from them that it was incomplete."

The Fed operates mainly behind closed doors. So industry sources were unsure Thursday whether the Bank of New York order, released late Wednesday, signaled that the Fed is applying a higher capital standard to acquisition requests.

Reading Fed Intentions

"I think the Fed has been intensifying, but I'm not sure whether it is an increase or not," said a leading industry lawyer, who did not want to be named. "The Fed is clearly committed to high capital, but I don't think there is a specific level. I think they do it on a case-by-case basis."

About the only clear implication is that "the Fed doesn't like large cash deals," said Mark

See **EXPERTS** page 14

INSIDE NEWS

FINANCE

CALIFORNIA bank stocks were hammered in the wake of estimates of lower earnings for Security Pacific Corp. A Merrill Lynch analyst precipitated the slide by reducing her 1990 earnings estimates to $5.70 a share from $6.35 a share. *Page 16*

AMERICAN STORES Co. closed a $75 million loan this week that was not only sole-agented by a relatively unknown Japanese bank, but syndicated exclusively to regional Japanese lenders. *Page 14*

INTERNATIONAL

THOMAS COOK Group, a unit of Britain's Midland Bank, got Fed approval to acquire the U.S. retail foreign exchange operations of Deak International from Jarden Morgan Ltd., a New Zealand-based financial services company. *Page 7*

CONSUMER

BRITISH CONSUMERS will make more payments with debit cards than checks before the year 2000, a trade group predicts. *Page 8*

MORTGAGES

OPPOSITION from member thrifts of the Federal Home Loan Bank of New York has derailed a plan by that bank to invest in jumbo mortgages. *Page 2*

THE TOP 25 mortgage lenders accounted for 34.7% of all originations last year, up from 31% in 1988, according to a study by SMR Research. *Page 6*

A PROPOSED SALE of one of the Resolution Trust Corp.'s largest mortgage-servicing portfolios has fallen into limbo, with part of the buyer group coming under pressure to exit. *Page 13*

COMMENT

A SUGGESTED amendment requiring lenders to adopt "uniform" pricing could have the effect of hurting the very people the Federal Housing Administration is intended to help, argues Angelo Mozilo. *Page 4*

INDEX

People in the News 2
Company Index 2
Letters to the Editor 4
Classified Advertising 10
Bank and Thrift Stocks 15

Peggy Turbett

WORK IN PROGRESS: Citibank's branch at 55 Wall St. was closed Thursday as Consolidated Edison toiled to restore power in the fourth day of a blackout in the heart of the financial district.

Citibank Works to Bring Accounts Up to Date After Generator Failure

By KAREN GULLO

NEW YORK — Citibank scrambled to update customers' accounts Thursday after bringing in additional generators to restore back-office computer systems for its New York City branches.

A power outage in New York's financial district has become an operational nightmare for the giant bank, affecting key computer systems supporting correspondent and retail banking operations and customer service.

The systems failure delayed posting of withdrawals and deposits to consumers' accounts, but the number of accounts affected could not be determined. Corporate accounts were affected to a lesser degree, bank officials said.

"We're doing catch up right now, but we're almost completely caught up," said Daniel J. Denaci, vice president in charge of retail banking for Citibank in south Manhattan. He said account activity had been posted through Tuesday.

Two Citibank branches, including one at 55 Wall Street, remained closed Thursday because power had not been restored three days after a fire destroyed a utility station operated by Consolidated Edison Co. in lower Manhattan. Customers were diverted to other branches in the area.

Operations for the retail and correspondent banking systems were disrupted Wednesday when a backup generator failed at the bank's downtown Manhattan processing site at 111

See **CITIBANK** page 3

Fed Wire Disrupted, Is Moved to Backup Site

By JEANNE IIDA

NEW YORK — A backup generator at the Federal Reserve Bank of New York failed Thursday morning, disrupting the Fed's nationwide wire-transfer system and adding more confusion to a federal funds trading market already in turmoil following a blackout in Lower Manhattan earlier this week.

The Fed's wire network, which processes more than $900 billion in payments a day, opened two-and-a-half hours late as officials scrambled to move operations to a backup site 24 miles north of the city.

Payment Bottleneck

Corporate and interbank payments faced bottlenecks as the tedious process of linking users to the new site slowed operations well into the afternoon. The Fed Wire was expected to close after its normal 6:30 p.m. deadline, officials said.

"We're not out of the woods yet," E. Gerald Corrigan, president of the New York Fed, told a press conference at 4 p.m. Thursday. "What we are talking about are terribly complex systems."

However, Mr. Corrigan stressed he was encouraged by how the backup system was op-

See **FED** page 3

Hanover Exiting From Sweden And Switzerland

By JOHN EVANS

LONDON — Manufacturers Hanover Trust Co. announced on Thursday that it is closing its branches in Switzerland and Sweden as part of a global restructuring of its wholesale banking business.

The move is consistent with a broad retreat by U.S. banks overseas in the wake of rising credit problems and international concerns about the health of America's banking industry. Though Switzerland has traditionally been considered an essential component for a global banking network, Hanover insisted the pullout will not damage its international operations.

Ten U.S. banks operate branches or subsidiaries in Switzerland, including Citibank, Bank of America, Morgan Guaranty Trust Co. of New York, and

See **HANOVER** page 7

Ameritrust Will Cut 780 Workers, Take Charge of Up to $18 Million

By NANINE ALEXANDER

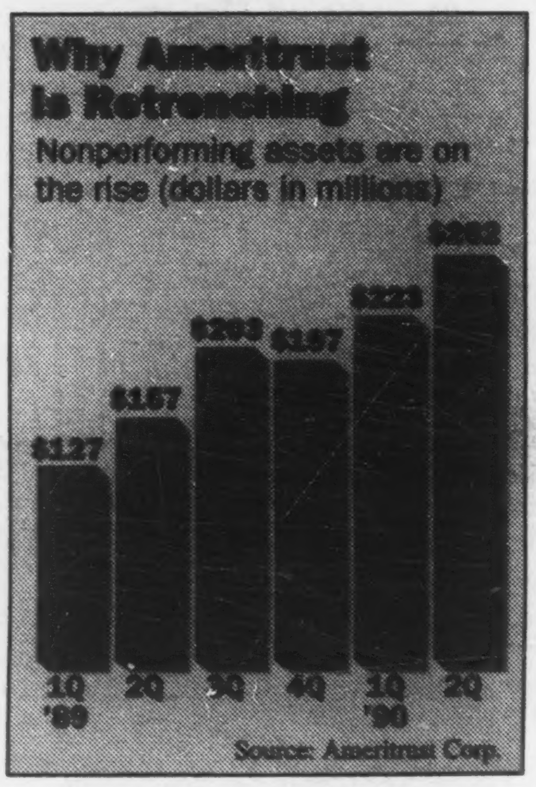
CHICAGO — Ameritrust Corp. announced Thursday that it will reduce its staff by 11.5% and take a charge of as much as $18 million against third-quarter earnings.

The Cleveland-based banking company also disclosed that it has signed a memorandum of understanding with the Office of the Comptroller of the Currency.

Lightest Regulatory Act

A memorandum of understanding is the lightest form of regulatory control; it involves a written declaration that a banking company intends to improve its business practices.

Most analysts were not surprised by Ameritrust's planned restructuring charge, but several said they were concerned about the OCC accord. "I don't think it restricts their operations," said Kenneth F. Puglisi, an analyst at Keefe, Bruyette & Woods Inc., referring to the OCC memorandum, "but it does send a negative signal."



Why Ameritrust is Retrenching

Nonperforming assets are on the rise (dollars in millions)

Source: Ameritrust Corp.

Ameritrust's stock closed Thursday at $14 a share, down 62.5 cents from Wednesday's

See **AMERITRUST** back page

COMMENT/*By Angelo Mozilo*

Amendment Could Injure Low-Income FHA Buyers

The Federal Housing Administration's home-ownership program is intended to facilitate the delivery of mortgage credit to qualified borrowers. Over the years, this purpose has generally been well served.

However, due to the escalation of home prices in recent years, FHA financing has become unsuitable for many buyers in high-cost housing markets because of the unrealistically low loan limit – $124,875 – authorized by Congress.

To add to this problem there is an amendment to the 1990 Housing Bill (HR 1 180), currently wending its way through Congress, that would prohibit lenders from imposing different interest rates, discount points, origination fees, or other charges on FHA loans with different loan amounts.

Tiered Pricing Is Target

Ostensibly, the aim of the amendment, sponsored by Rep. Thomas Ridge, R-Pa., and Rep. Mary Rose Oakar, D-Ohio, is to help lower-income buyers. The proposed legislation would force lenders to make loans in lower-cost areas of the country and control fees charged by eliminating "tiered" pricing.

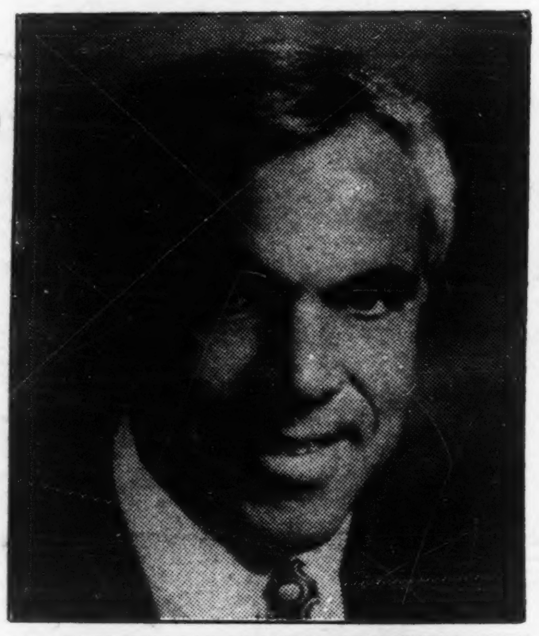
In reality, though, it is the customary tiered pricing methodology that has permitted lenders to make loans in economically deprived areas on a sound business basis.

Even if well-intended, as I believe this amendment is, this legislation is an attempt to legislate economics – an impossible task. The authors would make lenders charge the same percentage, regardless of the loan amount.

Unintended Results

This practice, without question, would result in pricing lenders out of those communities where FHA financing is an essential ingredient for the viability of the housing market. The Ridge-Oakar amendment would clearly have the effect of shutting off FHA housing credit to many who are seeking the opportunity of home ownership.

The reason is simple and straightforward: The cost of originating a loan is a dollar amount, not a percentage. Regardless of size, every loan requires the same documentation and time; all loans cost virtually the same amount to originate. This patent fact of economics is the key to understanding the fallacy of the proposed amendment.



> **"The true result of an amendment requiring lenders to adopt 'uniform' pricing would be far from uniform."**

Admittedly, if a borrower or a congressman does not understand that our origination costs are roughly equal regardless of the size of the loan, then the current method of pricing would appear unfair. However, the true result of an amendment requiring lenders to adopt "uniform" pricing would be far from uniform.

Rather, it would be grossly unfair. Consider the following: Under this amendment, the borrower of $120,000 would pay 12 times as much as the borrower of $10,000. No doubt, higher-balance borrowers are apt to find this difficult to swallow.

Some Basic Arithmetic

A higher number of "points" – the percentage of the loan amount – on lower-balance loans translates into roughly equal dollar amounts being charged by lenders. Let's look at some basic arithmetic equations.

Six points on a $20,000 loan, three points on a $40,000 loan, and one point on a $120,000 loan all add up to the same dollar amount – $1,200. So, under the current tiered pricing structure, each of these hypothetical borrowers pays the same dollar amount to cover the lender's cost – a cost that is about the same in each case.

The proposed amendment is based on the premise that by charging more for higher-balance loans, lenders can subsidize the cost of originating lower-balance loans. This theory, though, is not practicable. Consider that currently the origination fee for all FHA loans is capped by the Department of Housing and Urban Development at 1% of the loan amount.

Originations at a Loss

In effect, higher-balance loans are subsidizing lower-balance loans. However, even on the highest balance loan currently allowed under FHA, which is $124,875, FHA lenders are unable to cover their average origination costs with the current 1% cap. In 1998, the average net loss to originate each single-family loan, regardless of size, was $1,244.

With the origination of loans already operating at a loss, lenders rely on income from points to make origination of these loans economically viable. If a mandate to charge a uniform number of points on all FHA loans, regardless of loan amount, is enacted, the result will be direct subsidization of low-balance borrowers by higher-balance borrowers.

As such, lenders will have no choice but to increase interest rates or points across the board to ensure adequate yields from higher-balance loans to cover costs of originating lower-balance loans.

As the cost of higher-balance FHA loans are forced up, these larger and more profitable loans might be lost by the FHA program to conventional financing. Consequently, the FHA program would be put under even greater financial stress.

Program with a Social Purpose

FHA is unarguably a program with a social purpose – fostering home ownership. But there is nothing in its legislative history mandating direct subsidy from one class of borrowers to another class of borrowers on the pricing of these loans.

The current practice of tiered pricing, where a higher number of points is charged on smaller loans, is not an effort to discriminate against lower-income borrowers or to covertly discourage lending in certain neighborhoods. Lenders have adopted tiered pricing practices simply to cover the cost of originating lower-balance loans.

Forcing lenders to discriminate against their higher-balance loan customers will only hurt the very people the amendment's sponsors are trying to help.

Furthermore, a law that forces a lender to operate at a perennial deficit would be unconstitutional. Such a law would only force lenders to shut off the availability of housing loans to those seeking small balances, thus taking home ownership away from the very American families that FHA has historically been intended to help. □

Mr. Mozilo is president and chief executive officer of Countrywide Funding Corp. and vice president of the Mortgage Bankers Association

LETTERS *to the editor*

Idea of Limiting FDIC Coverage Seen Threat to Banking System

To the Editor:

After having read Linda Corman's article "Putting Limits on Insurance: Is It Practical?" [Aug. 2, page 1], I felt a few comments were appropriate.

Congress couldn't pick a worse time to consider reducing or curtailing Federal Deposit Insurance Corp. coverage. Obviously, there is no confidence in the savings and loan industry. Confidence in the banking industry is also dwindling, so reducing the insurance would only result in further erosion of confidence in the banking system. It is critical for the country, and maybe the world, that the financial system of the United States remain strong.

Savings Would Suffer

Americans don't save enough at present. Reducing insurance coverage would surely cause disintermediation, thereby reducing the banking system's ability to finance capital investments. Also, lowering the insurance would cause people who can afford to save to seek other investment opportunities.

I would respectfully suggest the most prudent use of the peace dividend is clearly to satisfy the government's obligations with regard to the savings and loan bailout. If our children are to enjoy at least the standard of living they are accustomed to, we simply owe it to them to get our financial house in order.

Congress' Priority

We all know what the cure is — raise taxes and reduce expenditures. When will members of Congress make this their No. 1 priority rather than thinking about getting reelected? (Actually, that's probably one of the main reasons why we are in this position). If they only could hear President Kennedy once again: "Ask not what your country can do for you; ask what you can do for your country."

In conclusion, the key to a strong financial system is having confidence in the banking industry – and FDIC insurance just happens to be the cornerstone.

William W. Davis Jr.
President, chief operating officer
Third National Bank & Trust
Scranton, Pa.

Reforming Mortgage Insurance

To the Editor:

An article your newspaper ran Aug. 2 on the overhaul of Federal Housing Administration mortgage insurance ["House Votes for Overhaul of FHA Mortgage Insurance," page 7] was incomplete in describing the Vento-Ridge amendment. Our amendment includes several meaningful reforms to maintain the safety and soundness of the FHA insurance fund.

The Bush administration's proposal and our amendment both meet a higher capital standard for the FHA fund, but our amendment does it in a manner that is less harmful to potential homebuyers. The Vento-Ridge amendment will restore FHA to sound financial footing without the adverse side-effects of the administration's proposal.

With young families finding it more and more difficult to purchase a home, it is imperative that we do not impose unnecessary obstacles to home ownership.

Rep. Bruce F. Vento
Democrat of Minnesota
Rep. Thomas J. Ridge
Republican of Pennsylvania

Editor's Note: The Vento-Ridge proposal, which would lower the initial FHA mortgage-insurance fee payable by homebuyers and spread the cost over the life of the loan, passed the House in late July on a vote of 418 to 2.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

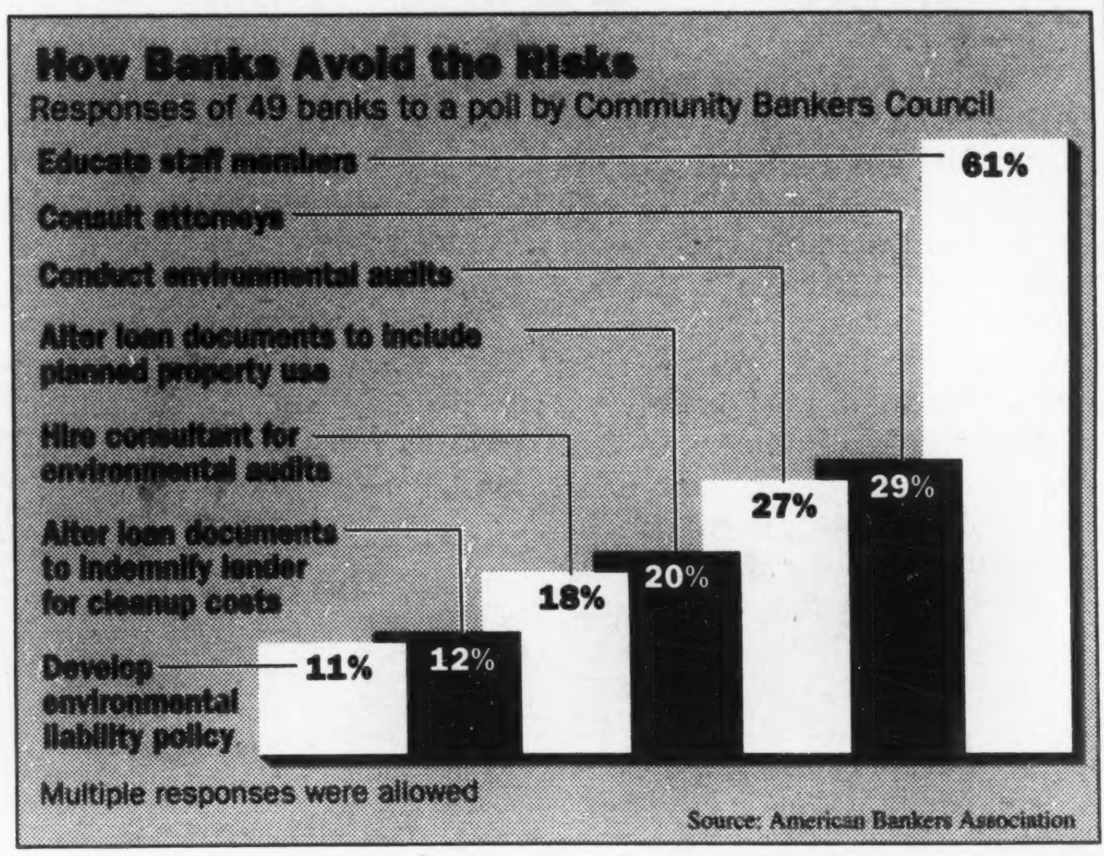
Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

SMALL BUSINESS

Lenders Skittish over Cleanup Liability

By LAURYN FRANZONI
Special to the American Banker



Source: American Bankers Association

Concerns about environmental liability are prompting small-business bankers to alter their lending policies, according to a recent survey.

The 49 bankers who responded to a poll by the American Bankers Association's Community Bankers Council reported being "concerned" or "very concerned" about environmental liability. More than three out of four said they had changed their lending policies in some way to avoid it.

Banks can become liable for cleanups of contaminated sites in several ways under the Superfund regulations enforced by the Environmental Protection Agency. If the borrower is unable to pay for decontamination or is unable to repay a loan because of environmental liabilities, the bank may have to pay for the cleanup.

Conditions of Liability

A bank may also be liable for a cleanup if it exercises control over a borrower's board or influences management's daily operating decisions, if it forecloses on contaminated property and becomes the owner, or if its trust department owns or manages property as a trustee or executor.

Community banks with assets of less than $250 million appear to be most concerned about the potential threat.

"We have to look cautiously at any loan," said J. Bart Colwell, executive vice president of First State Bank, Brazil, Ind. "EPA is using Superfund to go after the deep pockets that a bank has when the borrower doesn't have the resources. Even government officials say people who never expected to be associated with the property will be."

Certain Businesses Shunned

Mr. Colwell said his bank has turned down some loan applications from dry cleaners, service stations, and manufacturing companies in recent months because of the potential risk. In one case, the bank backed away from an oil distributor whose business it had pursued for five years.

The biggest threat Mr. Colwell sees is a trend toward assigning liability to banks when they provide financial advice to their clients. "Lenders have been construed to be operators if they serve on the board of directors of the business," he said.

"In small communities like ours, a lot of what we do is provide financial advice," he said. "That could make us liable for the cleanup." First State is a $34 million-asset unit of First Financial Corp., which has $800 million in assets.

"It's scary when you look at the overall impact on economic development of small communities," Mr. Colwell said. In addition, he fears that loans made through Small Business Administration programs will be curtailed because of the agency's tradition of providing operating and management advice to its borrowers. Based on current legal trends, even the SBA could become liable for an environmental cleanup.

Strong Impact Seen

According to David Gohn, chairman of the ABA community bankers' council and president of West Plains Bank, West Plains, Mo., "The results of the survey emphasize how strongly environmental liability is impacting banks and their customers." The ABA did not ask members how much they have spent on cleanup activities.

The ABA reports that banks are already taking steps to protect themselves. Several respondents said they have consulted attorneys, arranged environmental audits, and redrafted loan documents.

Some banks have altered their loan papers to include borrower information about the loans and planned property use. Others have redrafted loan documents to have the borrower indemnify the lender for all cleanup costs, regardless of fault.

Even though a small number have made such changes to date, more than half of those surveyed plan to begin environmental audits and a third plan to revise loan documents.

Mr. Colwell of First State says all banks – and especially community banks – should be reviewing their exposure. "You've got to know what the borrower is doing with the property," he said. "Chances are, if he's producing anything, the property can be contaminated." Agricultural loans should also be examined, because chemicals used for fertilizers and other purposes are under increased scrutiny as pollutants.

Ms. Franzoni is a freelance banking reporter based in Springfield, Mo.

AMERICAN BANKER /*Bank Rate Monitor's*™

Consumer Money Index

Highest Retail Yields and Jumbo Rates

These are the highest jumbo CD rates and retail CD yields offered on August 15 by the 100 largest banks and thrifts in the nation's 10 largest markets. The star ratings are supplied by Veribanc Inc. of Wakefield, Mass., which evaluates the financial condition of institutions using fourth quarter, 1989, data from federal regulators and assigns 0 (lowest) to 3 (highest) star to the institutions. Information from Veribanc is believed to be reliable, but the accuracy, adequacy, and completeness of the information is not guaranteed.

Retail Yields

Six-month		
Heritage Svgs Bank, Richmond, Va.		8.82%
John Hanson Svgs, Beltsville, Md.	★	8.75
Maine Savings Bank, Portland		8.72
Imperial Fed Svgs, San Diego, Calif.		8.67
First Dep Nat'l Bk, Tilton, N.H.	★★★	8.63
One-year		
Heritage Svgs Bank, Richmond, Va.		8.93%
Maine Savings Bank, Portland		8.78
Imperial Fed Svgs, San Diego, Calif.		8.78
John Hanson Svgs, Beltsville, Md.	★	8.75
NVR Svgs Bank, Mclean, Va.	★	8.70
Five-year		
NVR Svgs Bank, Mclean, Va.	★	8.80%
Eastern Svgs Bank, Hunt Valley, Md.	★★	8.75
The Bank Mart, Trumbull, Conn.	★	8.75
Calif. Thrift&Loan, Santa Barbara, Calif.	★★★	8.73
Virginia Beach Fed Svgs Bk, Virginia Beach	★★	8.72

Jumbo Rates

Six-month		
First America Fed Svgs Bk, Longmont, Colo.	★	8.60%
Heritage Svgs Bank, Richmond, Va.		8.55
Western Gulf S&L, Bay City, Tex.		8.50
Brookside S&L, Los Angeles, Calif.		8.50
Westwood Savings & Loan, Westwood, Calif.		8.50
One-year		
Calif. Thrift&Loan, Santa Barbara, Calif.	★★★	8.65%
Heritage Svgs Bank, Richmond, Va.		8.65
Western Gulf S&L, Bay City, Tex.		8.63
Imperial Fed Svgs, San Diego, Calif.		8.50
American General Fin'l Center, Midvale Utah	★★★	8.45
Five-year		
Metroplitan Bank for Svgs, Arlington, Va.	★★★	9.00%
Bank Hapoalim, Chicago, Ill.		8.75
Am General Fin. Ctr. Thrift, San Francisco	★★★	8.70
Brownsville Bank, Brownsville, Tenn.	★★★	8.50
CorEast Svgs Bank, Richmond, Va.	★	8.50

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Debit Card Use In Britain May Outrun Checks by 2000

By JOHN EVANS

LONDON — British consumers will make more payments with debit cards than checks before the year 2000, according to an industry forecast.

The cards, which are essentially plastic checks, will account for more than four billion consumer payments in 2000, versus fewer than three billion via checks, predicted the Association for Payment Clearing Services.

The industry group, which is operated by Britain's major commercial banks, expects debit cards to emerge as the dominant force driving consumer banking business in Great Britain. Debit card transactions totaled 60 million last year. Some 13.5 million cards are in use, for a penetration of about 30% of the British adult population.

Checks Seen Peaking in '91

Check volume, whose growth has been slowing in recent years, is expected to peak this year or in 1991 at about 3.7 billion items before declining during the remainder of the 1990s.

Debit cards will also cut into the market for credit cards, held by about 40% of the adult population, the association said. Credit card transactions grew only 4% last year; debit cards may cause volumes to level off or even fall, the group said.

This trend may be accentuated by a recent antitrust ruling ordering banks to stop discrimination practices that have prevented retailers from offering discounts for cash transactions.

Use of Cards to Quadruple

Withdrawals through automated teller machines are expected to continue rising rapidly, reaching almost 1.4 billion by 2000, compared with more than 800 million in 1989.

Overall, transactions made with all types of plastic cards are likely to quadruple from 1.7 billion last year to about 6.6 billion in 2000, the group said.

Total transmissions of non-cash items, including direct debits from checking accounts for charges like utility bills, will grow about 5% annually, reaching 13 billion items by the year 2000, according to the association's research. The predictions were based on trends among the almost 90% of adults in Britain who now hold some form of bank or thrift account.

Spending patterns are expected to favor Britain's banks.

These spending patterns are expected to favor Britain's banks, which are facing rising costs in their credit card operations, industry analysts say. Growing numbers of customers are paying their card bills on time to gain free credit for a month.

While some banks here have begun to add annual charges for credit cards, they are also strongly promoting debit cards. Banks stand to make an estimated $750 million annually by processing debit transactions for retailers.

The main cooperative debit card system in Britain is Switch, whose chief operator is Midland Bank PLC. □

American Banker
Reprints

Your company or product gets written up in *American Banker*. You distribute it internally. But why stop there?

American Banker Reprints let you notify your customers and potential clients, too. Quick, easy, and cost-efficient. American Banker Reprints can be used in a number of ways:

______________*Package them in your media kits*
______*Distribute them at trade shows or seminars*
____________*Include them in direct mail packages*
______________*Insert reprints with your invoices*

Don't waste another minute! Send for American Banker Reprints.

For more information on American Banker Reprints, contact Martha Hernandez at **(212) 943-4845.**

AMERICAN BANKER
One State Street Plaza, New York, New York, 10004

800

AMERICAN BANKER

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 162 *Monday, August 20, 1990* *155th year*

Securitization: Can It Work in Middle Market?

By SANFORD ROSE

Comment

As pointed out in a recent report in this newspaper, some banks have expressed an interest in securitizing middle-market loans. What are the obstacles to securitization of commercial as opposed to consumer loans? And how can these obstacles be surmounted?

Economic theory and common sense – unfortunately, the two don't always coincide – seem to hold that a market will not long exist if the inequality of information between buyers and sellers is too great.

An asymmetry of information between buyers and sellers causes a problem if two conditions hold: First, the seller has detrimental information about a product, say a loan, that he chooses to withhold from the potential buyer; and, second, the cost to the buyer of discovering the relevant information on his own is significant relative to the value of the product.

If sellers withhold information and buyers have no cost-effective way to obtain that information, a market cannot long be sustained. This is called the agency or adverse-selection problem.

There apparently is only a small agency problem when banks sell the loans of rated companies to other banks, thrifts, or pension funds. The buyer has access to the agency ratings at minimal cost in order to remedy his information disparity.

Role of Deal Managers

There is a somewhat larger, though still perhaps not an insuperable, agency problem when pieces of large, well-publicized leveraged buyout credits are sold down. The deal managers and the agent banks make it their business to clarify the nature of the cash-flow projections, thus eliminating the information asymmetries.

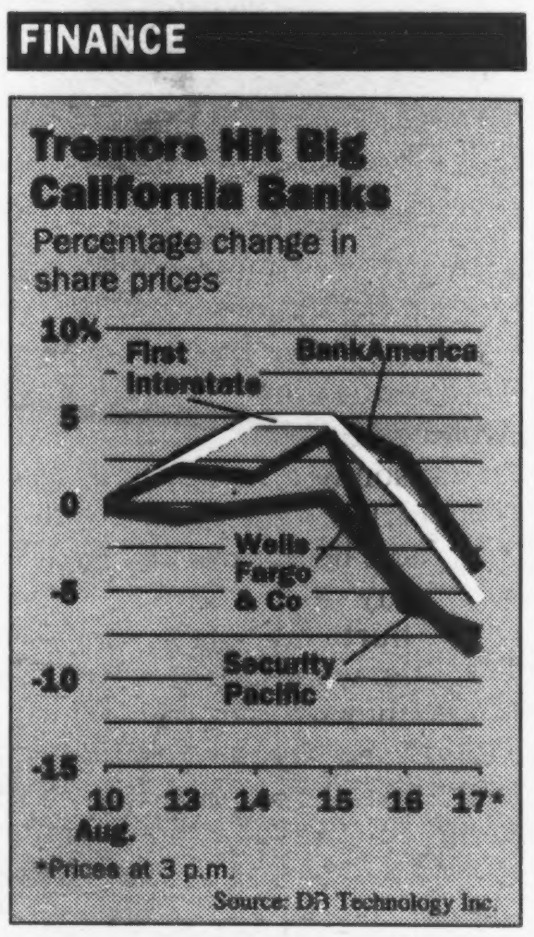
But there is a larger and perhaps formidable agency problem when banks sell pieces of less-publicized LBO deals, or when they sell middle-market commercial loans. How does the buyer know that he isn't getting a lemon?

If the buyer knows less about the credit than the seller and lacks the ability to bridge this information gap in a cost-effective fashion, shouldn't he demand a higher yield on the loan than did

See **LOAN** *page* **8**

INSIDE NEWS

FINANCE



MAJOR BANK stocks and the broader market were clobbered again Friday on concerns that rising inflation and weak real estate markets have put the Fed in a no-win position. *Page 16*

THE NEW JERSEY Gaming Commission is expected to approve a $65 million bridge loan for Donald Trump, despite its doubts that the Trump real estate empire can support the restructured debt load. *Page 14*

OPERATIONS

AS PAYMENTS systems returned to a semblance of normality after the power outage in Lower Manhattan, bankers braced for more unpleasant surprises. *Page 2*

NEW ENGLAND

BANK OF New England Corp. has received a firm offer for its Rhode Island unit, but regulators will approve the sale only if the proceeds are pumped into the bank's troubled flagship bank in Boston, according to a filing with the SEC. *Page 2*

CONSUMER

MNC FINANCIAL Inc. is said to be gearing for growth in its credit card operation despite heavy losses from real estate loans. *Page 6*

WASHINGTON

MONTHS AFTER Justice Department officials were pilloried by Congress for not working fast enough to throw wayward thrift executives in jail, the agency is boasting bigger numbers. *Page 9*

INDEX

Company Index **2**
Classified Advertising **12**
Bank and Thrift Stocks **15**

RJR Loan Is Flop in Syndication

By STEVEN LIPIN

The general syndication of RJR Nabisco Inc.'s $2.25 billion bank facility is basically a failure.

While some bankers boasted that the $7 billion in commitments the company received reflected the willingness of commercial lenders to invest in RJR, agent banks had sold a mere $200 million as of Friday. That's out of a pool of roughly $1.4 billion that they are trying to sell off. Bankers in and out of the deal attribute the failure to the skimpy fees reoffered.

The general syndicate is set to expire Aug. 24, and banks will likely continue selling in the secondary market. Officials in the deal did not expect to sell much more of the deal before Friday's deadline.

'Not Too Pretty'

"A billion four went in and over a billion is coming out," said one syndicate official in the deal. "That's not too pretty."

While RJR is not directly affected, the figures are significant because many banks, reluctant to increase their exposure to highly leveraged transactions, will nevertheless be holding a greater portion of RJR loans than they had hoped.

Most do not want to retain more than $25 million to $50 million, bankers in the deal say. With concerns over credit quality from both regulators and shareholders, "the trend is to get fees up and risks down," one banker involved in the deal said.

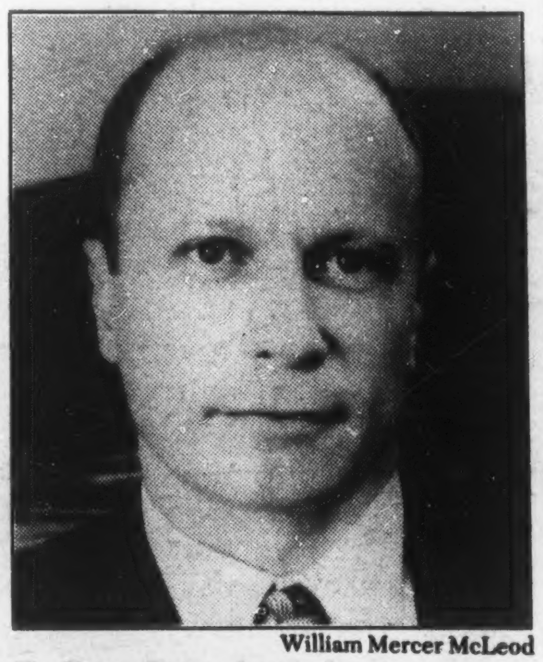
Secondary Fees Blamed

And the fees are certainly generous in the RJR Nabisco deal. Not only are fees over 300 basis

See **RJR** *page* **13**

Gonzalez Seeks Ouster Of Vocal FDIC Critic

By BARBARA A. REHM


William Mercer McLeod

R. Dan Brumbaugh
Stanford economist

WASHINGTON — House Banking Committee Chairman Henry B. Gonzalez is seeking to fire the outspoken economist R. Dan Brumbaugh from a committee-sanctioned study of the Federal Deposit Insurance Corp.

Mr. Brumbaugh, a senior research scholar at Stanford University and one of three economists preparing a report for the House financial institutions subcommittee, has attracted considerable media attention in recent weeks to his argument that the bank insurance fund is technically insolvent and inadequate to handle a likely spate of bank failures.

Objectivity Questioned

Mr. Gonzalez said in an interview last week that Mr. Brumbaugh is unable to do an objective analysis of the FDIC because he has testified against the government in lawsuits against thrift managers.

"I wasn't aware of his involvement as a paid witness against FDIC," the Texas Democrat said, referring to Mr. Brum-

See **GONZALEZ** *page* **8**

Morgan Helps Japanese Bank Skirt Barrier to Subordinated Bond Issue

By KELLEY HOLLAND

A Japanese bank Friday found a way around a recent move by the Ministry of Finance to make it more difficult to issue subordinated bonds.

A J.P. Morgan & Co. unit devised an innovative method of skirting the ministry's near prohibition and used it to help Dai-Ichi Kangyo Bank Ltd. raise $500 million in capital.

Ministry's Stand Assessed

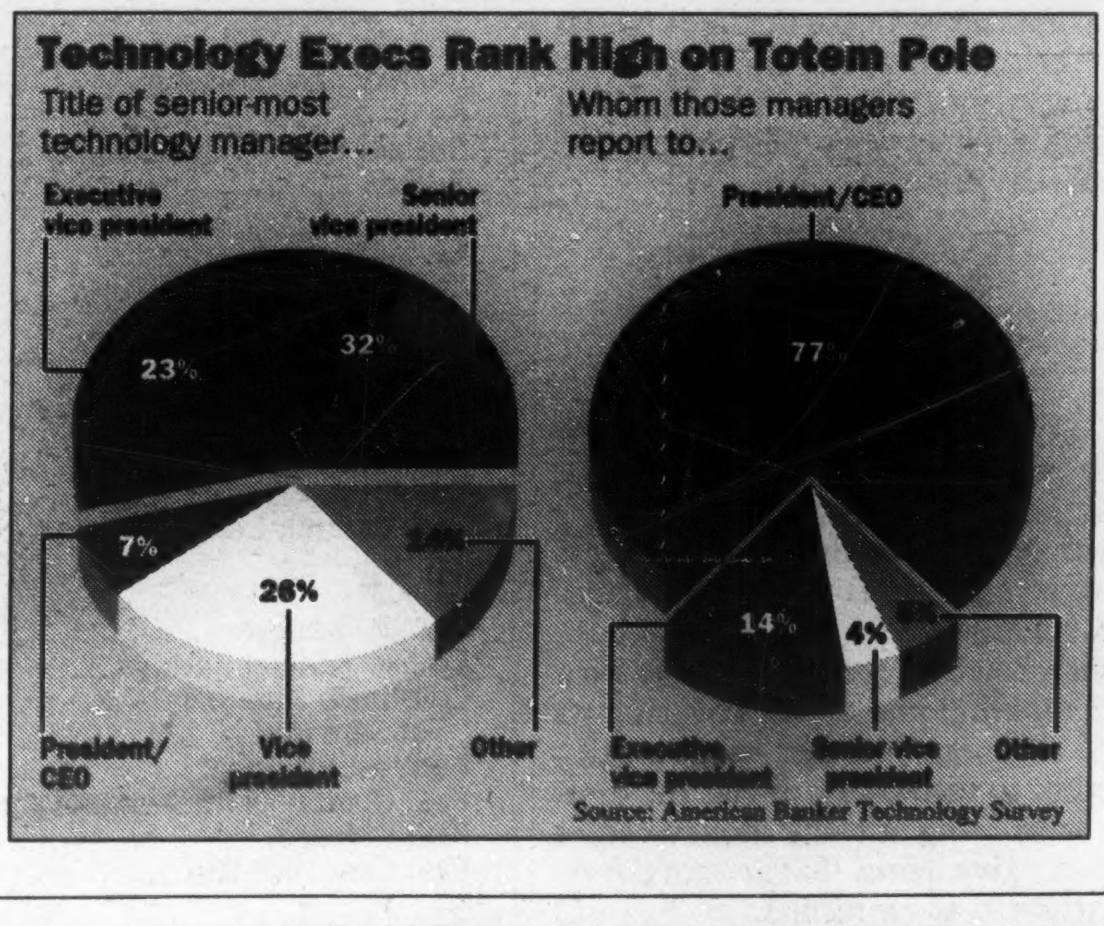
Capital markets specialists said they expect the ministry's restrictions to be short-lived in any case. "They want to put people on hold for a month or two while they reconsider," said one investment banker. "They're not shutting [the banks] down."

The Ministry of Finance authorized Japanese banks to issue subordinated loans early this summer in a move to give banks more options for raising capital. At that time, ministry officials indicated they would not rule out authorizing banks to issue public subordinated bonds but said such deals would be approved only case-by-case.

Almost immediately after its decision on subordinated debt issuance was made public, the ministry allowed a subsidiary of

See **DAI-ICHI** *back page*

CEOs Jump on Technology Bandwagon



By JEFFREY KUTLER

NEW YORK — Shedding some of banking's past conservatism and mistrust of computers, chief executive officers are getting in on the technology act. They are doing so with great enthusiasm and, perhaps paradoxically, gaining the loyalty and respect of underlings from very different career backgrounds.

The CEOs' increasingly hands-on role and technology managers' positive response are clearly evident in the 1990 *American Banker* technology survey.

At three out of four institutions, the top operations or tech-

See **CEOS** *page* **3**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 8

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 9

COMMENT/ *By Paul S. Nadler*

Plenty of Blame to Go Around For the Real Estate Collapse

Looking at the collapse in home prices and commercial construction and the impact on the value of bank mortgage loans for all kinds of real estate, I cannot help thinking of the man who trained his horse to live without food only to find to that just when the beast was getting the hang of it, it died.

That's pretty much what happened in home finance.

First, the regulators became extremely strict in evaluating the worth of loans for homes, shopping centers, office buildings, and the like. Then, the banks and thrifts curbed lending drastically to satisfy the regulators. That restraint has so curtailed real estate finance that prices have declined and the fears of the regulators have been realized.

In sum, the horse died.

Problem's Roots Go Deep

But to be fair, while much of the blame today is being placed on the regulators and lawmakers for being too strict on mortgage loans after a decade of being too lenient, the roots of the mortgage market collapse go deeper.

What are some of these roots?

• First, we must recognize that we are now paying for a decade of overbuilding of all types caused by a sympathetic Congress that wanted money readily available for housing in good years and bad, whether it was needed or not.

This was the basis for the legislative and regulatory favoritism that the thrifts experienced all through the 1980s. And it is the reason the commercial bankers complained they could not get a "level playing field" in the competition for funds. As money flooded into the thrifts, they lent it out, and we overbuilt the nation's real estate stock.

• Second, obsolete laws that keep banks from providing full financing for the public led to the growth of so-called nonbank banks and of foreign institutions' power. This forced U.S. banks to concentrate more resources in areas where they did have the power to operate, notably commercial real estate.

• Third, laws preventing geographic expansion of banks forced them to concentrate lending in their own regions and to forgo the comfort of diversifying geographical risk.

• Fourth, the inability of unit banks to generate large volumes of core deposits led to reliance on volatile purchased funds. This helped cause problems in states like Texas and Oklahoma. And it is ironical that because of unit banking laws intended to protect Texas from outsiders every major Texas bank now is owned by non-Texas interests!

• Fifth, the mania for going public that hit so many mutual thrifts in the 1980s left them with new capital burning holes in their pockets – capital that was put to work financing real estate ventures that otherwise might not have been built.

• And finally, as we try to see why real estate prices have collapsed, we find that much of the decline is merely a return to normal from an era of speculative fever. As prices pushed up, real estate owners felt their property was worth many times what they had paid for it.

When the bubble burst, it was impossible to recognize that a home was really salable at 80% or less of what we had thought it was worth. Similarly, Texas did beautifully on $2 oil, superbly on $35 oil, but then fell on its face with $18 oil.

Up to this point, one can conclude that it was restrictive laws and promotional legislation that skewed the nation's available funds and led to the overfinancing of construction. This, coupled with the overreaction today, is causing our housing and commercial construction slump, many potential borrowers hold.

But one can look further.

Much of the financing that did take place was based on overoptimistic sales and price estimates. Builders decided that, if the banks would provide all the money, they would provide "sweat equity."

Banks Took Most Losses

The result: Banks that financed projects that turned sour took most of the losses.

On top of this, many homebuyers and other borrowers have hidden under the mantle of personal bankruptcy when their plans went awry.

The result is a far more cautious banking system.

So there are many roots to our housing collapse and the attendant depression for some banks. We cannot place all the blame on regulators. But we can learn the lesson the Soviet Union also is learning: Watch out when you take away allocation of funds from the free market and give it to government officials. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

COMMENT/ *By Jeffrey R. Weisman*

Build Relationships to Win New Middle-Market Clients

Lending officers, by definition, make loans. Now we're asking them to become marketers – to create new business relationships and to sell services.

Many banks offer sales training, but success is slow in coming. The bankers' basic skills are in lending and relationship maintenance. It's difficult for them to unlearn the old habits and adapt to the new selling ways of business.

In the business of getting new business from middle-market companies, one statement by the controller of a $12 million manufacturing company truly applies:

"Your opportunity to switch a company from one bank to yours only comes once – when his current bank screws up."

Windows of Opportunity

But when will that happen? And how does a bank position itself to be the one called or considered when the opportunity arises? In service businesses such as banking, clients don't run out of the service – as the consumer does with Tide and Crest.

There aren't frequent opportunities to win business. And experience in soliciting new business demonstrates that companies that appear most anxious to select a new bank are invariably the companies not very desirable as new clients.

Beyond Quarterly Thinking

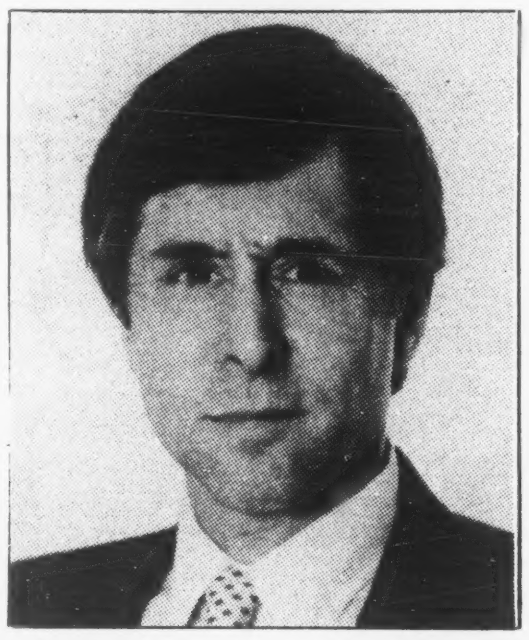
What can a banker do to insure a steady flow of new business? First of all, the bank (and banker) must depart from quarterly thinking to longer-term, sales-cycle thinking. New business is not won after one visit.

It takes eight or 11 or 14 months to land a new client. It requires building a relationship so that when the prospect's current bank "screws up," you and your bank are called as the replacement or to make a proposal.

Quarterly make-the-numbers thinking must be changed. Bankers need the time to develop relationships – and banks need to foster the atmosphere to develop them. This implies a system to measure new business development beyond just accounts signed up.

Give Credit for Activity

In manufacturing companies, work in process is measured or counted. The same can apply in service-company new-business efforts. As a relationship builds, it becomes more of an asset to the bank – since presumably the company will become a client at some point in the near future.



Bankers can receive credit for relationships in process – making initial contact, meeting in-person, developing a first-name relationship with the decision-makers and/or users, maintaining top-of-mind awareness, opening the account, selling additional services.

Relationship-building goals can be applied to each level at the beginning of the year. Moreover, bankers will not become frustrated if a sale is not made – because there will always be prospects at varying stages in the pipeline.

Communications Tools

Bankers need to communicate with prospective customers. They need personalized letters and other sales aids – to make contact, to get in the door, to leave behind, and to keep their name and the bank's name in front of the prospective customer. Bankers should have marketing-communications tools that recognize the value of relationship building. These sales tools should be personalized to the greatest extent possible.

Centralize and Localize

Bankers may be able to write proposals and financial reports but rarely persuasive business letters. So prepare their marketing communications tools centrally: letters, scripts, leave-behinds, attention getters.

Bankers will randomly uncover leads in their normal course of business, but a formal lead-generation program should be coordinated on a centralized basis. Buying a list, cleaning it, and running it against the bank's customer file is a task for marketing management, not line bankers.

Give the bankers the leads to pursue locally and individually. Besides professionally prepared marketing-communication tools, give them the capability to produce letters at the branch or commercial-center level. In this way, they control their marketing efforts while the identity, image, and professional marketing standards of the bank remain high and consistent.

Decentralizing this part of the process will foster the individual style and success methods of the bankers that are needed to cultivate relationships.

Keep Track of Progress

Bankers can be evaluated from their performance with the leads. Performance evaluation calls for objective measures of relationship building. The sale is not the only thing, since it can take months to accomplish.

Who do leads belong to? In the brokerage business, leads traditionally belong to the brokers. Yet in banking, organized selling and relationship building remain relatively new concepts, so leads conceivably still belong to the bank.

By keeping track of progress, the continuity of contact will be maintained if a banker is reassigned. ☐

Mr. Weisman is president of Weisman & Associates, a marketing services company based in New York.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover
Finance: William Goodwin, Kelley Holland, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Mortgages: Phil Roosevelt
Real Estate: Stephen Kleege
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

WASHINGTON *Monday*

A weekly feature

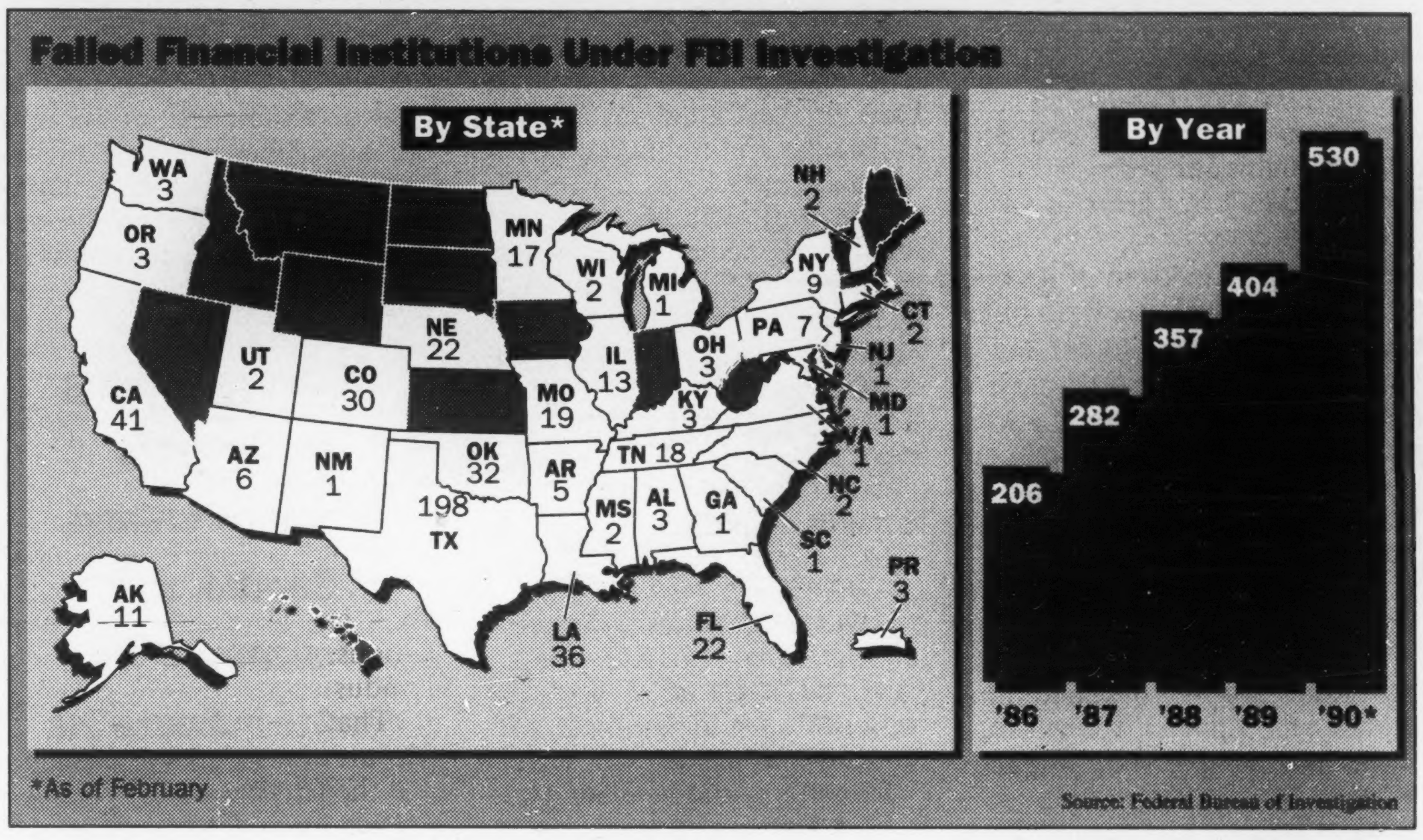
Justice Says Long Arm of Law Reaching More S&L Cases

By BILL ATKINSON

WASHINGTON — Months after Justice Department officials were pilloried by Congress for not working fast enough to throw wayward savings and loan executives in jail, the agency is boasting of bigger and better numbers.

In a study compiled as of July 22 by the department, Justice estimates that 243 S&Ls have been "victimized" since Oct. 1, 1988, and that 328 people have been charged with crimes in thrifts.

In addition, 213 defendants have been convicted, only five have been acquitted, and prison sentences have reached a combined total of 415 years. Fines stand at nearly $1 million, and judges have ordered the convicted to cough up a total of $56.6 million in restitution, the study said.


Failed Financial Institutions Under FBI Investigation

*As of February
Source: Federal Bureau of Investigation

Coordinator Is Upbeat

"The track record of federal investigators and prosecutors in financial-institution fraud investigations and prosecutions is impressive," said James G. Richmond, U.S. Attorney for the Northern District of Indiana and special counsel to coordinate federal enforcement of thrift-related crimes. "We are confident it will even get better in the years ahead."

Mr. Richmond made his comments last week before the Senate Judiciary Committee in Chicago.

Justice's numbers game comes several months after the agency was criticized by Rep. Doug Barnard, D-Ga., and other members of the House Government Operations subcommittee on commerce, consumer, and monetary affairs. Mr. Barnard complained that the department wasn't doing enough to prosecute crime at failed thrift institutions.

"Are we really trying to bring justice to bear in these criminal cases?" Mr. Barnard asked at the hearing last March.

In June, President Bush held what amounted to a pep rally for senior federal prosecutors.

He created a federal strike force to catch criminal activity at financial institutions, and said that the agency would "not rest until the cheats, the chiselers, and the charlatans spend a large chunk of their lives behind bars."

Justice aims to carry out the President's mandate. According to the agency, the number of failed financial institutions under investigation by the Federal Bureau of Investigation jumped 31% to 530 in February, up from 404 at the end of 1989. In 1986, the FBI launched probes into 206 financial institutions.

Lone Star Leader

Texas leads the nation in the number of FBI investigations into failed financial institutions, with a total of 198. It is followed by California with 41 investigations, Louisiana with 36, and Oklahoma with 32 investigations.

Although Mr. Richmond expects to find more evidence of fraud in the Northeast, as yet the region doesn't boast the Texas-size numbers. New York heads the pack with nine investigations, followed by New Jersey with four and New Hampshire with two.

Defending the Government

The agency has assembled a team of attorneys in the civil division to defend the federal government against suits that challenge certain provisions spelled out in last August's Financial Institutions Reform, Recovery, and Enforcement Act, Mr. Richmond said.

One of the most widely publicized cases challenged the appointment of M. Danny Wall as director of the Office of Thrift Supervision.

"Many other challenges to FIRREA are in litigation, and more are on the way," Mr. Richmond said.

Changed Rules?

For example, plaintiffs in 20 pending actions have charged that new capital requirements under the reform act constitute an abrogation of previous contracts or forbearances the institutions entered into with regulators in 1988.

In those deals the government gave some thrift acquirers tax breaks, yield-maintenance agreements, and notes from the Federal Savings and Loan Insurance Corp. □

THE WEEK *ahead*

MONDAY, AUGUST 20

The House and Senate are both in recess. The House returns Sept. 5, and the Senate reconvenes Sept. 10.

The Congressional Budget Office releases its latest assessment of the nation's economy and the budget deficit.

The Supreme Court is in recess until Oct. 1.

TUESDAY, AUGUST 21

The Federal Open Market Committee meets to decide whether to alter Federal Reserve Board monetary policy. Most Fed-watchers had expected the FOMC to again let short-term interest rates fall in order to stimulate a flagging economy, but economic data released late last week included a 0.6% increase in core inflation, far stronger than expected, with the prospect of worse to come.

Surging oil prices caused by the Iraqi invasion of Kuwait, and the subsequent boycott of the 4.4 million barrels a day of oil that those countries were producing, will raise the inflation rate to 5.2% for 1990 and reduce economic growth to 1.1% this year and 0.5% in 1991, said Donald Ratajczak, director of the Georgia State University economic forecasting center.

Economists say an easing is still expected but will be postponed by the FOMC until events in the Middle East stabilize and the direction of oil prices becomes clear. 202-452-3000.

The Resolution Trust Corp. board holds an open meeting. Topics include affordable housing rules and revisions of its ethics rules. 202-416-7566.

WEDNESDAY, AUGUST 22

No significant events scheduled.

THURSDAY, AUGUST 23

Durable goods orders and shipments figures for July are to be released by the Commerce Department.

FRIDAY, AUGUST 24

The Federal Reserve Board releases the minutes of the Federal Open Market Committee's July 2-3 meeting, which will show whether it decided to change Fed monetary policy. 202-452-3000.

The first revision of real gross national product figures for the second quarter is to be announced by the Commerce Department.

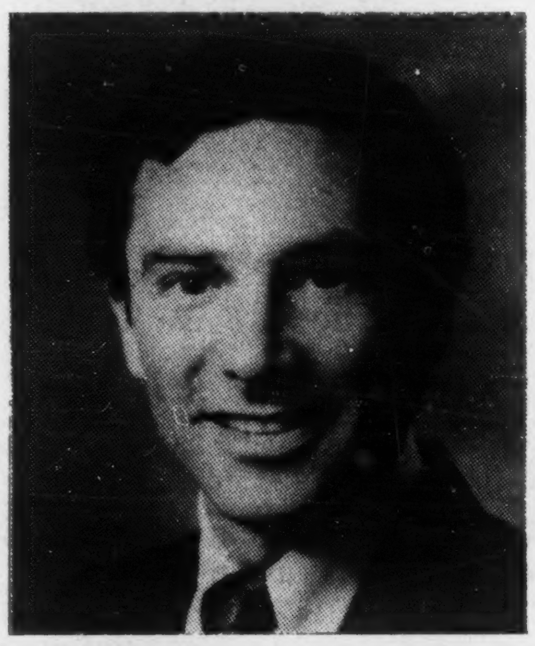
Preliminary corporate profit figures for the second quarter are to be released by the Commerce Department.

PEOPLE

Wells Fargo Replaces Retiring Lobbyist

The banking subsidiary of Wells Fargo & Co. will replace its retiring lobbyist **Jackson Schultz** with **Craig G. Wolfson** on Aug. 31.

Mr. Wolfson, 40, joined the San Francisco bank in April from the banking subsidiary of First Nationwide Financial Corp., also of San Francisco. He had run First Nationwide's government affairs office since September 1988. Before that, he was the thrift's acquisitions manager and, earlier, its corporate counsel. He holds a law degree from the University of Florida.


Craig G. Wolfson
He'll take over

Mr. Schultz is staying with Wells Fargo under a three-year consulting contract for special government affairs projects.

Meanwhile, MNC Financial Inc., Baltimore, let go **Marguerite D. Ayers,** who had tracked Washington affairs for the $27 billion-asset banking company.

"Her function was eliminated as part of our consolidation process resulting from the merger with Equitable," said MNC spokesman **Daniel G. Finney.** "She was released with a severance package a couple of months ago."

Michael C. Middleton, MNC executive vice president, administration, remains top lobbyist.

Mr. Finney denied that MNC is cutting its lobbying effort by dropping Ms. Ayers. "The government relations function has always been managed by an executive vice president of the holding company," he said. The company reported a $74.4 million second-quarter loss last month, as its nonperforming assets ballooned by 111%, to $757 million.

Gerald L. Jacobs is the Resolution Trust Corp.'s new special counsel, the top legal job at the thrift bailout agency. He replaces **Rex R. Veal,** who left the RTC Friday to return to private practice with Powell, Goldstein, Frazer & Murphy in Atlanta.

Mr. Jacobs, slated to start work Sept. 1, comes to the RTC from O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears, a Phoenix-based law firm where he has worked since 1963.

At its open meeting last week, the RTC settled a lingering question about whether the agency's legal operation ought to be separate from the Federal Deposit Insurance Corp.'s legal office. RTC lawyers will continue reporting to the FDIC general counsel, **Alfred J.T. Byrne.**

Mr. Byrne said in an interview last week that one general counsel makes the most sense because the FDIC and the RTC share boards of directors.

"Gerry Jacobs is an exceptional manager and a superb business and real estate lawyer," Mr. Byrne said. "He is someone I have known and respected for more than a decade."

Mr. Byrne worked with Mr. Jacobs in the late 1970s when the latter represented INA Corp., an insurance company where Mr. Byrne managed investments.

Mr. Jacobs holds a bachelor's degree in economics from Stanford University and a law degree from the University of Arizona.

Mr. Byrne said Mr. Jacobs was lured to the job by its challenge. "We are where the action is," he said.

— **Barbara A. Rehm**

800

TOP 100 HOLDERS OF CMOs
See table on page 7

AMERICAN B

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 166 *Friday, August 24, 1990* *155th year*

NY Blackout Prompts Review Of Disaster Plans

By JEANNE IIDA
and KAREN GULLO

When Citicorp's computer problems kept the nation's domestic payment system open till midnight last week, many others felt the repercussions.

Banks paid overtime to employees working almost round the clock, backup generators were strained at the Federal Reserve Bank, and corporate customers reported lag times in receipt of transactions.

ANALYSIS: *Follow-up on the news*

An executive of Merrill Lynch & Co., a Citicorp customer, said the brokerage firm could not quantify the impact of the late settlement on Wednesday. But the week-long problems at Citicorp and other major banks because of a power failure cost Merrill "tens of thousands" of dollars in unnecessary overdrafts because it could not accurately assess its positions, he said.

Industry experts said Citicorp was caught with its guard down. If it had been using a relatively new form of disaster recovery that copies transactions to a remote site as they occur, it probably would have fared much better. Its funds business would have been disrupted for only a few hours instead of almost a day, they contend.

Remote Vaulting

Manufacturers Hanover Trust Co. and Chemical Bank have had this capability, called remote vaulting, for several months. Neither of those banks' funds transfer operations were affected by the recent blackout, so that ability was not tested.

Ironically, Citicorp was in the process of designing such a system when the power outage occurred, sources close to the bank said.

Industry insiders said that not only was Citicorp lacking in state-of-the-art technology, but it may have handled its operating problems poorly. Citicorp "waited far too long to implement its internal plan, and then it failed," said one disaster recovery expert.

"We're sufficiently concerned [about our disaster recovery plan] that we will do a detailed postmortem and then we'll take action," said Colin Crook, Citicorp's information chief.

"This was a loss of power on a big scale. People tend to focus on defined disaster scenarios. They need to be more flexible."

Sources noted that Citicorp was the only money-center bank

See **CITICORP** *page* **14**

INSIDE NEWS

FINANCE

IN AN ATTEMPT to extend their funding without paying the high costs of subordinated debt issuance, a growing number of banks are turning to the market for medium-term notes. *Page 16*

AMBASE CORP., parent of Carteret Bancorp, said that an investor group has proposed to buy 50.1% of its common stock. *Page 14*

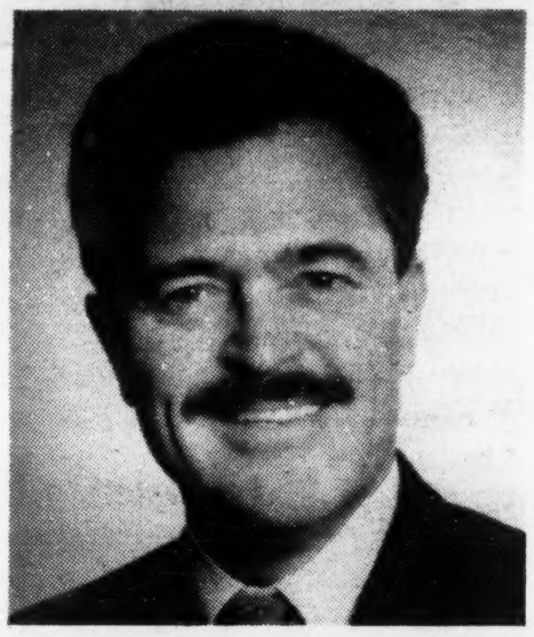
CONSUMER

SMALL-BUSINESS owners do not believe they are victims of a credit crunch, but they do worry about economic trends, a survey shows. *Page 8*

INTERNATIONAL

NATIONAL BANK of Kuwait, the Arab oil state's biggest commercial bank, has shifted much of its top management and activity to London. *Page 9*

MORTGAGES



GEORGE BENDER, formerly of CenTrust, is about to go to bat for Lewis S. Ranieri as his top mortgage banking man. *Page 6*

MERIDIAN'S mortgage unit has dropped a plan to acquire 16 mortgage-origination offices from a subsidiary of Travelers Corp. *Page 2*

TECHNOLOGY

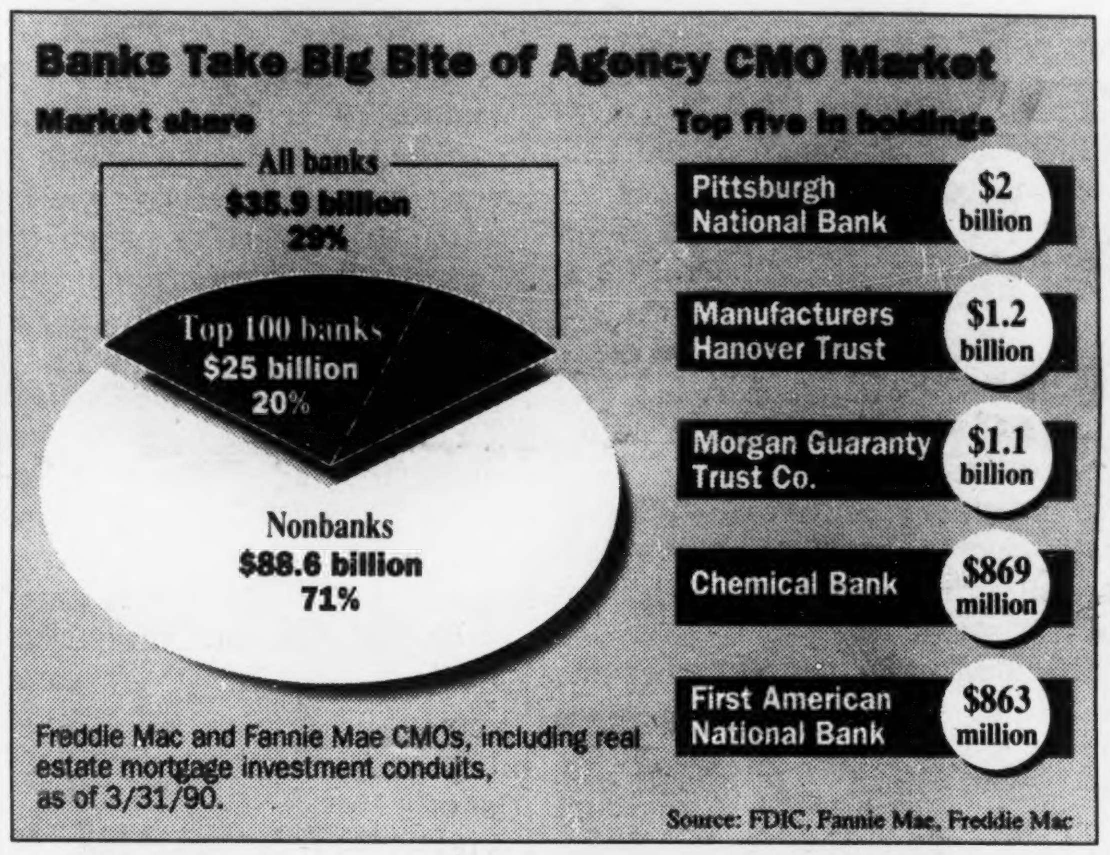
COMPUTERS will remain a top budget priority for bankers, according to an *American Banker* survey. *Page 3*

COMMENT

THE NEXT RECESSION may be worse than the last, given the weakened resilience of the U.S. financial system, writes James Grant. *Page 4*

INDEX

Company Index	2
Classified Advertising	10
Bank and Thrift Stocks	15



Freddie Mac and Fannie Mae CMOs, including real estate mortgage investment conduits, as of 3/31/90.

Source: FDIC, Fannie Mae, Freddie Mac

Filings Reveal Banks Hold 30% Of Collateralized Mortgage Bonds

By PHIL ROOSEVELT

As commercial banks stormed into home-mortgage finance over the past year, they appeared to take a special interest in collateralized mortgage obligations, or CMOs. Now, for the first time, regulatory data have specified the extent of that interest.

Led by 100 especially active institutions, the banking industry held about $36 billion of the most common types of CMOs at the end of March, the data show. (Table appears on page 7.) That position, built almost from scratch at the end of 1988, represented nearly 30% of all such CMOs, and about 6% of all securities held by banks.

Steady Appetite

Bankers and dealers say banks' appetites for instruments has diminished somewhat in recent months because of declining yields relative to Treasury securities and some regulatory uncertainty.

But the industry's appetite has hardly disappeared. With loan demand declining, banks are closely eyeing securities purchases, and CMOs still yield more than some corporate bonds, experts note.

"We're still seeing a large amount of interest by banks across the board," says Craig Overlander, a senior managing director at Bear Stearns & Co., New York.

Holdings Disclosure

The Federal Deposit Insurance Corp. required banks to disclose their CMO holdings for the first time in call reports for

See **DATA** *page* **6**

Judge Backs Government In Seizure Of Lincoln

By DEBRA COPE

WASHINGTON — U.S. District Court Judge Stanley Sporkin upheld on Thursday the government's 1989 seizure of Lincoln Savings & Loan Association, accusing Charles H. Keating Jr. and other officials of "looting" it.

The ruling was viewed as a big victory for federal thrift regulators and an endorsement of their procedures for assessing and closing troubled institutions.

Heavy Blow to Keating

It also dealt a major blow to Mr. Keating's campaign to regain control of the Irvine, Calif., savings and loan, which had become symbolic of the costly thrift crisis and bailout.

Judge Sporkin's ruling came after eight months of testimony in which Mr. Keating sought to prove that regulators acted "arbitrarily and capriciously" when they placed Lincoln in receivership in April 1989 and in conservatorship four months later.

Mr. Keating contended that the thrift was actually solvent and regulators carried out a personal vendetta against him.

The judge said Lincoln and its parent, Phoenix-based American Continental Corp., improp-

See **OTS** *next page*

Customers Claim NBW Misused Insured Deposits

By BILL ATKINSON

WASHINGTON — Customers of the failed National Bank of Washington have filed more than a dozen lawsuits alleging that the bank illegally used insured deposits and funds intended for low-risk investments to bolster the commercial paper program of its parent company.

The flurry of lawsuits comes just weeks after the holding company, Washington Bancorp., filed for reorganization under Chapter 11 of the federal Bankruptcy Code. Hours after that Aug. 1 filing, federal regulators seized the $1.6 billion-asset National Bank of Washington and subsequently sold its deposits to Riggs National Corp., Washington.

Unsecured Creditors Unpaid

About 50 unsecured creditors in the banking company were

See **CUSTOMERS** *page* **8**

Wells Fargo Shares Fall Sharply On Fears of California Real Estate

By GORDON MATTHEWS

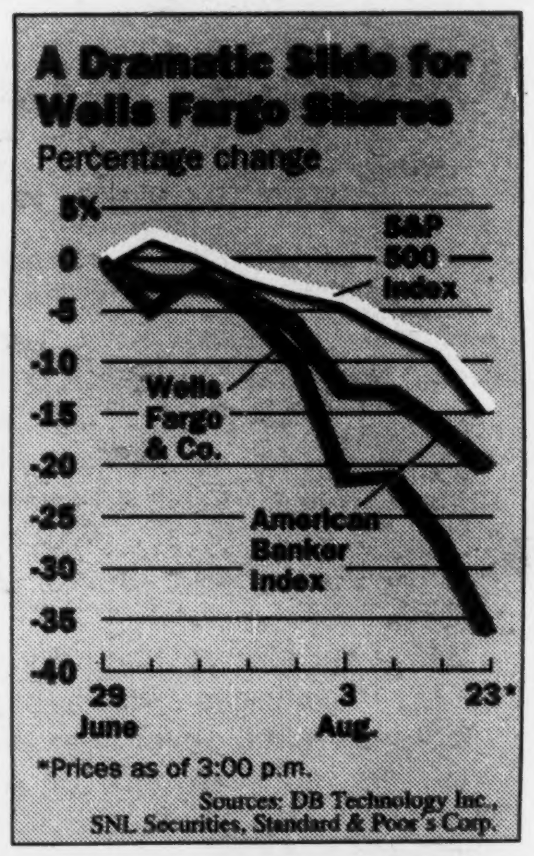
NEW YORK — Shares of Wells Fargo & Co., a favorite trading vehicle of many bank stock investors, have tumbled dramatically in value this summer as worries have grown about the U.S. economy and in particular about the real estate market in California.

The stock of the well-regarded San Francisco superregional bank closed at $80.125 on July 17 as it reported strong second quarter profits. That same day the Dow Jones industrial average peaked at 3,024.26, before closing just below the 3,000 mark.

Both have since been in a steep southbound spiral, and bank analysts are mixed about Wells' outlook.

Peaked in Mid-July

Wells' shares fell below book value this week and briefly dipped below the $50 mark on Thursday, a slump of 38% from the mid-July peak. In the meantime, the Dow fell another 40 points to 2,560.15, an 18% decline over the same period in the closely watched blue chip index.



*Prices as of 3:00 p.m.

Sources: DB Technology Inc., SNL Securities, Standard & Poor's Corp.

"Wells is a major real estate bank and that is what this is all about," said one analyst, who

See **WELLS** *back page*

COMMENT / By James Grant

Banks Now Pay for Years Of Sapping Their Finances

Whatever else it might be, the dust-up in the Middle East is an Exogenous Event – an unexpected disturbance from outside. In boom times, investment bankers assumed that nothing could, or would, intrude on prosperity – every surprise would be a tender offer.

Now that something has gone wrong, the universal finger of blame is pointed at the scene of the disturbance, not at the frail financial structure that was so easily upset by it.

The United States may or may not be more vulnerable to a disruption of its oil imports than it was 17 years ago. It is certainly, we think, more vulnerable to an interruption of its prosperity. Interest rates are higher, financial leverage is greater, and the banking system is more fragile than it was at the time of the first oil jolt.

Citicorp as Exemplar

There are many ways to illustrate the poin, but the decline of Citicorp (then as now the largest U.S. banking company) is one of the most vivid and telling.

In 1973, Citicorp was riding high. By the not very exacting standards of today, the bank was profitable, liquid, conservatively capitalized, resilient, and expansion-minded.

Its stock changed hands at a premium to book value. Its debt was unrated (there wasn't much debt to rate, in fact) but was destined to be Aaa when Moody's first investigated it, in 1977.

In every particular, 1990 is different – and different, of course, not only for Citicorp but also for big U.S. banks in general. Although it has not been earning its dividend for three years, Citicorp recently raised it. Its return on average assets last year was a paltry 23 basis points; it earned 63 basis points in 1973.

In 1989, its ratio of loans to deposits was 112%; it was 80% in 1973. In 1989, Citicorp earned 4.3% on equity; in 1973, it earned 15%. As for its senior debt rating, it is no longer Aaa. Moody's judges it to be A3.

In the early 1970s, Citicorp was hot, like inflation. In 1973, when the editors of *Dun's Review* selected it as one of America's five best-managed corporations, its assets grew by 28%. In 1974, a wall-to-wall recession year, assets grew by 32%.

It is fun to reread the bear-baiting letters that Citicorp chairman Walter Wriston wrote to his shareholders in those days. "It was a good year to remind ourselves that the recuperative powers of the world are enormous and the ability of its three and three-quarter billion people to develop in new ways to handle new situations has always exceeded the imagination of the doomsday prophet," he wrote of 1973.

Brave words! What Mr. Wriston did not commit to paper was the thought that inflation subverts what his predecessors called sound banking – that it undermines asset quality in the long run even as it stimulates asset growth in the short run.

And if that thought did not occur to Mr. Wriston, neither did it seem to worry his successors. Pick up any study of questionable bank lending (real estate, highly leveraged transactions, loans to lesser-developed countries), and Citicorp is sure to be mentioned early and often.

> **"Will the next recession resemble that of 1973-75? Insofar as the resilience of the U.S. financial system bears on the question, we are led to believe that it may well be worse."**

A Cycle of Wasting

The issue, however, is not a particular class of loan but a process of atrophy. It is a cycle that has involved much of the U.S. banking industry.

The process works like this (thank you, James Robinson): A rise in bad assets is met with a grudging rise in reserves. As reserves increase, earnings decrease. By degree, the decline in creditworthiness forces a rise in the cost of funding: The prices of jumbo certificates of deposit and interbank loans go up.

As the cost of liabilities rises, interest margins shrink; profits fall again. With every addition to the reserve for bad debts, the problem is exacerbated. Maddeningly, it costs more to attract deposits for loans that aren't accruing interest income than for loans that are.

The Unfriendly Markets

At length, some loans are written down to zero. Still, everyone sees, the reserve is inadequate to cover the questionable debts that haven't been written down all the way.

Walter Wriston was fond of rebutting the calamity-howlers of his day with a line about the market's creative powers. In our day, banks in general, and his alma mater in particular, are making heavy weather of it in a number of markets.

"American Telephone & Telegraph Co. said its new credit card ranks eighth in the country, with revenue of $750 million after 140 days in operation," the *Wall Street Journal* reported last week in an article that must have rattled the windows in Citicorp headquarters.

No doubt, the marketplace is evolving a new, deflation-resistant credit structure even now. But for the time being, the deflation of asset values – the very values against which Citicorp and other banks lent so blithely in the boom – proceeds apace.

In 1973, bankers were optimistic, and bank credit was expanding. In 1990, bankers are worried, and bank credit is stagnant – even, in certain regions and markets, contracting. It is a perilous time in which to impose a new tax on oil.

Will the next recession resemble that of 1973-75? Insofar as the resilience of the U.S. financial system bears on the question, we are led to believe that it may well be worse. ☐

Mr. Grant is editor of *Grant's Interest Rate Observer*, a biweekly newsletter. This article appeared in the Aug. 17 issue.

COMMENT / By Masaharu Usuki

From Tokyo, Strong Support For Japanese Deregulation

The following appeared in slightly different form in a June newsletter published by the Long-Term Credit Bank of Japan, Tokyo.

The second meeting of the Japan-U.S. working group on financial markets took place in Tokyo in late May. A statement issued by U.S. Treasury Undersecretary David Mulford after the meeting said the United States appreciated the liberalization of overseas bank account openings by individuals and other Japanese financial deregulation measures but was still dissatisfied with current conditions regarding deregulation of bank deposit rates and foreign firms' access to the Japanese money market.

The U.S. Congress also remains greatly concerned over Japan's financial markets and is even tougher than the Treasury Department in demanding Japan's financial deregulation.

The Congressional concerns have taken the form of the proposed Fair Trade in Financial Services Act, which passed the Senate Banking Committee. It would enable the Federal Reserve Board and other regulators to disapprove expansion of U.S. operations by foreign financial institutions if the Treasury secretary judges that their countries fail to give U.S. institutions opportunities to fairly compete in their domestic markets.

The primary purpose of the legislation is to pressure Japan into quickening financial deregulation.

Market Share Increasing

Behind the tough U.S. request is the fact that Japanese banks' shares of U.S. and other overseas markets have been persistently increasing. Eight of the 10 largest banks in the world in assets are Japanese.

In 1980, the largest Japanese bank was ranked 10th in the world. But Japanese banks started rapid growth around 1984.

The agreement on new capital adequacy regulations at the Bank for International Settlements in 1988 was designed primarily to hold down the fast expansion of Japanese banks. But the fiscal 1988 asset growth of Japan's city, trust, and long-term credit banks was 16%, exceeding an annual average of 12% for the fiscal 1983-87 period.

In the United States especially, Japanese banks' lending has increased rapidly. They accounted for 16% of commercial and industrial loans in the United States at the end of 1988, being the top foreign lender in that country. Moreover, Japanese banks' outstanding loans there expanded as much as 50% from the end of 1983. In contrast, foreign banks' share of bank loans in Japan is limited to 2% and has been declining.

Competition from EC

Another matter of concern to the United States has emerged in relation to U.S. banks' international competitiveness, namely the European Community's financial market integration scheduled for 1992. Upon integration, an institution given a banking license in any EC country will be able to do business in any other EC nation.

But the EC's second directive on banking allows the EC Commission to decide whether to give a new business license to a foreign bank in view of reciprocity. The decision will depend on whether the home country of the foreign bank guarantees EC banks effective access to its domestic market.

The EC financial market integration has caused two moves in the United States. One seeks to make the U.S. market as liberal as the EC market, by allowing the mutual encroachment of commercial banks and securities companies onto each others' turf and by permitting interstate banking. Another move introduces the weapon of reciprocity requirement to counter the EC action, and directs it against Japan.

Hastening Deregulation

Some foreign leaders, including Federal Reserve Chairman Alan Greenspan, appreciate Japan's financial deregulation to date. The recent declines in Japanese stocks and the yen are expected to decelerate the expansion of Japanese banks' assets. In this context, efforts to persuade foreigners to understand Japan's realities might ease foreign pressures for Japanese deregulation.

But Japan cannot expect such efforts to have a lasting effect. The world is moving toward prompt deregulation, and this can also improve Japan's economic welfare. Deregulation would serve to intensify competition between financial institutions, helping to improve services and lower costs for fund-raising and investment activities of industrial companies and consumers alike.

Needless to say, Japan should make efforts to speed up financial deregulation as much as possible. ☐

Mr. Usuki is with the economics division of Long-Term Credit Bank of Japan, Tokyo.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Bank Holdings in Collateralized Mortgage Bonds Disclosed

Continued from *page* **1**

the quarter ended March 31.

CMOs, which flourished after tax-law changes in 1986, are multiclass securities that can provide investors with more payment certainty than basic mortgage-backed securities. Typically backed by basic mortgage securities, CMOs offer short-, intermediate and long-term estimated maturities.

Risks, Returns Vary

CMO classes vary widely in riskiness and potential returns. Michael Grupe, head of mortgage research at Kidder, Peabody & Co., says banks have tended to concentrate on relatively stable CMO classes with two- or three-year estimated lives, finding them good fits against deposits and other liabilities.

"We're still seeing a large amount of interest by banks across the board."

Craig Overlander
Bear Stearns & Co.

Three-year classes of traditional CMOs now sport yields about 90 basis points higher than those of comparable Treasury securities, according to Merrill Lynch Mortgage Capital. The push into CMOs comes as commerical banks also have been making major inroads into mortgage originations, mortgage servicing, and investments in basic mortgage-backed securities.

Risk-based capital rules have provided fresh incentives for banks to take on mortgage assets, and the problems in the thrift industry have created some big opportunities for banks.

Move Away from Treasuries

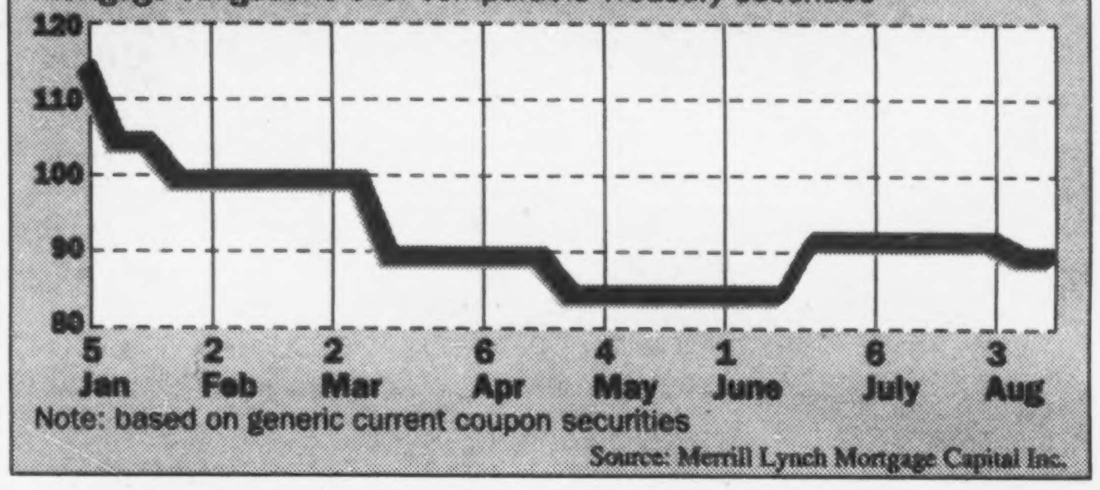
National City Bank, Cleveland, says it increased its CMO position sharply last year as sales of mortgages by insolvent and capital-short thrifts drove up the relative yields on most types of mortgage securities.

"We felt mortgage spreads were wide and wouldn't stay that wide for long, so we moved out of Treasuries and into CMOs," said Jeffrey D. Kelly, senior vice president of National City.

The FDIC data show that the top 100 banks held about $25 billion of the most common types of CMOs as of March 31, representing about 18% of all securities held by the banks and 3% of their assets.

Spreads Tighten on CMOs

Estimated yield spread, in basis points, on three-year collateralized mortgage obligations over comparable Treasury securities



Note: based on generic current coupon securities

Source: Merrill Lynch Mortgage Capital Inc.

The FDIC data deal with CMOs issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp., the dominant form of CMO.

The two secondary-market agencies say they had a total of $125 billion of such securities outstanding as of March 31. Most of the securities are CMOs issued through real estate mortgage investment conduits.

While the FDIC had not collected CMO data before the first quarter, the Department of Housing and Urban Development has estimated that banks held only $2.1 billion of Fannie Mae and Freddie Mac Remics as of December 1988. Such securities were nonexistent until August 1987, when Fannie Mae issued its first Remic.

Many of the top 100 banks in the market also have substantial positions in basic mortgage-backed securities, known as pass-throughs. No. 1 ranked Pittsburgh National Bank, for example, holds about $2 biliion in CMOs and $3.7 billion in pass-throughs as of March 31.

But some banks clearly prefer CMOs to to the pass-throughs. No. 5-ranked First American National Bank, Nashville, Tenn., held $883 million of CMOs as of March 31 but only $174 million of pass-throughs, preferring the shorter maturities available in the CMO market.

The average estimated life of the bank's CMOs is about three years, said Howard Ragsdale, a senior vice president. "Pass-throughs would have 10- or 11-year average lives," he said. "We don't feel that banks should play in that market – it's just too much interest-rate risk."

To be sure, the average lives of short-term CMOs can increase significantly if interest rates rise. The degree of risk varies from CMO to CMO and can be extremely high with so-called companion bonds.

But Mr. Ragsdale reckons that First American's CMOs would see their average lives increase to only 3.2 years from the current 2.8 years if market rates rose by 300 basis points.

That is well within the limits with which regulators apparently are comfortable. The Office of the Comptroller of the Currency, in a propopsed rule that was floated earlier this, suggested that if a 300 basis-point rate rise causes the securities' lives to lengthen by seven years or more, the securities are unsuitable for national banks.

Uncertainty caused by that proposal contributed to a decline in banks' appetites for CMOs during the spring, dealers and bankers say. But a number of banks apparently have resumed their buying, albeit more cautiously. The OCC has yet to act on the proposal.

"There is less interest in volatile classes and more interest in more stable classes," said Mr. Overlander of Bear Stearns.

Of course, not all banks have been drawn to CMOs. For example, Signet Bank/Virginia, Richmond — a big player in the pass-through market — has generally steered clear of the CMO market.

The bank likes the higher yields found on pass-throughs and can absorb long-term assets, said Mike Flynn, a Signet vice president. He added that as the CMO market has become increasingly sophisticated, the securities have become "too esoteric to monitor" effectively.

For CMO fans, the most immediate concern is the decline in yields relative to Treasuries. Yields on traditional three-year classes have declined to 90 basis points over Treasuries from 115 basis points at the start of the year, according to Merrill.

The phenomenon stems in part from the weak housing markets, which has restrained the new supply of mortgages and basic mortgage-backed securities, analysts say.

Pittsburgh National, which built most of its industry-leading position in the second half of last year, has slowed its buying markedly this year, said Walter L. West, an executive vice president. He cited both a reduced need for assets and the tightening spreads.

"There isn't the opportunity to buy [CMOs] and match-fund them at spreads anywhere near as attractive as last year's," he said.

First Union Corp. also has pulled back in recent months, after increasing its position to about $300 million during the second quarter. The Charlotte, N.C., company, did not rank in the top 100 on March 31, with holdings of less than $60 million.

"We continually monitor the market and don't feel very good about it right now," said Ross Annable, a senior vice president at First Union. "We feel it might be a bit rich." □

NEWSMAKERS

George Bender Joins Ranieri's Battalion

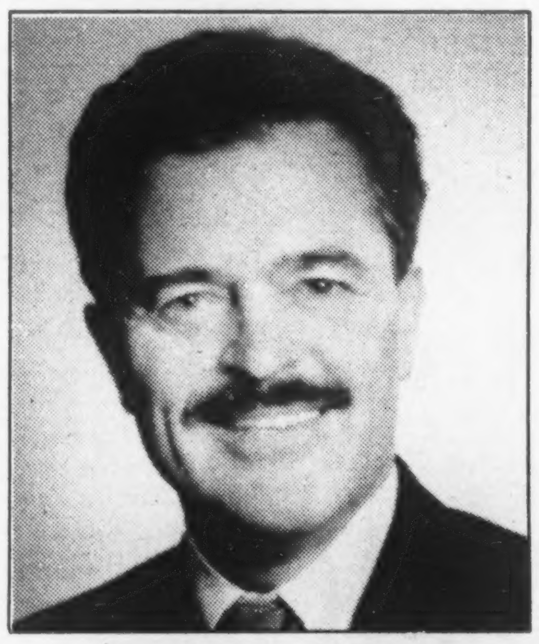
By PHIL ROOSEVELT

George Bender knows what it's like to be Eisenhower's field general, George Patton – or Casey Stengel's slugger, Mickey Mantle.

He has just become Lewis S. Ranieri's mortgage-banking man.

United Savings Association of Texas, a Houston thrift led by Mr. Ranieri, last week named Mr. Bender executive vice president in charge of its burgeoning mortgage banking operations.

Mr. Bender — formerly head of CenTrust Bank's mortgage banking unit and a 28-year veteran of the industry — says he was eager to work with Mr. Ranieri, a former Salomon Brothers vice chairman who is considered the father of the mortgage-backed securities market.



"I bring specific mortgage banking knowledge."

George Bender
United Savings Association

'Good Combination'

"I bring specific mortgage banking knowledge, and he brings capital markets knowledge second to none — and that's a very good combination," Mr. Bender, 51, said in a phone interview from Houston.

United, which Mr. Ranieri purchased in a government-assisted deal in 1988, recently acquired a 15-state network of mortgage offices from Commonwealth Mortgage of America, Houston.

That gives United the capability to originate an estimated $3 billion of mortgages a year. It currently services about $4 billion of loans for itself and for investors.

"George is a consummate production executive and a seasoned mortgage banking chief executive," said Walter C. Klein, chief executive of Sears Mortgage Co., Riverwoods, Ill. "I think he will be a formidable competitor for national originators, including Sears."

Mr. Bender said United plans to add further to its branch system, especially in the Midwest, and to build a substantial correspondent network to get additional volume.

He expects the network to eventually include about 500 small and midsize mortgage brokers and mortgage bankers, with United undewriting the loans and closing most of them in its own name.

Mr. Bender had been with CenTrust Mortgage, Deerfield Beach, Fla., for five years, helping the company expand from 11 to 54 offices and markedly boosting profitability, according to United. But the parent, CenTrust Bank, was seized by the government earlier this year.

At CenTrust, Mr. Bender developed a correspondent network that "won kudos around the country," said Thomas La Malfa, research head at Asset-Backed Capital Corp., Cleveland.

Mr. Bender earned his mortgage banking stripes at Advance Mortgage Corp., Southfield, Mich., joining the company in 1962 and rising through the ranks during 15 years.

He went on to become senior vice president of United First Mortgage Corp., San Diego; chief executive of Unity Mortgage Corp., Chicago; and chief executive of West America Mortgage Co., Denver. □

Key Interest Rates

	Week ended 8/17/90	Week earlier 8/10/90	Year earlier 8/18/89
30-year fixed-rate mortgage	10.14	10.17	10.20
1-year adjustable-rate mortgage	8.17	8.21	8.65

Rates are based on a weekly survey of 2,000 lending institutions nationwide. The averages reflect rates for a range of loan sizes.

Source: HSH Associates, Butler, N.J.

Secondary Market

	Price 8/22	Week's change	Yield	Week's change	Treasury spread	Week's change
Ginnie Mae 9½%	97-27	–1-16	10.03	+0.28	+107	–3
Fannie Mae 9½%	97-30	–1-17	9.99	+0.32	+103	+1
Freddie Mac 9½%	99-24	0-26	10.00	+0.32	+104	+1

Yield: bond equivalent yield based on mortgage prepayment rates projected by Merrill Lynch. **Treasury spread:** the mortgage security yield minus yield on the current 10-year Treasury bond in basis points. (*)— Current coupon changed since last week.

Source: Merrill Lynch Mortgage Capital, New York

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 6-7

Top 100 Banks in Collateralized Mortgage Obligation Holdings

Holdings of CMO's, including REMICS, issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation

(All data are as of March 31, 1990, and dollar amounts are in thousands)

Rank 3/90		Collateralized Mortgage Obligations	Mortgage Backed Securities	CMO's plus Mortgage Backs	Total Securities	Total Assets	CMO's as a % of Securities	CMO's as a % of Assets	Mtge. Backs as a % of Assets	CMOs & M-Backs as a % of Assets
1	**Pittsburgh National Bank**	2,015,770	3,709,209	5,724,979	6,762,202	17,356,333	29.81	11.61	21.37	32.98
2	**Manufacturers Hanover Trust Co., New York**	1,173,000	1,238,000	2,411,000	6,888,000	53,743,000	17.03	2.18	2.30	4.49
3	**Morgan Guaranty Trust Co., New York**	1,104,428	3,080,379	4,184,807	16,768,438	70,725,390	6.59	1.56	4.36	5.92
4	**Chemical Bank, New York**	869,000	3,890,000	4,759,000	7,534,000	48,859,000	11.53	1.78	7.96	9.74
5	**First American National Bank, Nashville, Tenn.**	863,211	174,286	1,037,497	1,663,993	7,043,706	51.88	12.26	2.47	14.73
6	**First Fidelity Bank NA, Newark, N.J.**	832,482	926,773	1,759,255	2,974,642	12,040,071	27.99	6.91	7.70	14.61
7	**National City Bank, Cleveland**	678,554	26,456	705,010	1,829,062	7,273,882	37.10	9.33	0.36	9.69
8	**Provident National Bank, Philadelphia**	647,476	375,759	1,023,235	1,605,700	8,449,980	40.32	7.66	4.45	12.11
9	**Fidelity Bank NA, Philadelphia**	594,627	359,606	954,233	1,875,278	9,320,040	31.71	6.38	3.86	10.24
10	**Michigan National Bank, Farmington Hills**	569,769	706,875	1,276,644	2,424,439	10,024,140	23.50	5.68	7.05	12.74
11	**Bank One Texas NA, Dallas**	559,828	853,083	1,412,911	2,896,180	13,916,154	19.33	4.02	6.13	10.15
12	**Sovran Bank NA, Richmond**	523,728	1,036,980	1,560,708	2,744,159	13,983,244	19.09	3.75	7.42	11.16
13	**Citizens & Southern Nat'l Bank, Ft. Lauderdale, Fla.**	511,540	553,561	1,065,101	1,650,530	6,295,331	30.99	8.13	8.79	16.92
14	**Maryland National Bank, Baltimore**	500,323	686,256	1,186,579	1,528,599	10,827,063	32.73	4.62	6.34	10.96
15	**Citizens & Southern National Bank, Atlanta**	486,482	833,010	1,319,492	2,444,919	12,960,523	19.90	3.75	6.43	10.18
16	**Huntington National Bank, Columbus, Ohio**	408,163	896,423	1,304,586	2,218,498	8,767,805	18.40	4.66	10.22	14.88
17	**Society National Bank, Cleveland**	399,946	289,634	689,580	1,417,542	7,832,380	28.21	5.11	3.70	8.80
18	**SouthTrust Bank of Alabama NA, Birmingham**	386,783	172,851	559,634	870,559	3,449,284	44.43	11.21	5.01	16.22
19	**Massachusetts Co., Inc., Boston**	365,061	125,345	490,406	594,389	1,443,439	61.42	25.29	8.68	33.97
20	**First Hawaiian Bank, Honolulu**	330,525	15,360	345,885	1,298,494	5,053,616	25.45	6.54	0.30	6.84
21	**BancOhio National Bank, Columbus**	320,346	290,318	610,664	1,034,273	5,541,298	30.97	5.78	5.24	11.02
22	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	313,053	1,074,095	1,387,148	1,819,751	5,912,703	17.20	5.29	18.17	23.46
23	**UJB/Hackensack, N.J.**	295,414	138,955	434,369	1,025,245	5,177,004	28.81	5.71	2.68	8.39
24	**First American Bank of Virginia, McLean**	285,865	266,428	552,293	925,728	3,868,193	30.88	7.39	6.89	14.28
25	**Crestar Bank, Richmond**	266,354	690,513	956,867	1,472,270	10,093,139	18.09	2.64	6.84	9.48
26	**Amalgamated Bank, New York**	264,019	0	264,019	1,179,738	1,573,679	22.38	16.78	0.00	16.78
27	**Bankers Trust Co., New York**	262,000	1,122,000	1,384,000	6,646,000	55,107,000	3.94	0.48	2.04	2.51
28	**Branch Banking & Trust Co., Wilson, N.C.**	259,665	28,034	287,699	1,042,060	4,338,915	24.92	5.98	0.65	6.63
29	**Sovran Bank/Maryland, Bethesda, Md.**	258,699	317,402	576,101	1,201,492	4,141,375	21.53	6.25	7.66	13.91
30	**First Fidelity Bank NA/North Jersey, Totowa, N.J.**	256,761	334,619	591,380	893,648	2,603,503	28.73	9.86	12.85	22.71
31	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	252,992	196,836	449,828	859,648	3,201,537	29.43	7.90	6.15	14.05
32	**First Interstate Bank of Arizona NA, Phoenix**	234,529	43,695	278,224	1,062,112	6,727,918	22.08	3.49	0.65	4.14
33	**United States National Bank, Portland, Ore.**	232,146	501,349	733,495	1,482,530	10,503,400	15.66	2.21	4.77	6.98
34	**Bank One Cleveland NA**	232,007	25,588	257,595	398,080	1,779,934	58.28	13.03	1.44	14.47
35	**Bank One Indianapolis NA**	228,898	163,907	392,805	690,822	4,068,481	33.13	5.63	4.03	9.65
36	**Bank One Columbus NA, Ohio**	225,600	19,936	245,536	583,238	4,188,639	38.68	5.39	0.48	5.86
37	**Bank One Dayton NA, Ohio**	224,140	44,514	268,654	435,827	2,389,573	51.43	9.38	1.86	11.24
38	**Mellon Bank NA, Pittsburgh**	210,610	520,607	731,217	2,400,343	22,471,589	8.77	0.94	2.32	3.25
39	**First Fidelity Bank NA, Burlington Twp., N.J.**	209,494	133,411	342,905	559,584	2,241,671	37.44	9.35	5.95	15.30
40	**First Interstate Bank of California, Los Angeles**	177,665	0	177,665	1,002,896	21,109,924	17.72	0.84	0.00	0.84
41	**INB National Bank, Indianapolis**	177,111	83,768	260,879	577,695	4,805,124	30.66	3.69	1.74	5.43
42	**Ameritrust Co. NA, Cleveland**	173,437	223,403	396,840	787,775	8,347,034	22.02	2.08	2.68	4.75
43	**Citizens & Southern National Bank, Charleston, S.C**	171,831	84,222	256,053	922,326	4,042,776	18.63	4.25	2.08	6.33
44	**Sovran Bank/Central South, Nashville, Tenn.**	170,995	89,266	260,261	525,881	4,035,053	32.52	4.24	2.21	6.45
45	**Wilmington Trust Co., Del.**	165,481	28,884	194,365	777,505	3,561,912	21.28	4.65	0.81	5.46
46	**Exchange National Bank, Chicago**	157,290	299,382	456,672	1,042,901	3,081,472	15.08	5.10	9.72	14.82
47	**Bank One Akron NA, Ohio**	157,151	42,264	199,415	345,896	1,374,680	45.43	11.43	3.07	14.51
48	**Equitable Bank NA, Baltimore**	152,632	240,306	392,938	889,294	4,344,342	17.16	3.51	5.53	9.04
49	**Bank One Youngstown NA, Ohio**	152,316	68,872	221,188	383,506	1,144,670	39.72	13.31	6.02	19.32
50	**United Jersey Bank Central NA, Princeton, N.J.**	152,256	30,032	182,288	457,889	2,030,788	33.25	7.50	1.48	8.98
51	**Bank of New England NA, Boston**	148,283	636,403	784,686	1,617,867	15,242,326	9.17	0.97	4.18	5.15
52	**Sun Bank NA, Orlando, Fla.**	138,978	92,362	231,340	619,993	4,278,236	22.42	3.25	2.16	5.41
53	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	133,278	164,315	297,593	544,466	2,615,955	24.48	5.09	6.28	11.38
54	**Comerica Bank-Texas, Dallas**	132,779	141,179	273,958	313,291	783,527	42.38	16.95	18.02	34.96
55	**Boatmen's National Bank, St. Louis**	129,045	247,499	376,544	1,721,992	7,864,552	7.49	1.64	3.15	4.79
56	**South Carolina National Bank, Columbia**	122,705	344,945	467,650	1,006,348	6,154,851	12.19	1.99	5.60	7.60
57	**American Security Bank NA, Washington, D.C.**	122,020	297,491	419,511	935,595	6,005,637	13.04	2.03	4.95	6.99
58	**First Interstate Bank of Denver NA**	120,684	3,064	123,748	323,556	1,696,125	37.30	7.12	0.18	7.30
59	**Team Bank, Dallas**	120,529	447,222	567,751	1,396,413	4,700,701	8.63	2.56	9.51	12.08
60	**Central Trust Co. NA, Cincinnati**	119,240	315,369	434,609	759,136	3,837,596	15.71	3.11	8.22	11.33
61	**Valley Fidelity Bank & Trust Co., Knoxville, Tenn.**	116,717	0	116,717	166,629	505,206	70.05	23.10	0.00	23.10
62	**Marine Bank, Warren, Pa.**	115,858	416,054	531,912	933,811	1,843,108	12.41	6.29	22.57	28.86
63	**Society Bank NA, Dayton, Ohio**	111,826	22,598	134,424	489,695	2,717,814	22.84	4.11	0.83	4.95
64	**Merchants Bank NA, Allentown, Pa.**	110,526	195,558	306,084	609,467	1,970,758	18.13	5.61	9.92	15.53
65	**First American Bank NA, Washington, D.C.**	99,660	131,728	231,388	489,059	1,919,942	20.38	5.19	6.86	12.05
66	**Merchants Bank, Kansas City, Mo.**	98,807	21,228	120,035	210,651	1,798,173	46.91	5.49	1.18	6.68
67	**Meridian Bank, Reading, Pa.**	98,293	261,313	359,606	1,548,039	9,940,657	6.35	0.99	2.63	3.62
68	**First Interstate Bank of Nevada NA, Reno**	95,729	316,946	412,675	1,034,957	3,905,360	9.25	2.45	8.12	10.57
69	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	94,956	141,766	236,722	940,335	2,446,295	10.10	3.88	5.80	9.68
70	**First Interstate Bank of Utah, NA, Salt Lake City**	93,527	61,518	155,045	334,068	975,174	28.00	9.59	6.31	15.90
71	**Bank of Delaware, Wilmington**	92,051	20,309	112,360	447,220	2,134,295	20.58	4.31	0.95	5.26
72	**Union Planters National Bank, Memphis, Tenn.**	91,618	62,563	154,181	539,978	2,434,470	1:n7	3.76	2.57	6.33
73	**Union National Bank, Pittsburgh**	89,215	46,998	136,213	639,992	2,399,658	13.94	3.72	1.96	5.68
74	**Bank of Baltimore**	89,164	568,150	657,314	861,754	3,325,741	10.35	2.68	17.08	19.76
75	**Trust Company Bank, Atlanta**	86,159	41,825	127,984	471,230	5,797,229	18.28	1.49	0.72	2.21
76	**First American Bank of Maryland, Silver Spring**	85,720	93,231	178,951	393,197	1,560,051	21.80	5.49	5.98	11.47
77	**Bank One Milwaukee NA**	85,075	7,398	92,473	419,631	2,522,029	20.27	3.37	0.29	3.67
78	**Bank of America NT&SA, San Francisco**	85,000	4,159,000	4,244,000	6,382,000	88,306,000	1.33	0.10	4.71	4.81
79	**Colonial National Bank USA, Wilmington, Del.**	84,913	0	84,913	131,595	1,136,237	64.53	7.47	0.00	7.47
80	**United Jersey Bank/Commercial Trust, Jersey City**	81,490	0	81,490	293,187	1,002,446	27.79	8.13	0.00	8.13
81	**Sun Bank/Miami NA**	78,727	53,738	132,465	382,414	2,122,661	20.59	3.71	2.53	6.24
82	**Connecticut Bank & Trust Co. NA, Hartford**	78,044	326,320	404,364	690,328	7,729,662	11.31	1.01	4.22	5.23
83	**Society Bank Indiana, South Bend**	75,256	7,496	82,752	114,264	580,478	65.86	12.96	1.29	14.26
84	**Third National Bank, Nashville, Tenn.**	74,420	27,061	101,481	343,952	2,549,324	21.64	2.92	1.06	3.98
85	**Crestar Bank NA, Washington D.C.**	73,999	39,061	113,060	245,096	908,888	30.19	8.14	4.30	12.44
86	**Sun Bank/South Florida NA, Fort Lauderdale**	72,174	69,435	141,609	558,941	2,180,903	12.91	3.31	3.18	6.49
87	**First National Bank, Louisville, Ky.**	67,654	10,690	78,344	566,584	4,044,193	11.94	1.67	0.26	1.94
88	**Merchants Bank (North), Wilkes-Barre. Pa.**	67,561	75,168	142,729	296,927	766,412	22.75	8.82	9.81	18.62
89	**Summit Trust Co., N.J.**	67,303	11,968	79,271	243,893	1,577,268	27.60	4.27	0.76	5.03
90	**Gainer Bank NA, Gary, Ind.**	66,832	63,336	130,168	534,668	1,365,507	12.50	4.89	4.64	9.53
91	**State Street Bank & Trust Co., Boston**	66,791	128,619	195,410	2,793,122	10,480,109	2.39	0.64	1.23	1.86
92	**Premier Bank NA, Baton Rouge, La.**	65,870	680,367	746,237	1,173,406	4,123,271	5.61	1.60	16.50	18.10
93	**Northern Trust Co., Chicago**	65,528	0	65,528	2,194,351	9,384,442	2.99	0.70	0.00	0.70
94	**Hamilton Bank, Lancaster, Pa.**	64,610	7,005	71,615	207,047	2,745,911	31.21	2.35	0.26	2.61
95	**Bank of Hawaii, Honolulu**	62,779	565,586	628,365	1,500,884	8,251,335	4.18	0.76	6.85	7.62
96	**Trustmark National Bank, Jackson, Miss.**	62,543	128,411	190,954	737,572	3,112,952	8.48	2.01	4.13	6.13
97	**U.S. Bank of Washington NA, Seattle**	61,450	163,234	224,684	495,378	5,060,655	12.40	1.21	3.23	4.44
98	**City Bank, Honolulu**	60,147	26,280	86,427	152,590	550,263	39.42	10.93	4.78	15.71
99	**First Interstate Bank Washington, NA, Seattle**	59,985	119,057	179,042	372,529	3,634,923	16.10	1.65	3.28	4.93
100	**Sun Bank of Tampa Bay, Fla.**	59,787	25,920	85,707	291,564	1,440,029	20.51	4.15	1.80	5.95
	Totals for the Top 100 Banks	**25,006,758**	**38,839,236**	**63,845,994**	**141,886,238**	**807,601,042**	**17.62**	**3.10**	**4.81**	**7.91**
	Totals for All Banks	**35,938,000**	**129,659,000**	**165,597,000**	**585,890,000**	**3,310,624,000**	**6.13**	**1.09**	**3.92**	**5.00**

Data Sources: The federal regulatory "Report of Condition" filed by all federally-insured commercial banks. American Banker extracted these data from **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex. Aggregate data totals for all banks are from the **Federal Deposit Insurance Corp.,** Washington, D.C. **Collateralized Mortgage Obligations (CMOs)** are the book value of multiclass mortgage-backed securities issued by FNMA and FHLMC, where an underlying pool of mortgages held by the issuer serves as collateral for the debt obligation. The principal and interest payments from the pool of mortgages are used to retire the CMOs. **REMICS,** or real estate mortgage investment conduits, also are included. A REMIC is a mortgage securities vehicle authorized by the Tax Reform Act of 1986. The REMIC rules authorize a new entity (a REMIC) to hold commercial or residential mortgages and issue securities representing interests in those mortgages. The REMIC itself is exempt from federal income tax. The income from the mortgages held by the REMIC is taxed by the holders of the REMIC regular and residual interests. **Mortgage-Backed Securities** are the book value of holdings of certificates of participation in pools of residential mortgages that are U.S. government-issued or -guaranteed. Included are certificates of participation in pools of residential mortgages issued or guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corp. (FHLMC). **Total Securities** are the book value of securities of all types held as assets by the bank. **Total assets** are total assets of the bank, including domestic and foreign offices.

Compiled by American Banker, Copyright 1990.

AMERICAN R

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 169 *Wednesday, August 29, 1990* *155th year*

Is Wall Street Overaggressive In Bond Pricing?

By KELLEY HOLLAND

When Continental Bank Corp. withdrew its planned debt offering last week, the Chicago-based bank became the latest in a series of banks to feel the effects of seemingly aggressive bond pricing by Wall Street firms.

Debt offerings by commercial banks appear to be getting mispriced with greater frequency, and it is making it harder than ever for new issues to come to market, according to bankers and capital markets specialists.

ANALYSIS: *Follow-up on the news*

They say overly aggressive pricing is adding to the barriers banks face when they consider tapping the capital markets, making it even harder for them to raise new capital.

"You've got a negative market on the one hand, anxious banks on another, and investment banks who are anxious for business," said a treasury official at one regional bank. "There's a certain amount of pain that's going to be shared by everybody."

Bond offerings brought as recently as late July are now trading at yields as much as 20 basis points wider relative to Treasuries than the yield at offering. Bonds issued in June by Bankers Trust Corp. at a yield 115 basis points over Treasuries are now trading at a yield about 150 basis points over Treasuries.

And last week, the proposed yield spread relative to Treasuries for the Continental offering increased 50 basis points before the bank decided to defer the issue.

"Some are done with some market reality, and some aren't," said one investment banker.

Overly Optimistic Pricing

Several factors are causing bonds to be mispriced, specialists say. First, investment bankers who work with banks are suffering from a near absence of new issue business this year, as banks who can afford to wait are staying away from the jittery capital markets.

As a result, when a bank does decide to come to market, competition is fierce for the underwriting fees that will ensue.

Investment bankers are bidding aggressively for what underwriting business there is today. And often, that aggressive bidding means telling clients that deals can get done at overly optimistic rates.

"When you get into any situa-

See **CAPITAL** *back page*

INSIDE NEWS

PEOPLE

AMERITRUST CORP. chairman and chief executive Jerry V. Jarrett resigned unexpectedly Tuesday, amid mounting loan problems and a massive restructuring. *Page 2*

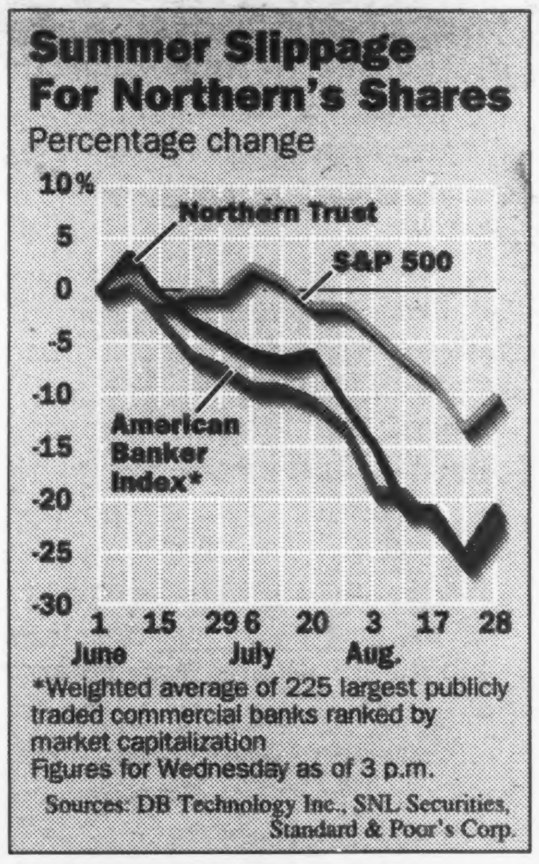
WASHINGTON

STATES SEEKING to maintain control over bank branching rights suffered another setback Tuesday when an federal appeals court reversed an earlier ruling. *Page 2*

INTERNATIONAL

AS BILLIONS of dollars flee banks in troubled Persian Gulf states, banks worldwide are bracing for a new flow of funds. Meanwhile, banks in the Persian Gulf area are being virtually locked out of international money markets by foreign banks. *Page 16*

FINANCE


Summer Slippage For Northern's Shares
Percentage change

*Weighted average of 225 largest publicly traded commercial banks ranked by market capitalization
Figures for Wednesday as of 3 p.m.
Sources: DB Technology Inc., SNL Securities, Standard & Poor's Corp.

SHARES OF Chicago's Northern Trust Corp. have been hit hard in the most recent period of weakness in bank stock prices. *Page 24*

CONSUMER

IN ANOTHER big thrift restructuring, Coast Savings and Loan Association said it was putting 27 of its 120 branches on the block. *Page 8*

TECHNOLOGY

UJB FINANCIAL Corp. is adding information systems that will measure the profitability of its customers and products, and the productivity of its lenders. *Page 3*

INDEX

Company Index 2
Grapevine 2
Classified Advertising 20
Stocks 23

HLTs Soar at First Chicago As Top Lenders' Total Slides

By STEVEN LIPIN

First Chicago Corp.'s portfolio of loans financing highly leveraged transactions skyrocketed by $1 billion, or 38%, in the second quarter, mostly because of the reclassification of existing loans, according to regulatory filings.

Meanwhile, Wells Fargo & Co., Bank of Boston Corp., and Security Pacific Corp. reduced their HLT credits by hundreds of millions of dollars.

Average Is Down

The total HLT portfolio of the 25 banks with the largest exposure fell by a marginal 1.7% in the second quarter, according to data compiled by SNL Securities, a publishing and data base company based in Charlottesville, Va. HLTs as a percentage of assets also fell slightly.

Where HLT lending increased, most was attributed to the reclassification of existing loans, not from booking new ones, bank officials say. Banks continue to pore through their portfolios to determine whether a loan constitutes an HLT.

Despite the new standard definition, "There's a lot of interpretation," said a senior credit official at a major bank. "It's not as straightforward as one might think."

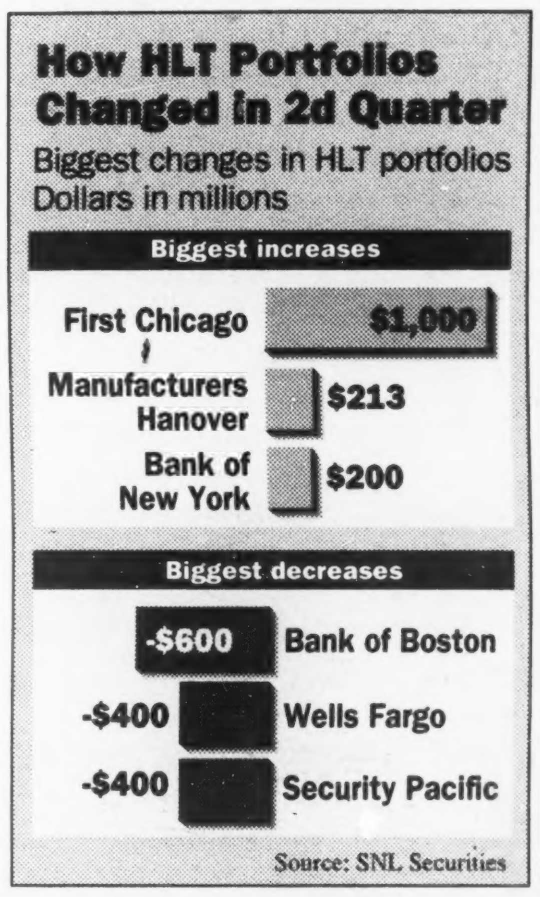
Secondary-Market Obstacle

While equity analysts have pressed banks to reduce outstanding loans to leveraged companies, bankers say, the difficult environment for syndication has slowed loan sales to the secondary market. That has made it harder for banks to reach their goals of reducing HLT portfolios.

However, banks that sold HLT loans during the quarter booked new ones and received the up-front fees and higher interest rates, which helped the bottom line, bankers said. And the new loans were often of better quality than existing credits.

"What you're seeing is that banks are pursuing a strategy of maintaining a steady HLT portfolio," commented Christopher L. Snyder, president of Loan Pricing Corp. As some loans are sold off, others are added, he

See **HLT** *page* **21**


How HLT Portfolios Changed in 2d Quarter
Biggest changes in HLT portfolios
Dollars in millions

Source: SNL Securities

Gonzalez Wants Single Banking and Thrift Czar

By BARBARA A. REHM

WASHINGTON — Rep. Henry B. Gonzalez said he is planning to introduce legislation next year to merge the three deposit insurance funds and create a single regulator for banks, thrifts, and credit unions.

The House Banking Committee chairman wants to set the far-reaching regulatory reform in motion this fall with a series of hearings leading to introduction of two major bills when the 102d Congress convenes next year.

Time Pressure Seen

"I don't like to be governed by fear," the 74-year-old Texas Democrat said in a recent interview with *American Banker*. "What I fear is that time will not allow us to do the fundamental, drastic overhaul of the system required before you have a crisis."

One of the components of his drastic overhaul would be a bill revamping the deposit insurance system, which most Washington observers see as the next big financial priority on Capitol Hill. A second bill would address regulatory reform.

"There is an absolute need to completely overhaul the regula-

See **GONZALEZ** *page* **7**

3 Calif. Giants Lead Contenders For Merabank

By TERESA CARSON

LOS ANGELES — Eager to expand their Western presence, three big California banks have emerged as the top contenders to acquire the failed Merabank, the largest thrift in Arizona.

BankAmerica Corp., San Francisco, Security Pacific Corp., Los Angeles, and Wells Fargo & Co., San Francisco, are aggressively pursuing Merabank, which has 66 branches holding $4.7 billion in deposits. Though Merabank is an attractive franchise for building market share, sources said the Resolution Trust Corp. may not get a hefty premium because of Arizona's troubled economy.

Big Premium Unlikely

"The pricing will probably not be as rich as Western," said one source. Bank of America last

See **THREE** *page* **8**

Bottorff Ties the Knot that Binds Sovran to Citizens and Southern

By KENNETH CLINE

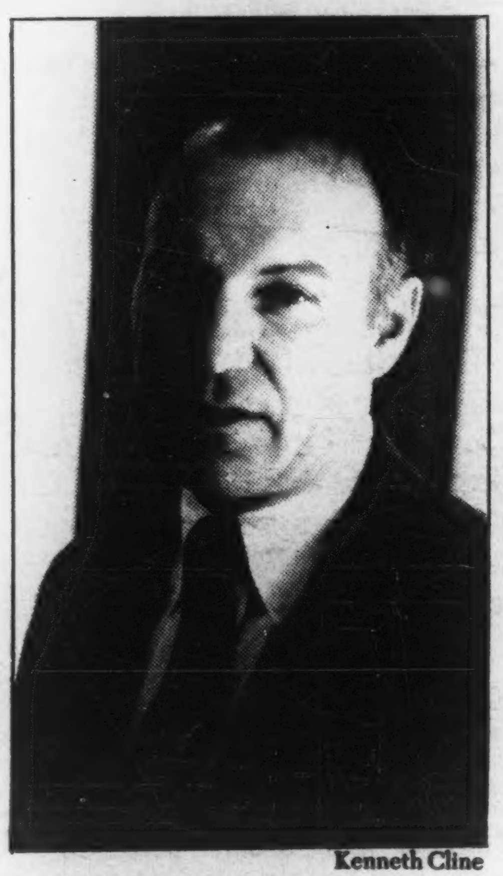
ATLANTA — When Sovran Financial Corp. and Citizens and Southern Corp. announced plans to merge last September, senior executives on both sides began describing their budding relationship with mantralike repetition.

"We're a merger of equals," they said over and over to reporters, analysts, and anyone else who would listen.

The delicate task of maintaining the equilibrium in this merger fell to Sovran's president, Dennis C. Bottorff.

Bottorff's People Skills

Mr. Bottorff, 46, has already proven his mastery as a behind-the-scenes player, particularly skilled in handling people and winning over others to his point of view. But these talents will be taxed to their limits in the birthing of C&S/Sovran Corp.


Kenneth Cline
Dennis C. Bottorff
C&S/Sovran

The Norfolk, Va.-based

See **BOTTORFF** *page* **6**

COMMENT/*By Joseph V. Rizzi*

Coping with High Leverage: A Framework for Lenders

Spurred by relatively attractive lending spreads, financing of highly leveraged transactions has grown in recent years. Despite a relatively favorable economic climate, the number of troubled HLTs, such as Federated, Interco, and Seaman Furniture has risen. Consequently regulators, rating agencies, and shareholders are becoming concerned with bank HLT exposure.

Some commentators believe that the next recession will trigger widespread HLT defaults. Thus, they conclude that HLTs will become the banking crisis of the 1990s.

The current concerns with the HLT market do not reflect any fundamental changes in risk. Rather, they merely reflect a growing awareness of risks that have existed for several years.

The problem for banks is not with HLT lending in general but with their underwriting and portfolio practices.

Little Margin for Error

High leverage levels leave little margin for error with debtor performance problems quickly triggering a financial crisis. Consequently, correct HLT underwriting decisions are critical and involve business and financial risk.

Business risk concerns the predictability of the debtor's operating cash flows. Companies with unpredictable or volatile operating cash flows are poor HLT candidates because of their uncertain debt servicing ability. Thus, the following situations should be avoided:

Technology. Changing technology disrupts product life cycles and usually requires heavy R&D and capital expenditures, which reduce debt servicing ability. The problems caused by fax technology for Western Union illustrate this problem.

Customer Concentrations. The loss or deterioration of a major customer can seriously impact operations, as occurred at Tracor when the Defense Department reduced its expenditures.

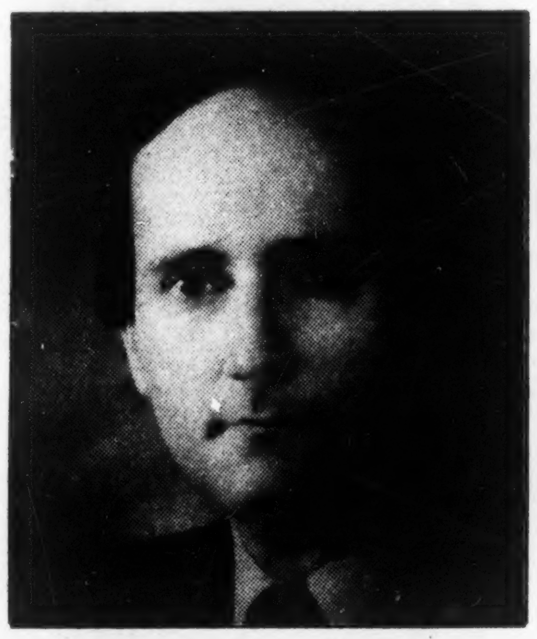
Turnarounds. Turnarounds, such as those planned in the minicomputer industry are highly uncertain and frequently take longer than planned. Consequently, operating cash flow is difficult to predict.

Commodity Products. Capacity and demand fluctuations can reduce prices below break-even, as is now taking place in newsprint and commodity chemicals.

Cyclical. Durable goods manufacturers, such as Fruehauf, are highly susceptible to unpredictable cyclical downturns.

Unsettled Management. An experienced and motivated senior management team must be in place. As Revco demonstrated, it takes too much time and money to build a new team.

The second underwriting consideration is financial risk. Financial risk considerations focus on the relationship of the debtor's expected cash flows to debt service requirements. Even companies with stable, predictable cash flows will fail if overburdened with debt. The areas of concern are as follows:



Purchase-Price Multiples. Preferred multiples are six to eight times trailing earnings before interest and taxes (EBIT). Overpriced transactions leaving the debtor in an unbalanced financial position, such as Federated at 20 times trailing EBIT, are especially suspect.

Capitalization. Transactions with multiples of funded debt to trailing EBIT exceeding six or seven times, such as Southland at more than 15 times, are difficult to justify. They simply cannot amortize their debt according to the terms without assuming operating improvements, asset sales, or refinancing. Additionally, equity capitalization should represent 20% to 30% of the capital structure to provide an adequate cushion for unexpected events.

Projected Debt Service Coverages. The credibility of projected debt service coverages is critical. Transactions based on large projected improvements in historical operating performance, such as that of Ohio Mattress, are questionable. A credibility test is to require trailing EBIT to cover first-year pro forma debt service by at least 1.5 times.

Reliance on Asset Sales. Transactions overly dependent on asset sales are suspect because of uncertainties over the price and timing of the sales. West Point-Pepperell and Interco demonstrate the risks involved when asset sales represent more than 15% of the total transaction size.

Interest Rate Risk. The high level of floating-rate debt in most HLTs exposes the debtor to interest rate risk. This is usually controlled by requiring at least 50% of the bank term debt to be fixed through swaps or caps for three to five years.

Liquidity Risk Exposure. Many recent HLTs contain bridge loans and bonds with increasing rate, reset, and payment-in-kind features. These features are designed to delay cash debt service until the debtor's operations improve or until the debtor can refinance the obligation. Some debtors are, however, facing less than projected performance results and rising debt service requirements from these features, and are unable to refinance.

Consequently, they are exposed to a serious liquidity squeeze, which has forced some firms, such as Jim Walter/Hillsborough into bankruptcy.

The profit potential in HLTs intensified bank interest in funding leveraged transactions. Some banks cut their underwriting standards to gain or maintain market share. Thus, they funded many poorly conceived transactions, which are currently experiencing trouble as the class of 1988-89 transactions matures.

> **"The problem is not with HLT lending in general but with underwriting and portfolio practices."**

HLT lending represents not an industry concentration but a common transaction type involving higher-than-normal leverage levels. Unlike many other problem loan areas, such as energy, developing country, and real estate loans, HLT lending is diversified across a wide number of industries.

Prudent portfolio management requires consideration of the following:

Overall Portfolio Limit. An overall portfolio maximum tied to the level of bank assets should be established, usually in the range of 2% to 5% of earning assets. As is true for other higher-risk activities, undue exposures suggest concern regarding whether the institution can absorb the risks involved.

Individual Transaction Limits. The maximum hold level in any individual transaction should be limited to between $25 million and $35 million. Syndication risk for larger commitments to be sold into the secondary market should be separately managed.

Diversification. The maximum industry exposure should not exceed 10% to 15% of the portfolio. An additional concern is geographical diversity, especially for regional banks.

Investment Instrument. Senior secured corporate debt instruments have historical recov-

See **COPING** *page* **6**

Mr. Rizzi is vice president of the leveraged capital unit of ABN/LaSalle North America Inc. He is based in Chicago.

COMMENT/*By Roger G. Powell*

Are We Caught in an Oddity Known as a Liquidity Trap?

Some don't fear the onset of recession. They are convinced that the Federal Reserve will see it coming and respond with easier money.

But there is an oddity in monetary affairs called a "liquidity trap." If we have fallen into a liquidity trap, then monetary ease will not work and interest rates may behave in an unpredictable fashion.

High-Powered Money

Easy money comes when monetary authorities provide commercial banks with plenty of raw material with which to make loans. That raw material is measured in banking-system reserves – high-powered or concentrated money. It is then diluted and packaged by banks into individual loans.

The bankers' profit motive allows us to rely on full use of the central bank's raw-material delivery and be confident that it will be diluted to the maximum allowed by reserve and capital requirements.

An Excess of Liquidity

But what happens if the commercial banks don't use the raw material? Only when banks aren't willing to lend or borrowers aren't willing to borrow does high-powered money sit unused. The economy would then have an excess of liquidity. Hence the liquidity trap.

Unusual interest rate behavior could be a side effect if a liquidity trap is operating. It seems clear that short-term rates should fall dramatically, though the risk premium might expand for each change in rating.

A Perverse Impact

What would become of longer rates? With a bond market still sensitive to potential inflationary pressures, the immediate impact might be perverse. The inventory of high-powered money available to the banking system could be seen as inflationary raw material, suggesting to investors that they should invest only at yields sufficient to offset losses of purchasing power that might arise from changes in currency values.

Effect on Yield Curve

If a liquidity trap is operating, then the near-term effect should be greater differences between short-term and long-term interest rates, at least in the short run. And greater monetary ease could fuel future inflation expectations, leading to higher, rather than lower, long-term rates.

Does the current combination of rising capital requirements, heightened regulatory discipline, asset-quality stress, and the expectation of a recession create a lineup that could lead us to this pass?

Rising capital requirements reduce the volume of loans fabricated from high-powered money. Difficult examinations and asset-quality stress lead bankers to reduce lending. And the expectation of recession influences both lender and borrower to hold back.

If banks don't lend and borrowers don't borrow, then ease won't work. A liquidity trap is, fortunately, rare and, unfortunately, perverse. ☐

Mr. Powell is an analyst wtth Alex. Brown & Sons, Baltimore.

AMERICAN BANKER
Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

DEALS

HLT Loans Soar At First Chicago, Slide Generally

Continued from *page* **1**

said. "Banks are carefully managing their exposure."

At the end of the second quarter, the top 25 leveraged lenders had $68.948 billion in HLT loans outstanding, down from $70.174 billion in the first quarter. SNL did not provide data on the percentage of HLT loans that were nonperforming.

Citicorp Is No. 1

Citicorp held the largest HLT portfolio in the second quarter, $8.82 billion, although the ratio to assets was below the industry average.

Clearly, the growth of HLT portfolios slowed dramatically as the banks began to reclassify loans in February. Though federal regulators did not put limits on HLT lending, the wide range of definitions banks used persuaded regulators to define the term and require banks to classify separately all leveraged loans.

But the spigot had already been tightened by market forces, as the Campeau bankruptcy and the failed UAL Corp. buyout in October scared lenders and knocked the wind out of the market for subordinated high-yield debt.

Nevertheless, the reclassification has given bank analysts an occasion to scrutinize banks' assets more closely. Many analysts still fear that nonperforming loans could continue to rise in the banks' HLT portfolios.

And despite the increases in loan-loss provisions this year, some analysts say that HLT portfolios are not quite out of the woods yet.

"Given the number of deals in trouble or in need of restructuring, S&P expects a rough year ahead," Standard & Poor's Corp. analyst Tanya Azarchs wrote recently. "Nonperformers will rise beyond current levels, though perhaps in a bumpy fashion."

Banks are clearly in a bind

See **HLT** *next page*

Top 25 Banks in HLT Loans

Among the 400 publicly traded banks, the 25 with the largest amount of highly leveraged transaction loans outstanding on June 30, 1990, compared with March 31, 1990 (dollar amounts in millions)

HLT Rank 6/30/90	HLT Rank 3/31/90		HLT Loans 6/30/90	HLT Loans 3/31/90	Total Assets 6/30/90	Total Assets 3/31/90	HLT as a % of Assets 6/30/90	HLT as a % of Assets 3/31/90
1	1	Citicorp, New York	8,820	8,774	227,752	233,071	3.87	3.76
2	4	Bank of New York Co., Inc.	4,700	4,500	48,954	47,846	9.60	9.41
3	5	Chase Manhattan Corp., New York	4,501	4,467	102,371	106,517	4.40	4.19
4	3	Security Pacific Corp., Los Angeles	4,400	4,800	94,510	86,453	4.66	5.55
5	2	Bank of Boston Corp.	4,200	4,818	37,297	37,286	11.26	12.93
6	7	NCNB Corp., Charlotte, N.C.	3,651	3,829	66,188	63,683	5.52	6.01
7	13	First Chicago Corp.	3,600	2,600	50,361	49,992	7.15	5.20
8	6	Wells Fargo & Co., San Francisco	3,600	4,000	51,713	50,170	6.96	7.97
9	8	Bankers Trust New York Corp.	3,500	3,700	57,341	59,267	6.10	6.24
10	9	Chemical Banking Corp., New York	3,400	3,469	75,216	74,150	4.52	4.68
11	12	Manufacturers Hanover Corp., New York	3,200	2,987	63,548	59,713	5.04	5.00
12	10	J.P.Morgan & Co., Inc., New York	2,900	3,100	93,103	90,771	3.11	3.42
13	11	Continental Bank Corp., Chicago	2,700	3,000	29,532	29,026	9.14	10.34
14	14	PNC Financial Corp., Pittsburgh	2,597	2,589	47,823	46,710	5.43	5.54
15	15	BankAmerica Corp., San Francisco	2,300	2,300	103,960	101,067	2.21	2.28
16	16	First Union Corp., Charlotte, N.C.	1,675	1,622	38,385	39,084	4.36	4.15
17	18	Mellon Bank Corp., Pittsburgh	1,614	1,438	31,670	30,759	5.10	4.68
18	17	Bank of New England Corp., Boston	1,290	1,590	23,071	24,899	5.59	6.39
19	20	CoreStates Financial Corp., Philadelphia	1,241	1,191	22,765	22,239	5.45	5.36
20	19	MNC Financial, Inc., Baltimore	1,105	1,200	27,539	25,872	4.01	4.64
21	21	First Bank System, Inc., Minneapolis	828	961	19,425	20,249	4.26	4.75
22	22	Midlantic Corp., Edison, N.J.	818	855	24,231	23,744	3.37	3.60
23	24	First Interstate Bancorp., Los Angeles	789	784	55,082	57,419	1.43	1.37
24	23	Ameritrust Corp., Cleveland	776	836	11,097	10,825	6.99	7.72
25	25	U.S. Bancorp, Portland, Ore.	743	764	17,748	17,227	4.19	4.43
		TOTALS FOR THE TOP 25	**$68,948**	**$70,174**	**1,420,682**	**1,408,019**	**4.85**	**4.98**

Data Source: All HLT data provided by **SNL Securities,** Charlottesville, Va., from its data base of 400 publicly traded commercial banking companies. **HLTs** are highly leveraged transaction loans. A "purpose test" has been developed by the federal regulators to define an HLT transaction. A bank holding company is considered to be involved in a highly leveraged transaction when credit is extended or investment is made in a business where the financing transaction involves the buyout, acquisition, or recapitalization of an existing business. In addition to this purpose test, one of the following criteria must be met for the transaction to be considered an HLT: (1) the transaction at least doubles the subject company's liabilities and results in a leverage ratio (total liabilities divided by total assets) higher than 50%; (2) the transaction results in a leverage ratio higher than 75%; or (3) the transaction is designated an HLT by a syndication agent. However, the federal regulators reserve the right to designate the credit an HLT when the credit meets the purpose test but is not covered by any of the three criteria above. The regulators will include all obligations of, and claims on, HLT borrowers, regardless of perceived credit quality or secured status. **Rank 3/31/90:** HLT data for March 31, 1990, were incomplete. Therefore, a true ranking of the top 25 as of March 31 were not available. The ranks shown for March 31 were generated by American Banker using the March data for the top 25 banks on June 30. **Note:** SNL Securities tracks publicly traded companies only. Thus, the four major foreign-owned U.S. holding companies— Marine Midland Banks, Inc., Buffalo, N.Y., National Westminster Bancorp, Inc., New York, Harris Bankcorp, Inc., Chicago, and First American Bankshares, Inc., Washington, D.C. — are not included in SNL's universe of banking companies from which the top 25 banks were drawn.

Compiled by American Banker, Copyright 1990.

Toll Free 800-221-1910 **LEGAL ADVERTISING** Toll Free 800-221-1910

Auction Notices

NOTICE OF FORECLOSURE AND SALE. BY VIRTUE OF A Default In A Certain Security Agreement Made By ANTONIO BELLANTON, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. Auction Corp., Auctioneer, Will Sell At Public Auction The Following Collateral: 1985 Mercury, ID#2MEBP95FXFX638805, Together With City Wide Two Way Radio Rights In Cars #245 & 274. Said Public Auction Sale Will Be Held On Friday, September 7, 1990 At 10:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash Or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly. DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE. BY VIRTUE OF A Default In A Certain Security Agreement Made By FANNY ST. MACARY, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1988 Mercury, ID#2MEBM74F5JX674635, Together With Bell Two Way Radio Rights In Car #205. Said Public Auction Sale Will Be Held On Friday, September 7, 1990 At 10:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit Cash Or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly. DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE. BY VIRTUE OF A Default In A Certain Security Agreement Made By OLEG CHICHILNITSKY, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1985 Mercury, ID#2MEBP95F0FX666418, Together With Fone-A-Cab Two Way Radio Rights In Car #225. Said Public Auction Sale Will Be Held On Friday, September 7, 1990 At 10:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit Cash Or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly. DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE. BY VIRTUE OF A Default In A Certain Security Agreement Made By ATILA KAYA, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. AUCTION CORP., Auctioneer, Will Sell At Public Auction The Following Collateral: 1988 Lincoln, ID#1LNBM81FXJY834807, Together With Concord Two Way Radio Rights In Car #75. Said Public Auction Sale Will Be Held On Friday, September 7, 1990 At 10:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit Cash Or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly. DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE. BY VIRTUE OF A Default In A Certain Security Agreement Made By MAXWELL OWUSU, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. Auction Corp., Auctioneer, Will Sell At Public Auction The Following Collateral: 1987 Lincoln, ID#1LNBM82F7HY649669, Together With Vital Two Way Radio Rights In Car #237. Said Public Auction Sale Will Be Held On Friday, September 7, 1990 At 10:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash Or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly. DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

NOTICE OF FORECLOSURE AND SALE. BY VIRTUE OF A Default In A Certain Security Agreement Made By JOSE SIERRA, Debtor, To LEAGUE OF MUTUAL TAXI OWNERS FEDERAL CREDIT UNION #1532, Secured Party, Notice Is Hereby Given That G.E.M. Auction Corp., Auctioneer, Will Sell At Public Auction The Following Collateral: 1987 Mercury, ID#2MEBM75F5HX602147, Together With Bell Two Way Radio Rights In Car #71. Said Public Auction Sale Will Be Held On Friday, September 7, 1990 At 10:00 A.M. At The Offices Of League Of Mutual Taxi Owners Federal Credit Union #1532, 577 Ninth Avenue, New York, N.Y. 10036. The Secured Party Reserves The Right To Bid And/Or Confirm This Sale. 25% Deposit In Cash Or Cert. Check. Bal. Within 24 Hours. Michael J. Gilhooly. DCA #693772. Sale Subjected To Any Prior And Perfected Security Interest.

C. LAUDISI & ASSOC'S, auct'rs sell September 13, 1990 at 10 AM at 71 Denton Ave, New Hyde Pk; 1983 Chevrolet #1G1AW19R3DG100917 Acct., D. Torres and/or J.E. Oros; 11AM at 170-28 Jamaica Ave., Qns 1985 Oldsmobile #1G3JC3509FK306276 Acct., L.E. Ross and/or D.J. Ross; 1PM at 70-11 50th Ave., Qns 1984 Chevrolet #161AS8715EN179232 Acct., B.V. Rudd; 1986 Mercury #1MEBM6044JH660028 Acct., Active Fire Sprinkler Corp.; 1989 Plymouth #1P3BA46K5KF447447 Acct., J. Avorkliyah; 2PM at 51-30 Northern Blvd., Qns 1982 V/W ##WVWCA0534CK031242 Acct., Hanover Insurance Co., and/or E.A. Doyle; 3PM at 110 Emerson Place, Bklyn 1987 Nissan #JN1HU11S2HX835942 Acct., L. Hamilton, Jr.; Published August 29 & September 5, 1990.

Joel Pope auct'r Lic #794209 sells on 9/6/90 9 AM at 133-04 39th Ave Qns NY '83 Caddy #1G6AL5788DE630199 Re: Chun Young Joon, GMAC; 10 AM at 5-10 Richmond Plaza Bklyn, NY '75 Chevy #1R07G52144430 Re: G. Stallings; 11 AM at 2453 Westchester Ave Bnx, NY '79 Jeep #J9M93EH830094 Re: F. Butler; 12 PM at 11-50 44th Rd Qns NY '83 Mazda #JM1FB3314D0762974 Re: F. Roblef; 1 PM at 185 Maspeth Ave Bklyn, NY '87 Plymouth #3P3BP31D3HT734850 Re: F. Flynn, New York Times Emp FCU, '87 Chrysler #JJ3CC54H1HZ032365 Re: Chrysler Financial Corp., '82 Audi #WAUGB043XCN051166 Re: T. Williams, Barclays Bank of NY, '84 Ford #1FABP0757ET189666 Re: T. Croft. Published 8/22/90 & 8/29/90.

DEFAULT In Security Agreement Made By Miguel Torres to Rodriguez Investors, Inc. I Will Sell On 8/30/90 At 11 AM At 211 Jamaica Ave., Bklyn, NY All Right, Title & Interest In & to Fixtures, Equipment & Inventory Subject To Any & All Prior Liens & Mortgages. Secured Party Reserves The Right to Bid. FRANK E. SEIPP, Auct'r Lic #732234 of F.E.S. AUCTIONS INC, As Agents

CORRECTION NOTICE: E.F. Fazio Auct'r Lic #798972 Sold on 8/14/90 11 AM at 1135 Webster Ave Bnx '79 Cadi #6L57B9E620395 Re: R. B. Villar. Published 8/29 & 09/05/90.

Notices of Foreclosure

SUPREME COURT - COUNTY OF BRONX THE GREEN POINT SAVINGS BANK Plaintiff against AIDA MARTINEZ et al Defendant(s). Pursuant to a judgement of foreclosure and sale entered herein and dated July 6, 1990. I, the undersigned Referee will sell at public auction in Room 118, Mezzanine, 851 Grand Concourse., Bronx, NY on the 11th day of September, 1990 at 11:00 AM premises beginning at a point on the south side of Watson Avenue, 244.91 feet easterly from the corner formed by the intersection of the southerly side of Watson Avenue and the easterly side of Virginia Avenue, being a plot 103.06 feet by 25 feet and known as 1946, Watson Avenue, Bronx New York. Approximate amount of lien $214,705.81 plus interest and costs. Premises will be sold subject to provisions of filed judgment, Index Number 15198/89. Dated August 14, 1990. Ira Greenberg, Referee. Cullen & Dykman Attorney(s) for Plaintiff. 233 Seventh Street, Garden City, NY 11530.

Do You Have an Important Legal Notice?
Call Penny Papakostas at 212/943-5739

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 21

C0175-1

TOP 100 BANKS IN MARKET VALUE
Table on page 18

AMERICAN BANKER

VOL. CLV NO. 172 Tuesday, September 4, 1990 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST ~ WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Rx for Top ROEs: Fees and/or Cheap Funding

By SANFORD ROSE

The most profitable bank holding companies in 1989 were those whose fortunes did not depend quite so much on lending money, according to data just released by the First Manhattan Consulting Group. The data show that banks pursuing a fee-based strategy and those whose prosperity rests primarily on sourcing cheap deposits earned higher and, in the case of the fee-based banks, appreciably higher median returns on equity than did the other types of institutions.

Comment

The New York-based consulting firm classifies banking companies by business mix rather than by size or location. Its analysis divides the largest 250 bank holding companies for which data are available into six distinct types of entities: fee-based banks, commercial financiers (middle-market commercial and real estate lenders), consumer intermediators, low-cost funders, money-center banks, and a residual category of undifferentiated intermediaries – that is, banks with no discernible balance-sheet or income specialty.

First Manhattan Consulting calculates an adjusted return on equity for each bank and for each peer group. The adjustments are for nonrecurring income and expenses as well as for differences in leverage. In other words, a bank's return is what it would have made without extraordinary items and if its ratio of average common equity to assets had been the same as the 1989 average of the top 250 holding companies.

Widening the Margin

Last year the fee-based banks outstripped all other peer groups, registering an adjusted median return on equity of 17.5%. That was 140 basis points higher than the second-ranked group of banks. Although the fee-based banks have been at or near the top in adjusted ROE for much of the last five years, their margin of superiority over the other peer groups was never greater than in 1989.

The place horse in the 1989 ROE derby was the low-cost funding group, which garnered a median ROE of 16.1%. The rise of this category of banks from a fourth-place finish in 1988 and 1987 to the second slot last year is symptomatic of the unquiet times.

As their name implies, the low-cost funders have access to

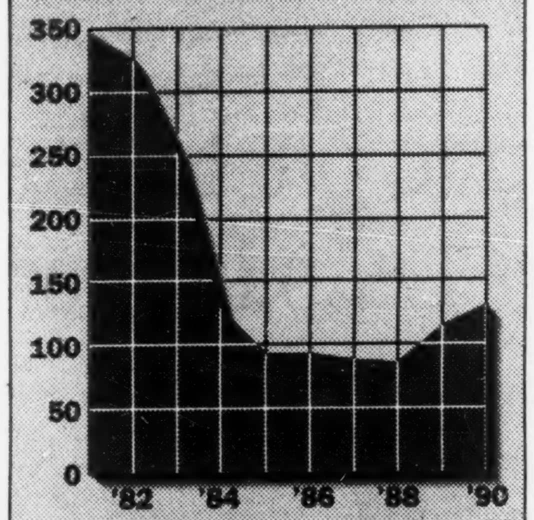
See RESULTS page 4

INSIDE NEWS

CONSUMER

Uptick Reported in Credit Union Failures

Involuntary liquidations and assisted mergers at federally insured institutions



Figures for fiscal years ended Sept. 30 except 1990, which is through July 31

Source: National Credit Union Administration

FAILURES of federally insured credit unions are climbing, though not to the high levels of the early 1980s. *Page 6*

SHARP INCREASES in bankruptcy filings by individuals have spurred some banks to tighten procedures for spotting credit risk. *Page 6*

RTC

ENSIGN BANK, the $1.78 billion-asset New York thrift controlled by cruise-line magnate Ted Arison, was seized Friday by federal regulators. *Page 2*

FINANCE

THE RTC has initiated foreclosure proceedings against Port Liberte in Jersey City, one of the most ambitious luxury housing projects ever begun in the New York metropolitan region.
Page 20

INTERNATIONAL

IBCA LTD., the London-based bank credit rating agency, has been waiting more than two years for SEC accreditation and appears to be as far away as ever.
Page 12

REAL ESTATE

STRICT LIMITS on downtown development – limits that banks and developers denounced in the 1980s – have turned out to be their best friends.
Page 8

INDEX

Company Index 2
Weekly Index 10
Classified Advertising 16
Bank and Thrift Stocks 19

Tisch Family Buys Big Stakes In Three Banks

By KELLEY HOLLAND

While most investors are shunning bank stocks, a group representing the Tisch family has invested more than $65 million dollars in equity of three banks battered by the recent rout.

The investment group, FLF Associates, and members of the Tisch family now own 9.5% of the equity of BayBanks Inc., 6.8% of Equimark Corp., and 5.6% of Continental Bank Corp. All the stakes were bought in July and August.

Earlier Stake

The holdings are in addition to an 8.9% stake held by members of the Tisch family in Bank of Boston Corp.

The investment in the banks surprised a number of bank analysts.

Thomas K. Brown, an analyst at PaineWebber Inc., said, "With all due respect to a good investor, I don't know why you wouldn't put that amount of money into a few higher quality companies, with bank stocks being down as much as they are now.

"Instead, they've doubled their exposure in New England, and specifically in Massachusetts, at a time when it's going to

See TISCH page 5

BNE Shares Bounce Back On Denial by Regulator

By TOM LEANDER
and ROBERT TRIGAUX

The stock of Bank of New England Corp. rebounded sharply on Friday following public assurances from federal regulators that none of the company's subsidiary banks were facing immediate seizure.

The Boston-based company's stock closed at $2.125, up $1.125, in extremely heavy trading on the New York Stock Exchange. More than 2.6 million shares changed hands, twice as many as on Thursday, when rumors of an imminent seizure flashed across financial markets.

That made it the most active bank stock Friday by a wide margin and the second most active issue on the exchange, behind only the Ohio Edison Co. The bank company's normal daily volume is about 225,000 shares.

Candidate Fueled Rumors

The rumors, which had started early last week, were fueled on Thursday when a congressional candidate from Massachusetts released a statement saying that the Federal Deposit Insurance Corp. had recommended the closing of the bank.

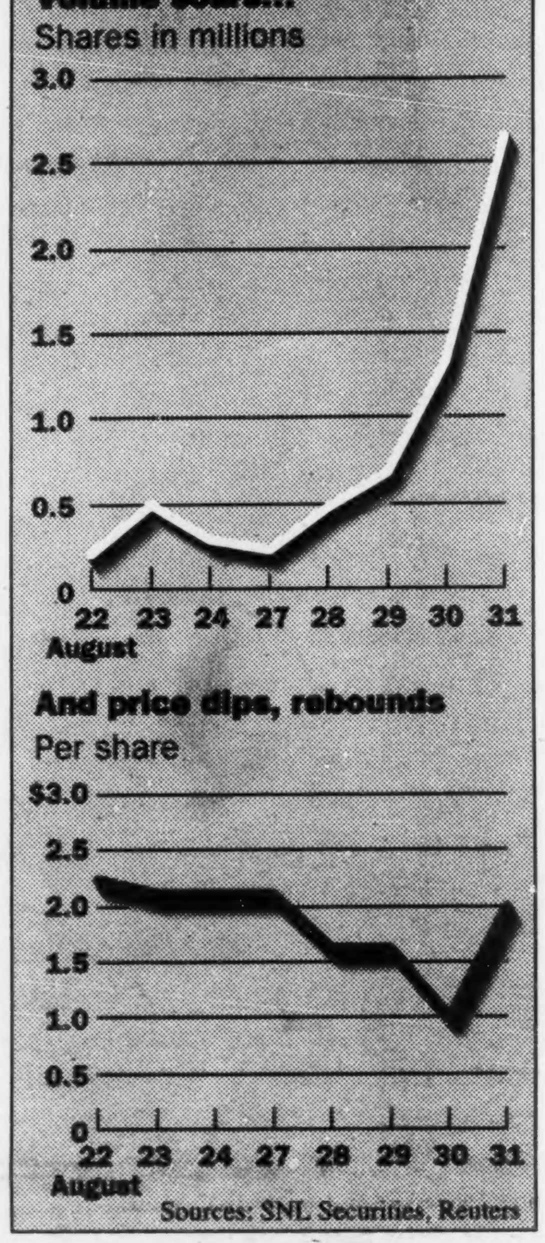
That prompted a categorical denial from regulators and Lawrence K. Fish, chairman of the banking company.

Bank of New England officials said that there were no unusual deposit withdrawals on Friday and that the bank was operating as normal.

The company's stock had fall-

See STOCKS back page

Rumors Jolt Stock of Bank of New England



Sources: SNL Securities, Reuters

Check Law Still Spurring Debate

By KAREN GULLO

NEW YORK — Bankers and the Federal Reserve Board plan to continue seeking changes in the law that shortens check holds, even though the final schedule takes effect today.

Proposals that would give banks more time to make funds available remain alive in Congress, and their proponents are optimistic that some action will be taken this year.

Regulation CC, which implemented the Expedited Funds Availability Act of 1987, remains a topic of debate, said a Fed staff member.

"We've persuaded enough people in Washington that there is a problem in the law and that unless it's changed, we'll have a big fraud problem," he said.

Bankers contend that the rapid availability of funds raises their risk of fraud because they

See FED page 3

The Five Largest Gains in Market Capitalization

Among the 100 banks with the largest market values **(See story on page 18)**

	Market capitalization (dollars in millions) 6/30	3/31	Percent increase	Rank
Republic New York	$1,697	$1,401	21.1%	26
First Interstate	2,467	2,039	21	13
Norwest	2,232	1,859	20.1	17
Valley National	320	272	17.6	90
Bancorp Hawaii	845	728	16	42

The Five Largest Losses in Market Capitalization

	Market capitalization (dollars in millions) 6/30	3/31	Percent decrease	Rank
Southeast Banking	$317	479	33.9%	91
MNC Financial	1,084	1,569	31	34
First American	308	408	24.5	92
PNC Financial	2,839	3,753	24.4	10
Dominion Bankshares	547	718	23.8	65

Source: American Banker

Big Banks Face Higher Tax Bills In Remote States

By KENNETH CLINE

A growing movement by states to tax financial institutions outside their borders could result in higher tax bills for money-center and superregional banks, industry experts warn.

Minnesota, Indiana, and Tennessee have already passed bills that tax banks selling credit card and other products to residents in those states but not chartered there. Several more states are considering the so-called market-state approach, including California, Massachusetts, Nevada, and Arizona.

ABA Seeks Moratorium

"The magnitude of the problem is just beginning to be perceived," said Henry Ruempler, director of taxation and accounting for the American Bankers Association. The trade group recently called on states to adopt a two-year moratorium on enacting or collecting market-state taxes on financial insti-

See STATES page 14

FINANCE

CAPITAL

Big Banks' Market Value Stable in 2d Quarter

By KELLEY HOLLAND

This year has been one of the toughest in memory for banks, but by the measurement of market capitalization, bankers at the nation's 50 largest banks at least got a little bit of short-lived good news in the second quarter.

Those banks saw an increase of 0.1% in their market capitalization. The figures obviously do not include the significant drop in bank stocks in the last two months.

The growth in market capitalization – the price of a company's stock multiplied by the number of shares it has outstanding – indicates investors are willing to pay up for a bank's assets. A large market capitalization also makes acquisitions easier.

Gain Considered Misleading

But even this smattering of good news may not be for real. The increase in market capitalization between March 31 and June 30 was a fluke, analysts said.

"The most important thing was that the stocks had a tremendous but very short-lived rally right around the end of May," said Katherine R. Hensel, an analyst at Lehman Brothers Inc. In addition, "right at the end of the second quarter was when we had a real change in sentiment for interest rates."

Moreover, the increase in market cap from the beginning to the end of the quarter is misleading, Ms. Hensel said. The springtime spike in prices was brief, so comparing an average of daily closing prices for bank stocks in the second quarter to the same statistic for the first quarter would show a decline.

Larger Group Declined

Moreover, the market capitalization of a broader cross section of banks – the top 100 – declined an average of 1.1%. And bank stock prices have fallen sharply in the third quarter.

Investors began to differentiate more between strong and weak banks, according to John D. Crumrine, treasurer of Norwest Corp.

"In the first quarter, investors seemed to be negative on all banks," he said. In the second quarter, though, "there were increasing distinctions made between banks who are weathering the storm here and those who are having more trouble."

A combination of a more bullish interest rate outlook, a broad market rally, and banks' ability to increase their market capitalization through dividend reinvestment programs also bolstered many banks' market capitalization between March 31 and June 30, analysts said.

Republic on Top

The winner in the market capitalization sweepstakes for the second quarter was Republic New York Corp. Republic has long been highly regarded by analysts and bankers alike, and that high regard has been reflected in Republic's stock price.

Republic's stock price rose only 5.66% in the second quarter. But because the New York-based bank issued new stock to finance its acquisition of a savings bank, increasing its outstanding shares by 4.2 million, Republic's market capitalization increased 21.1%.

First Interstate Bancorp's market capitalization grew 21% during the second quarter, the second-highest rise. The Los Angeles-based bank issued new common stock late in the first quarter, which pushed its stock price down to just $34 per share as the second quarter began, making the change to the end-of-quarter price of $40.375 per share more impressive.

New Shares Issued

But the increase in market capitalization was also helped by First Interstate's issuance of new shares during the second quarter through its dividend reinvestment program. The bank "has had a pretty heavy DRIP program," said Donald K. Crowley, an executive vice president at Keefe, Bruyette & Woods.

Norwest's market capitalization also increased smartly, rising 20.1%. Norwest issued new shares during the quarter to finance its acquisition of First Interstate of Wisconsin, and its stock price also rose 9%, to $21.75.

"Absent a really severe national recession, I really don't think we're going to see a really severe change in the upper Midwest," said Ben B. Crabtree, an analyst at Minneapolis-based Dain Bosworth Inc.

Southeast Is Weak

Banks in the Southeast dominated the list of banks logging

See TOP back page

10 Top M.Cap./Assets Ratios

		June 30 1990	March 31 1990	M.Cap June 30 ($ Million)	M.Cap Rank
1	Synovus Financial Corp.	21.8%	24.3%	$599	61
2	Wilmington Trust Co.	20.0	19.1	723	47
3	Fifth Third Bancorp	17.0	18.9	1,245	30
4	Banc One Corp.	16.3	15.1	4,543	4
5	Valley National Bancorp	15.4	17.1	285	100

10 Lowest M.Cap./Assets Ratios

		June 30 1990	March 31 1990	M.Cap June 30 ($ Million)	M.Cap Rank
1	Southeast Banking Corp.	2.0%	2.8%	$317	91
2	Midlantic Corp.	2.3	2.7	552	64
3	Bank of Boston Corp.	2.4	2.8	900	39
4	Continental Bank Corp.	2.6	2.8	758	45
5	Chase Manhattan Corp.	3.0	3.3	3,025	9

MARKET CAPITALIZATION

Top 100 Banking Companies in Market Capitalization

Listed in order of the market value of their common stock on June 30, 1990 (dollar amounts in millions)

Rank 6/90	Rank 3/90		M.Cap. 6/30/90	Assets 6/30/90	M.Cap vs 1Q	M.Cap/ Assets
1	1	Citicorp, New York	7,450	227,752	(1.0)%	3.3
2	2	J.P. Morgan & Co. Inc., New York	6,617	93,103	(1.4)	7.1
3	3	BankAmerica Corp., San Francisco	6,301	103,960	5.9	6.1
4	5	Banc One Corp., Columbus, Ohio	4,543	27,921	10.7	16.3
5	4	Security Pacific Corp., Los Angeles	4,362	94,510	(2.7)	4.6
6	8	Wells Fargo & Co., San Francisco	4,056	51,713	14.3	7.8
7	6	NCNB Corp., Charlotte, N.C.	3,819	66,188	(2.9)	5.8
8	10	Bankers Trust New York Corp.	3,412	57,341	12.3	6.0
9	9	Chase Manhattan Corp., New York	3,025	102,371	(13.1)	3.0
10	7	PNC Financial Corp., Pittsburgh	2,839	47,823	(24.4)	5.9
11	11	First Wachovia Corp., Winston-Salem, N.C.	2,826	24,280	2.6	11.6
12	12	SunTrust Banks Inc., Atlanta	2,564	31,257	(4.9)	8.2
13	21	First Interstate Bancorp, Los Angeles	2,467	55,082	21.0	4.5
14	15	Manufacturers Hanover Corp., New York	2,464	63,548	7.6	3.9
15	16	NBD Bancorp Inc., Detroit	2,338	26,646	4.7	8.8
16	20	Chemical Banking Corp., New York	2,313	75,216	13.0	3.1
17	25	Norwest Corp., Minneapolis	2,232	26,770	20.1	8.3
18	14	Bank of New York Co., Inc.	2,206	48,953	(5.5)	4.5
19	17	CoreStates Financial Corp., Philadelphia	2,190	22,765	3.0	9.6
20	19	National City Corp., Cleveland	2,180	23,092	4.4	9.4
21	13	Fleet/Norstar Financial Group Inc., Providence	2,117	34,120	(11.2)	6.2
22	24	Barnett Banks Inc., Jacksonville, Fla.	2,033	31,128	8.2	6.5
23	23	First Union Corp., Charlotte, N.C.	2,023	38,385	5.6	5.3
24	22	First Chicago Corp.	1,928	50,361	(2.8)	3.8
25	18	Sovran Financial Corp., Norfolk, Va.	1,733	26,068	(17.1)	6.7
26	28	Republic New York Corp.	1,697	29,199	21.1	5.8
27	30	State Street Boston Corp.	1,473	10,306	8.4	14.3
28	26	Citizens and Southern Corp., Atlanta	1,417	24,259	(13.5)	5.8
29	29	U.S. Bancorp, Portland, Ore.	1,389	17,748	1.0	7.8
30	31	Fifth Third Bancorp, Cincinnati	1,245	7,344	(6.5)	17.0
31	39	KeyCorp, Albany, N.Y.	1,162	16,006	14.6	7.3
32	33	Mellon Bank Corp., Pittsburgh	1,145	31,670	1.2	3.6
33	34	Boatmen's Bancshares Inc., St. Louis	1,140	15,044	7.0	7.6
34	27	MNC Financial Inc., Baltimore	1,084	27,539	(31.0)	3.9
35	32	First Fidelity Bancorp., Lawrenceville, N.J.	1,080	29,848	(9.8)	3.6
36	36	Society Corp., Cleveland	1,069	15,566	0.9	6.9
37	35	Northern Trust Corp., Chicago	1,044	11,737	(2.1)	8.9
38	41	First Bank System Inc., Minneapolis	912	19,425	7.2	4.7
39	37	Bank of Boston Corp.	900	37,297	(13.8)	2.4
40	38	Shawmut National Corp., Boston	889	26,577	(14.8)	3.3
41	40	Huntington Bancshares Inc., Columbus, Ohio	884	11,684	(3.4)	7.6
42	48	Bancorp Hawaii Inc., Honolulu	845	8,972	16.0	9.4
43	44	First of America Bank Corp., Kalamazoo, Mich.	832	12,966	7.1	6.4
44	45	Comerica Inc., Detroit	768	12,214	(0.5)	6.3
45	43	Continental Bank Corp., Chicago	758	29,532	(8.3)	2.6
46	51	UJB Financial Corp., Princeton, N.J.	725	13,281	0.7	5.5
47	56	Wilmington Trust Co., Del.	723	3,622	6.3	20.0
48	42	Crestar Financial Corp., Richmond	717	12,216	(14.4)	5.9
49	46	Union Bank, San Francisco	707	15,960	(8.2)	4.4
50	50	Marshall & Ilsley Corp., Milwaukee	700	7,067	(3.1)	9.9
		TOTALS FOR THE TOP 50[1] ($ Billion)	**105.3**	**1,897.4**	**0.1**	**5.55**
51	53	Ameritrust Corp., Cleveland	677	11,097	(4.6)%	6.1
52	64	First Hawaiian Inc., Honolulu	673	5,534	12.4	12.2
53	55	Old Kent Financial Corp., Grand Rapids, Mich.	659	8,098	(3.3)	8.1
54	47	Manufacturers National Corp., Detroit	655	11,205	(10.5)	5.9
55	57	Firstar Corp., Milwaukee	649	8,534	(2.5)	7.6
56	54	Meridian Bancorp Inc., Reading, Pa.	643	11,771	(5.8)	5.5
57	67	Star Banc Corp., Cincinnati	639	6,058	15.7	10.6
58	61	Mercantile Bankshares Corp., Baltimore	619	4,317	(1.6)	14.3
59	49	City National Corp., Beverly Hills	609	4,885	(17.2)	12.5
60	58	Signet Banking Corp., Richmond	606	12,655	(8.1)	4.8
61	59	Synovus Financial Corp., Columbus, Ga.	599	2,754	(5.3)	21.8
62	70	First Alabama Bancshares Inc., Montgomery	574	5,363	12.0	10.7
63	65	First Virginia Banks Inc., Falls Church	555	5,211	(5.9)	10.7
64	60	Midlantic Corp., Edison, N.J.	552	24,231	(12.1)	2.3
65	52	Dominion Bankshares Corp., Roanoke, Va.	547	10,323	(23.8)	5.3
66	63	Integra Financial Corp., Pittsburgh	537	7,619	(11.8)	7.1
67	69	AmSouth Bancorp., Birmingham, Ala.	515	8,516	(3.3)	6.1
68	68	SouthTrust Corp., Birmingham, Ala.	479	8,260	(11.8)	5.8
69	62	First City Bancorp. of Texas, Houston	478	13,897	(23.3)	3.4
70	66	Michigan National Corp., Farmington Hills	468	11,632	(18.9)	4.0
71	74	Commerce Bancshares Inc., Kansas City, Mo.	459	6,075	(0.8)	7.6
72	78	Central Fidelity Banks Inc., Richmond	455	5,707	4.7	8.0
73	71	Fourth Financial Corp., Wichita, Kan.	449	4,151	(7.4)	10.8
74	72	INB Financial Corp., Indianapolis	439	5,988	(8.9)	7.3
75	79	First Empire State Corp., Buffalo, N.Y.	412	6,569	(4.9)	6.3
76	77	First Security Corp., Salt Lake City	405	6,335	(9.0)	6.4
77	75	Hibernia Corp., New Orleans	401	7,366	(11.6)	5.5
78	80	Mercantile Bancorp. Inc., St. Louis	398	6,861	(8.1)	5.8
79	82	Dauphin Deposit Corp., Harrisburg, Pa.	394	3,325	(2.9)	11.9
80	76	South Carolina National Corp., Columbia	393	6,428	(12.5)	6.1
81	83	Banco Popular de Puerto Rico, San Juan	381	6,022	(3.7)	6.3
82	89	Puget Sound Bancorp, Tacoma, Wash.	372	4,425	7.3	8.4
83	87	United Missouri Bancshares, Inc., Kansas City	366	4,151	(2.5)	8.8
84	84	BB&T Financial Corp., Wilson, N.C.	365	4,779	(7.1)	7.6
85	90	Merchants National Corp., Indianapolis	364	5,738	7.6	6.3
86	85	First Tennessee National Corp., Memphis	347	6,430	(9.3)	5.4
87	93	U.S. Trust Corp., New York	340	2,877	4.2	11.8
88	86	First Florida Banks, Inc., Tampa	335	5,546	(11.4)	6.1
89	94	First Bancorp. of Ohio, Akron	325	3,349	1.4	9.7
90	...	Valley National Corp., Phoenix	320	10,430	17.6	3.1
91	73	Southeast Banking Corp., Miami	317	15,833	(33.9)	2.0
92	81	First American Corp., Nashville, Tenn.	308	7,081	(24.5)	4.4
93	88	Bank South Corp., Atlanta	302	5,514	(19.5)	5.5
94	...	West One Bancorp., Boise, Idaho	302	4,397	3.3	6.9
95	...	Central Bancshares of the South Inc., Birmingham	301	4,818	4.1	6.2
96	97	Liberty National Bancorp. Inc., Louisville, Ky.	301	3,514	(1.9)	8.6
97	92	Summit Bancorp., N.J.	293	3,732	(10.6)	7.8
98	98	United Banks of Colorado Inc., Denver	292	6,267	(2.8)	4.7
99	...	Old National Bancorp, Evansville, Ind.	286	2,221	(2.1)	12.9
100	96	Valley National Bancorp, Clifton, N.J.	285	1,857	(8.2)	15.4
		TOTALS FOR THE TOP 100[1] ($ Billion)	**127.8**	**2,247.2**	**(1.1)**	**5.69**

Data source: **SNL Securities,** Charlottesville, Va., from its data base of 400 publicly traded banking companies. **M.Cap.** is market capitalization. It is computed by multiplying the number of common shares outstanding at the bank on June 29, 1990, by the closing market price of the bank's stock on June 29, the last trading day of the quarter. **Assets:** the total assets of the banking company on June 30, 1990. **M.CAP vs 1Q:** Percentage change in market capitalization from March 31 to June 30. Negative changes are shown in parenthesis. **M.Cap/Assets:** market capitalization on June 30 expressed as a percentage of total assets on June 30. **(1)**— Percent changes computed by comparing totals for the Top 50 and Top 100 on June 30 with the Top 50 and Top 100 on March 31, respectively.

Copyright American Banker, 1990.

STOCKS

BNE Rebounds on U.S. Denial

Continued from *page* **1**

en by 62.5 cents, to $1, on Thursday. But following the statements from regulators, the stock opened at $2 on Friday.

Analysts said short selling contributed to the heavy volume.

Little Confidence Detected

"There's still very little long-term confidence," said Charles Cranmer, an analyst for Shearson, Lehman, Hutton in New York.

"Thursday was an overreaction, and the company is trading Friday at a more normal levels," said Gerard Cassidy, an analyst for Tucker, Anthony & R.L. Day in Portland, Maine. "But it does not suggest that BNE is on the road to recovery."

The banking company has experienced heavy losses in recent quarters because of problems in its real estate portfolio.

On Friday, the Office of the Comptroller of the Currency again stated, as it had on Thursday, that there would be no closing over the Labor Day weekend of Bank of New England, the company's lead national bank.

Comment Not Unprecedented

While it is unusual for the Comptroller to comment on whether or not it would seize a troubled bank, it is not a unprecedented, according to Leonora Cross, chief spokeswoman for the agency.

"We've done this in other situations," she said. "It happened often with the banks in Texas" several years ago when a number of large institutions there were near collapse. "We are supervising the Bank of New England very closely under a cease-and-desist order. The bank is attempting to get additional capital," said Ms. Cross.

But the federal banking agency said it was not familiar with, and was not a planned participant in, the scheduled meeting today requested by Bank of New England Chairman Lawrence Fish with Federal Deposit Insurance Corp. Chairman L. William Seidman.

Flexibility May Be Sought

Mr. Seidman was on Cape Cod Friday and could not be reached for comment. Regulatory sources said they expected Mr. Fish to request greater flexibility in rules governing the sale of some of the holding company's assets.

In a statement Thursday night, Mr. Fish called the comments by the congressional candidate the "height of irresponsibility" and threatened possible legal action. The candidate, Ted Dimauro, issued an apology, saying his statement should have been labeled as "speculation." Mr. Dimauro's campaign manager subsequently resigned.

Bank of New England's actions in bank funding markets Friday suggest its liquidity is adequate. Sources said Bank of New England's subsidiary, Connecticut Bank and Trust, sold more than $500 million in Fed funds Friday morning.

Arthur H. Meehan, Bank of New England's treasurer, said in an interview that he is confident the bank has sufficient liquidity. "Funds are pouring in here," he said. "My problem is, as the balance sheet grows it strains the equity ratio," reducing the banks' regulatory capital ratio.

Mr. Meehan said the bank had repaid all its borrowings from the Federal Reserve Bank in June. "We don't owe the Federal Reserve Bank a penny, and we haven't owed them a penny since June 13," he said. He added that the bank was a seller of $1.6 billion in fed funds Thursday night.

Bank of New England has been virtually unable to buy fed funds in the open market since its troubles surfaced earlier this year, traders said. But Mr. Meehan said the bank has purchased some fed funds from its correspondent network and from "large, friendly banks."

Meanwhile, analysts said that efforts by Lazard Freres & Co. and Goldman Sachs & Co. to privately place $150 million in equity for the company will not readily yield any immediate buyers.

Investment bankers and analysts pondered how the bank, given its financial condition and the economy in New England, could attract investors.

Most agreed that convincing an equity investor to take a big stake alone would be difficult. Some said an equity investment in conjunction with government assistance was more likely and plausible.

Marshall Davidson, a managing director at Kidder Peabody & Co., said he suspected that without government assistance, the hole an equity holder would have to fill would be too large.

Kelley Holland and Fred Vogelstein, both in New York, contributed to this article.

DEALS

RTC Moves to Seize Luxury Project in N.J.

By STEPHEN KLEEGE

The Resolution Trust Corp. has initiated foreclosure proceedings against Port Liberte in Jersey City, one of the most ambitious luxury housing projects ever begun in the New York metropolitan region.

The $158 million in loans outstanding on the property have been in default since March 1989, but the RTC began proceedings only last month.

The waterfront project, which ground to a halt last summer with only 189 of 1,690 planned units occupied, is the most notorious of the troubled real estate projects financed by City Federal Savings Bank, a $10 billion-asset thrift in Bedminster, N.J., that was seized late last year.

FIRREA Rule Blamed

Representatives of the developer, Paul W. Bucha, blamed the work stoppage at the time on stricter rules limiting an institution's loans to one borrower that took effect Aug. 9, 1989, with passage of the Financial Institutions Reform, Recovery, and Enforcement Act.

But City Federal explained its decision to stop funding the project by citing a July 1989 appraisal that concluded the project was not feasible.

City Federal, now called City Savings Bank, was the lead lender among 15 institutions that began sinking money into the project in 1984. The group, now numbering 13 institutions due to the failure of two members, holds a first lien of $90 million on the property. Proceeds of any sale would be distributed on a pro rata basis to those lenders.

City Federal and National Westminster Bank of New Jersey sank another $68 million into the project, but no one interviewed for this article believes the first $90 million can be recovered, much less any part of the $68 million that is subordinate to the first loan.

Stock Market Crash Hurt

The project ran into delays and cost overruns related to the construction of canals and the unusual design of some units. Observers also said the condo market was hurt by the 1987 stock market crash, although units continued to sell for as much as $750,000 last year.

City Federal placed the property in "in substance foreclosure," an accounting category that required it to write down $52.7 million of its $69.6 million in loans to Port Liberte in the third quarter of 1989. The savings bank lost $223.7 million in that quarter.

Delays and cost overruns hurt Port Liberte.

Mr. Bucha said an additional $20 million to $30 million was needed to complete and sell the entire 363-unit first phase of the project and put the loan back on a performing basis.

But the bank's appraisal estimated the existing part of the project was worth only $88 million, or about $70 million less than lenders had already committed. A more recent appraisal, for the RTC, valued Port Liberte at only about $70 million.

Some Welcome the Foreclosure

Some lenders welcomed the RTC foreclosure on Port Liberte because it will "get it closed and to a conclusion," said Lawrence W. Seidman, chairman of Crestmont Savings and Loan Association, Edison, N.J. He said Crestmont set aside reserves against its portion of the loan last year.

But Joseph M. Ochman, chairman and president of Interboro Savings and Loan Association, was dissatisfied by talk that the project may now recover only $20 million to $30 million for the lenders.

"This money didn't just go into a black hole," Mr. Ochman said, adding that he plans to request a federal investigation of the project and its handling.

Inter-boro has placed its part of the loan in the "doubtful" category, meaning it took reserves for half of its roughly $5 million share, Mr. Ochman said.

A Disgruntled Lender

"This is 20 months into default, and they just recently instituted proceedings," Mr. Ochman said. He complained that the possibility of multimillion-dollar environmental liability exposure is now being raised to discourage seizure of the property and pave the way for a quick sale at a low price.

But another source, who put the price now being considered at about $45 million, said an environmental audit of the site must be completed before any sale occurs. Discovery of chromium contamination in the area, and past industrial uses of the property, have heightened concerns about environmental liability. Under federal environmental law, such liability can sometimes pass to a lender who takes control of a property through foreclosure.

Marianne Bell, a spokeswoman for the developer, said, "With the threat of foreclosure, we have a limited amount of time." But she added, "We are working with investors and the RTC to refinance the project."

Ms. Bell said Port Liberte has permits to build 1,690 units, but she said new investors would probably want to build closer to 2,250 units, the maximum allowed under zoning rules. □

CAPITAL

Top Banks' Market Capitalization Held Steady Before Recent Plunge

Continued from *page* **18**

big declines in market capitalization. Many banks in the Southeast have been plagued by increases in nonperforming assets and chargeoffs this year, and bond rating agencies downgraded all the major banks in the region during the second quarter.

Southeast Banking Corp., Miami, recorded the biggest decline in market capitalization of any of the 100 largest banks, losing a third of its market value. The bank was downgraded in the second quarter.

"In our opinion, a convergence of negative forces was occurring, and we question whether the company has the financial flexibility to address its problems," said Gerard J. O'Meara, Jr., an analyst at Robinson-Humphrey Co.

Dominion Bankshares also lost 23.8% of its market capitalization. But Mr. O'Meara said Dominion's prospects are brighter than Southeast's. The bank's stock price was battered in the second quarter, when Dominion reported the results of its examination by the Office of the Comptroller of the Currency. But its second-quarter results indicate Dominion is back on track, he said.

First American Slides

First American Corp. continued its slide, losing 24.5% of its market value. The Nashville, Tenn.-based bank has had problems with its real estate portfolio since early 1988, losing a president and chief executive officer in the process. Most recently, the bank eliminated the dividend on its common stock in the wake of an OCC examination. □

SELMAN
& COMPANY

Property and Casualty Insurance
Association and Financial Institution
Marketing and Administration

Has acquired the assets of

DAVIS-GILLINGHAM
ASSOCIATES, INC.
Miami, Florida

Providing marketing and administration
of insurance products to financial
institutions throughout the Southeast

24400 Chagrin Boulevard
Cleveland, Ohio 44122
216/292-4499

7990 S.W. 117th Avenue
Miami, Florida 33183
305/595-4242

August 31, 1990

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 18, 20

800

C0175-1

TOP 300 U.S. BANKS AT MIDYEAR
Tables begin on page 18

AMERICAN R

NEWSPAPER
1553890000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. ~~CLV~~ NO. 179 *Thursday, September 13, 1990* *155th year*

Memo to OTS: Throw in Towel On Franklin

By SANFORD ROSE

Perhaps the most significant impact of Judge Dale Saffels' remarkable judgment vacating the conservatorship of Franklin Savings Association is that it will help safeguard the country from the well-known pendulum effect — the all-too-human tendency of regulators to oscillate from overleniency to overaggressiveness in an effort to preserve their jobs.

When this overaggressiveness is married to fundamental ignorance and deep suspicion of the novel and innovative, it can result in all manner of ill-conceived assaults on legitimate property rights.

Comment

Anyone reading Judge Saffels' 93-page opinion comes away with the notion that the Office of Thrift Supervision is tendentious and uneducated as well as arbitrary and capricious. The opinion is generously larded with the last two adjectives and comes close to employing the first two as well.

Saffels intimates that after some OTS employees in the Topeka, Kan., office were sharply criticized for their handling of the Silverado S&L case and placed in jeopardy of losing their jobs, they proceeded to launch an attack on Franklin at least in part because "Franklin had in its portfolio similar assets to those formerly held by Silverado."

Adds the judge: "This similarity probably slanted [one OTS analyst's] view against Franklin and Franklin's system of operations." In other words, there was a presumption of guilt by association with a collateralized mortgage obligation.

Ignorant, Inadequately Trained

In the judge's view, that analyst and others in the OTS's Topeka office felt that Franklin was far riskier than was the case because they were ignorant and inadequately trained. That's a serious failing, and one that we all recognize can lead to much mischief.

There is a tendency to fear and hate what we don't understand. And having attacked the object of that fear and hatred, we become committed to the attack, even to the extent of buttressing our efforts with highly questionable ammunition.

Thus, throughout the campaign to humble Franklin and its abrasive but talented chairman, Ernest Fleischer, the OTS kept demanding additional capital writedowns. One was for the contested value of certain tax

See **MEMO** *page* **24**

INSIDE NEWS

RANKINGS

DEPOSIT GROWTH has been sluggish at the nation's top 300 commercial banks, reflecting the weak economy and regulatory obstacles to thrift acquisition. *Page 2*

INTERNATIONAL

BRAZIL WILL BEGIN debt talks with commercial banks next month but will not deviate from its twin goals of economic growth and lower inflation. *Page 10*

FINANCE

CITICORP'S suspension of its commercial-paper auctions indicates how tricky it is for banks to maintain a presence in that market. *Page 32*

NEW ENGLAND'S real estate market collapse is vividly illustrated by the case of Arnold Peck, a prominent Connecticut developer with $300 million in bank debt secured by property now valued at $130 million. *Page 30*

CONSUMER

THE FED imposed tougher disclosure requirements for home equity lines of credit, deferring somewhat to the appeals of consumer advocates. *Page 7*

TECHNOLOGY

AN INTERNATIONAL financial industry association has recommended that U.S. banks and brokerages use the Fed's payment system to shift to same-day payments for securities transactions. *Page 3*

PEOPLE

EILEEN FRIARS has parlayed a consulting assignment into a senior post at C&S/Sovran Corp. *Page 2*

MANAGEMENT

THE ABILITY to negotiate effectively, often in a crisis atmosphere, is vital for banking professionals. Consultant William J. Healy provides some tips. *Page 8*

COMMENT

THE RTC must consider the competitive impact of branch sales, especially in communities where there are a limited number of banks, writes Kenneth H. Thomas. *Page 4*

INDEX

Company Index 2
Classified Advertising 28
Bank and Thrift Stocks 31

Financial Names Packing Brand Power

	Rank among all brands
MasterCard	65
Visa	78
American Express	149
Discover Card	485
Citibank	639

Source: Landor Associates

MasterCard Top Brand Name, Survey Finds

By YVETTE D. KANTROW

NEW YORK – MasterCard is the strongest brand name in the U.S. financial services industry and carries more consumer clout than major brands such as Birdseye, Clorox, and Band-Aid, according to a corporate identity consulting firm.

The credit card name ranked 65th in Landor Associates' ImagePower study, which assigns products "brand power" rankings based on both consumer recognition and esteem. MasterCard ranked 13 places ahead of Visa, even though more people carry Visa cards.

The two card associations were the only financial services firms to finish in the top 100 of the 2,000 names in Landor's U.S. ranking. Their long-time rival, American Express, came in at 149.

Part of Consumer's Psyche

The findings indicate that while they do not pack the same power of consumer legends like

See **MASTERCARD** *page* **6**

Lawmakers Scramble To Boost FDIC Rates

By ROBERT M. GARSSON
and DEBRA COPE

WASHINGTON — Pressure mounted on Wednesday for another increase in deposit insurance rates, as Congress heard a grim new assessment of the Bank Insurance Fund's condition and key lawmakers readied legislation that would pave the way for a hike.

600 Failures Predicted

In Senate Banking Committee testimony, Congressional Budget Office Director Robert D. Reischauer said that even with premium increases set by the Federal Deposit Insurance Corp., the fund that protects

See **LAWMAKERS** *page* **16**

Bank Insurance Fund Faces 4 Tough Years
1990-93 projection by Congressional Budget Office

Equity ratio	Projected failures	FDIC cost (dollars in billions)
Over 6%	295	$4.5
3% - 6%	159	7.7
1.5% - 3%	63	2.5
0% - 1.5%	40	2.3
0% or less	74	3.9
Total	631	20.8*

*Total is rounded

Last Rap of Gavel May Be Near For Bank Capital Markets Assn.

By BARBARA A. REHM

WASHINGTON — The Bank Capital Markets Association may soon go out of business, a victim of industry cost-cutting and competition among trade groups.

Closing Called an Option

The association's directors have scheduled a meeting here Sept. 20 to determine its future. Folding the association, which mainly lobbies for repealing the Glass-Steagall Act, is one option being considered, according to the group's executive director, Thomas P. Rideout.

"What we are doing is looking at a range of options about our future," said Mr. Rideout, a former banker and past president of the American Bankers Association. "One of those options is to not stay in business. But no one is going into the meeting advocating that."

Asked if he is looking for a new job, Mr. Rideout said, "I can answer that question after the 20th."

If Bank Capital Markets does fold, it will be the first trade association to fall victim to the banking industry's current cost squeeze. But all banking trade groups are feeling the pinch as banks tighten their belts.

See **BANK** *page* **12**

Gamble Failing, Abboud Seeks New Deal

By STEVE KLINKERMAN
and FRED VOGELSTEIN

A. Robert Abboud's high-stakes gamble to revive First City Bancorp. of Texas is falling apart.

When he bought the failing Houston-based banking company with $1 billion in federal assistance in 1988, Mr. Abboud wooed investors with promises of hefty interest payments on $125 million of convertible preferred stock, betting that rising values in First City's stock would enable him to convert the shares into common equity.

Earnings Below Projections

But Mr. Abboud is not meeting his ambitious earnings projections. First City's stock has fallen precipitously this year, making the conversion virtually impossible.

Peggy Turbett

A. Robert Abboud
First City Bancorp.

The stock was trading Tuesday at $17.50, down $1.625 for the day and well below the conversion price of $27.22. The stock's 52-week low is $17 a share and most analysts predict the stock will remain depressed.

"It was a stupidly structured deal and now they're paying the price," said Christoph Kotowksi, an analyst at Oppenheimer & Co.

Minority Investor Sought

Essentially conceding that First City is in need of a minor bailout, Mr. Abboud disclosed in an interview with the *Wall Street Journal* this week that his company is seeking a minority investor that would buy out the preferred.

The company also is shopping on Wall Street for debt financing to retire the cumbersome preferred issue, which investors can convert to an adjustable-rate security paying interest equal to the prime rate plus 6 points if the equity is not redeemed.

Quarterly interest payments on the issue currently amount to

See **STOCKS** *back page*

PEOPLE *in the news*

Sovran Consultant Lands Senior Job at Merged Bank

By KENNETH CLINE

ATLANTA — Eileen Friars has parlayed a consulting assignment into a senior post at C&S/Sovran Corp.

As the senior vice president in charge of corporate development, Mrs. Friars, 40, will direct marketing, advertising, distribution systems and strategic and expansion planning at the $50.3 billion-asset C&S/Sovran, the nation's 13th-largest banking company.

For the past two years, Mrs. Friars had worked at Norfolk-based Sovran Financial Corp. as a consultant with the MAC Group of Cambridge Mass., her employer for 14 years. During her time with Sovran, Mrs. Friars helped the company design and implement a major strategic reorganization.

When Sovran merged with Atlanta-based Citizens and Southern Corp. last month, Mrs. Friars was placed in control of corporate development for the combined entity.

"Unlike most other consultants, she has demonstrated a great deal of interest in ensuring that the programs that are conceived are also implemented," said C&S/Sovran's chief operating officer, Dennis C. Bottorff. "It was obvious Eileen Friars was a unique match for that position."

Eileen Friars

Mr. Bottorff cited Mrs. Friars' "participatory management style" as being appropriate to the "collaborative" corporate culture C&S/Sovran is trying to build. He also complimented her technical skills. "She's got a great deal of broad knowledge about the industry," he said.

'A Great Opportunity'

Mrs. Friars said she was sad to leave the MAC Group, which she described as "a special place" that lets employees grow and develop, but added, "There's such a great opportunity here at C&S/Sovran that I find that at this point in my career, that's exciting and I'm looking forward to it."

Although she is conscious of her status as one of the rare women to achieve a high corporate position in the banking industry, Mrs. Friars said her sex has never been an obstacle to her career. "I've always looked at it as, I like to do a good job at what I'm doing and if I do that and make a contribution, I seem to keep moving onward and upward," she said.

"I want to set a good example. There are a lot of good women coming up in the industry who can play a major role and, over time, that will happen," she said.

Background in Economics

Mrs. Friars has an undergraduate degree in economics and government from Simmons College and an MBA from the Harvard Business School. She recently served as president of the Harvard Business School Club of Chicago. She has also served on the board of regents of the Bank Marketing Association.

She joined the MAC Group in 1976 and rose to become a senior vice president, head of the firm's Chicago office, and co-director of its financial services industry practice. Her specialty is managing strategic and organizational change and marketing. ☐

Security Pacific's Chief Economist Taking Same Post at Exxon Corp.

By LINDA CORMAN

WASHINGTON — Kathleen B. Cooper, executive vice president and chief economist at Security Pacific Corp. for the past nine years, and widely mentioned as a candidate for Federal Reserve Board governor, will leave the bank Friday to become chief economist for Exxon Corp.

"It was an opportunity too good to pass up," Ms. Cooper said Wednesday in an interview.

"After my first 10 years in the banking industry, I had expected to stay in it the rest of my life," she said. "I obviously will miss it." Before joining Security Pacific, Ms. Cooper was corporate economist and then chief economist for United Banks of Colorado.

She is chairman of the American Bankers Association's economic advisory committee and a director of the National Bureau of Economic Research.

Ms. Cooper, who has a Ph.D. in economics from the University of Colorado, said she decided to join Exxon because "it's a new challenge in an industry that's very important for the economy."

She said she was eager to return to Dallas where she grew up and where Exxon recently moved its headquarters. "It's home for me. I've been gone for 20 years."

Ms. Cooper declined to comment on whether she had been or continued to be interested in a seat on the board of governors. ☐

Deposits Edge Up at Major Banks

Growth Is Slow Despite Buyouts

By JED HOROWITZ

Largest Thrifts Acquired by Banks

First six months of 1990, thrift deposits as of yearend 1989

Thrift/ **Acquiring bank**	Deposits ($ mil.)
Gibraltar Savings, Simi Valley, Calif. **Security Pacific National Bank, Los Angeles**	$5,686
Meritor Savings Bank, Philadelphia **Mellon Bank (East) PSFS, Philadelphia**	5,200
Western Savings and Loan, Phoenix **Bank of America Arizona, Phoenix**	4,164
Bright Banc Savings, Dallas **Bank One, Texas, Dallas**	2,708
Seamen's Bank for Savings, New York **Chase Manhattan Bank, New York**	2,241
Gibraltar Savings Bank, Bellevue, Wash. **Security Pacific Bank Washington, Seattle**	1,516
Unifirst Bank Savings, Jackson **Trustmark National Bank, Jackson, Miss.**	581
Great Southern Federal, Savannah, Ga. **First National Bank, Atlanta**	527
Monroe Saving Bank, Rochester, N.Y. **Manufacturers & Traders Trust Co., Buffalo**	489
Royal Palm Federal Savings, West Palm Beach, Fla. **Barnett Bank of Palm Beach County, West Palm Beach**	375

Source: American Banker

NEW YORK — On the face of it, the past 12 months should have seen a boom in deposit growth at the nation's commercial banks.

The thrift industry was on its knees and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 guaranteed that there would be a surplus of deposit-heavy thrifts ripe for picking by banks.

In fact, bank deposits have grown at a snail's pace, according to the *American Banker*'s semiannual review of deposit and assets at the nation's 300 largest banks. (Tables showing the largest banks are on pages 18 to 23 and 26 to 28.)

Deposits Up Only Slightly

Deposits of the top 300 rose by $37 billion, or 2.3%, in the first six months of 1990, and just over 6% for the 12-month period that ended on June 30.

Assets, which many banks are seeking to shed in light of increased capital requirements, grew 2.8% in the first six months of 1990 and 6.1% over the year at the top 300 banks.

The relatively slow deposit growth reflects a sluggish economy that curbed loan demand and the consequent need for cheap funding, analysts said. It also testifies to the regulatory and legislative obstacles imposed on potential acquirers of banks and thrifts.

Most Gains from Thrift Deals

To be sure, purchases of thrift deposits accounted for about 72% of the growth in the first half of the year. And bank holding companies have purchased about 205 thrifts outright since the thrift-reform legislation was passed in the summer of 1989. But bank lawyers and analysts say the total would be substantially higher were it not for regulatory and legislative obstacles.

Chief among these are the the difficulty of converting thrifts to banks and the heightened capital and examination standards imposed by the Federal Reserve Board on potential bank acquirers, according to H. Rodgin Cohen, a lawyer at Sullivan & Cromwell.

"Without debating the merits of the Federal Reserve's capital standards, the consequences are not debatable," Mr. Cohen said at a meeting of bank chief financial officers earlier this week. "A number of bank holding companies are now out of the acquisition business – for thrifts and everything else."

Standards Are Tougher

Mr. Cohen said the Fed requires buyers of thrifts to meet more stringent capital standards than those imposed under the three sets of published capital guidelines – those dealing with primary capital, risk-based capital, and leveraged capital.

Banks interested in buying

See **DEPOSITS** *page* **17**

Corrections

An article published Tuesday ("Progress in Assessing Payment Risks," page 3) incorrectly said that Continental Bank Corp. was among the sponsors of a Bank Administration Institute study.

Also, Chemical Banking Corp., New York, should have been listed as a sponsor.

■

An item in the Sept. 5 "Grapevine" column (page 2) reported that Ryan, Beck & Co., an investment bank based in West Orange, N.J., had closed its California office. The office is not closed.

COMPANY *index*

This index lists significant references to companies and banks in today's issue. Page numbers refer to where stories begin.

A
Alex. Brown 1
American Bankers Assn. 1,2,3,7
American Express 1,6
Assn. of Bank Holding Companies 1,15

B
Bank Capital Markets Assn. 1
Bank of America 1
Bank of New England 1
BankAmerica 1
Barclays Bank 11

C
C&S/Sovran 2
Chase 32
Chemical Bank 2,3
Circle K 1
Citicorp 1,32
Continental 2,29

D
DiPietro Kantrovitz 30
Drexel Burnham Lambert 1

E
Equimark 25
Exxon 2

F
Federal Agricultural Mortgage Corp. 14
Federated Department Stores 1
Fifth Third 6
First American National 1
First Boston 14
First Chicago 1,3,6,11
First City 1
First Interstate 32
First National Bank of Chicago 29
FLF Associates 25

G
Garfinckel's 1
Goldman Sachs 32

H
Hiscock & Barclay 29

I - J
Independent Bankers Assn. 1
Independent Insurance Agents 15

K - L
Keefe Bruyette 1
Kemper 29,32

M
MAC Group 2
Manufacturers Hanover 11,14
MasterCard 1
Mellon 1,3
Merchants National 15
Midlantic 3
Moody's 32

N
National Westminster 3
Norwest 1,29

O - Q
Oppenheimer 1

R
Resolution Trust Corp. 8,29
Rivkin & Associates 1
J.E. Robert 29
Ryan Beck 2

S
Securities Industry Assn. 15
Security Pacific 1
Standard & Poor's 32
Sullivan & Cromwell 1

T
Total Research 1

U - Z
U.S. Agricredit 14
U.S. League of Svgs Inst. 25
Union Bank 25
UST 8
Visa 1
Wells Fargo 1,29

MARKETING/ADVERTISING

Welcome to the World of 'Frequent-Flier' Banking

By LAURYN FRANZONI
Special to the American Banker

Bankers seeking to build relationships with their most valued customers may find a way in the marketing tactics of the travel industry.

Some bank marketers argue that the methods used by airlines, hotels, and theme parks are not applicable to banks, which provide a steady stream of service. But Richard Barlow, a marketing consultant in Cincinnati, says banks' successes with mature-market programs illustrate the opportunity for variations on the popular frequent-flier plan.

Building Customer Loyalty

In frequency-based programs, banks reward frequent users of their products and nudge customers to use the institution for multiple services. The objective is customer loyalty.

"It's one of those tactics that is about to burst open in the banking industry," predicted Mr. Barlow, a former American Express Co. executive who has been developing frequency-based marketing programs for First Chicago Corp.'s card division, Sheraton Hotels, Procter & Gamble, and retail chains.

Mr. Barlow says the marketing programs Citibank has begun for its credit cards embody some characteristics of frequency marketing programs. Enhancements include a package of services built around discounts and delivered by arrangement with outside suppliers. The program, known as CitiBenefits, has subsets of awards for people who use the card often for dining, travel, or shopping.

In addition, the bank offers CitiDollars, which are points accrued by cardholders that can be cashed in for merchandise discounts.

Fifth Third's Program

The Fifth Third Bank of Cincinnati uses a combination of discounts and real-value awards to lure customers over the age of 53 into multiple relationships with the bank. Club 53 Members receive free travelers checks, money orders, and notary services; and discounts on safe deposit rentals, securities trades, installment loan rates, and credit card fees. Another popular benefit is a bonus interest rate of one percentage point on fixed-rate certificates of deposit.

Mr. Barlow says Citibank and Fifth Third could improve their success rate. He recommends tracking customer accounts to develop a data base that would be used when making customer contact.

Adding Benefits from Outside

Banks are getting better at packaging related financial services but lag in adding benefits from outside, Mr. Barlow says. Because banks have broad customer bases and interactive retail delivery systems, they are in an enviable position to deploy such programs, he says.

For example, ATMs might be programmed with a message offering a discount on auto maintenance at a local service station. Banks could develop programs that would simultaneously give a retail customer a discount and help build traffic for a commercial customer.

Ms. Franzoni is a freelance banking reporter based in Springfield, Mo.

Why choose a NAMS marine surveyor?

Do you want to buy, sell, insure or assess the damages of a boat or yacht? The best way to protect your interests is to make certain the marine surveyor you select is NAMS certified.

Today, the National Association of Marine Surveyors (NAMS) is the only national group in the U.S. which has set standards of competence for its members. NAMS surveyors can be found throughout the U.S. and in several foreign countries.

NAMS members must have a minimum of five years of marine surveying experience. They are professionally examined in the area of their specialty, must operate within a strict Code of Ethics, and must be constantly updating their professional knowledge through recertification.

Unlike many professions, there is, with one exception, no licensing of marine surveyors. Anyone who proclaims to be a "licensed" marine surveyor may have a Coast Guard license to operate a boat, a mercantile license, etc. It will not be a license for competence in marine surveying.

One of the best ways to protect your boating interests is with a NAMS certified marine surveyor.

For more information about NAMS, write the National Association of Marine Surveyors,
305 Springhouse Lane,
Moorestown, NJ 08057.

For a NAMS surveyor in your area dial toll free:
1-800-822-NAMS
In New Jersey: 609-722-5515

NAMS SM

MasterCard on Top in Brand Survey

Top Brand Names in Banking
Rank among 2,000 names in national survey

	Brand power	Familiarity	Esteem
MasterCard	65	27	165
Visa	78	42	140
American Express	149	90	329
Discover	485	345	834
Citibank	639	503	1,020
Citicorp	727	666	968
Diners Club	822	663	1,454
Wells Fargo	841	834	1,050
Bank of America	853	732	1,384
Chase Manhattan	908	819	1,309
Great Western	1,075	1,091	1,159
Manufacturers Hanover	1,223	1,238	1,251
J.P. Morgan	1,400	1,265	1,837
Barclays	1,454	1,244	1,911
First Interstate	1,502	1,456	1,553

Source: Landor Associates

Continued from *page* **1**

Coca-Cola, Campbell's, and Disney – which took the top three spots – the credit card companies have become part of the consumer's psyche.

"When you look at financial services in the U.S., it's a very segmented business," said Stewart Owen, Landor's director of research. "The credit card is the only financial service that is sitting in everyone's pocket."

The fact that they fared better than American Express is also significant, given American Express Co.'s heritage and advertising budget. The company has a corporate history dating back about 140 years, while MasterCard and Visa are barely 20 years old.

American Express is also believed to spend four to six times more on advertising than the bank card groups, which rely heavily on promotional efforts by member banks.

"If you looked solely at a high-income audience, American Express would come out stronger," Mr. Owen said.

The Landor study was designed to reflect brand power among a cross-section of the population, Mr. Owen explained, thus helping the bank card performance.

Landor Associates, based in San Francisco, contacted 5,000 consumers from 48 states to evaluate the strength of 6,000 brand names. In addition to a brand or ImagePower ranking, each brand received a "share of mind" ranking, reflecting its recognition among consumers, as well as an esteem ranking.

Visa Leads in World Survey

The firm also surveyed 4,000 consumers in Europe and Japan. Based on the 9,000 consumers surveyed worldwide, Visa is the top name in financial services, with a brand power ranking of 41. American Express is the next financial firm on the worldwide list, ranking 44th. MasterCard ranks 92d.

In the domestic study, financial services firms generally received lower marks for esteem than recognition. Citibank finished first among banks in the survey. It received a brand power score of 639 and esteem score of 1,020.

"Financial services have in general not had a great two or three years," Mr. Owen said. "This has been a very troubled category."

Other banks on the list of total brand power include Citicorp, Citibank's parent, at 727; Wells Fargo, 841; and Bank of America, 853. Unlike the credit card organizations, individual banks and other financial companies tend to advertise regionally and focus on businesses less meaningful to the entire population.

"Intellectually, you would have to take the awareness that a bank has in its hometown and compare it to how other entities rank on a national scale," said Steven Rivkin, president of Rivkin & Associates, an image consultant in Midland Park, N.J.

Boost for Marketing Plans

For MasterCard International, the findings are a seal of approval on a new marketing strategy designed under president Alex W. Hart. Rather than try to overcome Visa U.S.A.'s leadership in cards outstanding, Mr. Hart has chosen to promote the strength of the MasterCard brand name.

"This is exactly what we've been telling our members all year long," said Peter S.P. Dimsey, executive vice president of marketing and advertising for the New York-based association. The theme of MasterCard's annual meeting was "strike up the brand."

Even the credit card companies, which enjoy high name recognition, perform less well in terms of esteem. MasterCard, which ranked 27th in consumer familiarity, or share of mind, came in 165th in esteem. Visa ranked 42d in share of mind and 140th in esteem.

Competing on Value

"We spend less to establish our prestige," said Mr. Dimsey of MasterCard. "We compete more on value."

A spokesman for Visa U.S.A. in San Mateo, Calif., questioned whether MasterCard's brand is more powerful than Visa's. "All our studies show that we lead overall," he said. He also cited a recent study of 1,000 consumers conducted by Total Research Corp., Princeton, N.J., that ranked the Visa name the 18th in the country and the MasterCard brand 27th. □

AMERICAN BANKER */Bank Rate Monitor's*™
Consumer Money Index
Auto, personal and credit card rates

Market	CREDIT CARD		PERSONAL		AUTO	
	9/11/90	9/4/90	9/11/90	9/4/90	9/11/90	9/4/90
New York	19.29	19.29	19.46	19.46	13.82	13.82
Los Angeles	19.16	19.16	20.12	20.12	13.22	13.19
Chicago	18.85	18.85	17.10	17.10	11.96	11.96
San Francisco	19.74	19.74	20.12	20.12	12.92	12.87
Philadelphia	18.03	18.03	14.72	14.79	11.66	11.66
Detroit	18.00	18.00	15.92	15.92	11.86	11.86
Boston	17.75	17.75	17.56	17.56	12.79	12.79
Houston	18.12	18.12	14.62	14.62	11.24	11.49
Dallas	19.17	19.17	16.87	16.87	11.12	11.37
Washington D.C.	18.81	18.81	16.79	16.79	11.68	11.55
BRM Index	18.69	18.69	17.33	17.34	12.23	12.26

The Bank Rate Monitor Index is the average of rates being charged by the 100 largest banks and thrifts in the nation's 10 largest markets on the dates indicated. Other rates quoted are the lowest and highest offered at the same institutions. Auto loan rates are for a $9,000, 48-month, new-car loan with a 20 percent down payment. Personal loan rates are for a $3,000 unsecured personal loan with a 24-month term. Credit card rates are fixed rates only and do not take into account differing annual fees or grace periods.

SOURCE: © Bank Rate Monitor, North Palm Beach, 33408
All inquiries: (407) 627-7330

LOWEST PERSONAL LOAN RATES	9/12/90
First Pennsylvania, Philadelphia	12.49%
Philadelphia Nat'l Bank, Philadelphia	12.49
Beneficial Svgs Bk, Philadelphia	13.00
HIGHEST PERSONAL LOAN RATES	
Manufacturers Hanover Trust, NY	24.00%
Bank Of Amercia, San Franciso	21.25
First Interstate Bank, Los Angeles	21.00
LOWEST AUTO LOAN RATES	
Team Bank, Dallas	10.75%
First City, Texas, Dallas	10.75
LaSalle Nat'l Bank, Chicago	11.00
HIGHEST AUTO LOAN RATES	
Citibank, NY	15.90%
Manufacturers Hanover Trust, NY	15.50
Chemical Bank, NY	14.90
LOWEST CREDIT CARD RATES	
Provident Inst. for Svgs, Boston	14.90%
St. Paul Fed. Bank, Chicago	15.90
Benjamin Franklin Svgs, Houston	15.90
HIGHEST CREDIT CARD RATES	
World S&L, San Francisco	20.90%
Homestead Savings, San Francisco	20.90
Riggs Nat'l Bank, Washington	19.80

Lawmakers Are Paving Way for Further FDIC Rate Hikes

Continued from *page* **1**

bank deposits would decline to 0.50% of insured deposits by 1995, 20 basis points below the record low coverage of 0.70% at the end of 1989.

Budget office projections showed more than 600 banks would fail between the start of 1990 and the end of 1993, costing the insurance fund an estimated $21 billion.

The outlook was even bleaker than the one presented on Tuesday by the General Accounting Office, based on yearend 1989 data. The GAO said 35 relatively large banks were close to failure, and that the Bank Insurance Fund coverage ratio in 1995 would be between 0.69% and 1.07%, depending on bank failure rates and other economic factors.

In light of the reports, Senate Banking Committee Chairman Donald W. Riegle Jr., D-Mich., said he is drafting legislation that would lift all restrictions on the FDIC's ability to raise premiums.

Only a month ago, the FDIC proposed raising premiums in 1991 from a previously planned 15 cents per $100 of insured deposits to 19.5 cents, but agency Chairman L. William Seidman has hinted lately that yet another increase is necessary. The industry now pays 12 cents per $100; the 7.5-cent increase would be the largest one-year hike allowed under current laws.

Sen. Riegle wants to lift restrictions on raising FDIC premiums.

Deposit Transfer Proposed

Rep. Frank Annunzio, D-Ill., chairman of the House Banking subcommittee on financial institutions, introduced a bill that would require banks to transfer 1% of their deposits to the FDIC's Bank Insurance Fund. Mr. Annunzio has scheduled a hearing for Sept. 27 and said he plans to ask the subcommittee to vote on the bill shortly thereafter.

"There is a good chance that Congress will do something along the lines of what Sen. Riegle is proposing," said Edward L. Yingling, director of government relations for the American Bankers Association.

Political Pressures

If Congress grants Mr. Seidman authority to raise premiums, Mr. Yingling added, "it will be very difficult politically for him not to."

Despite the industry's concern over Sen. Riegle's proposal, efforts to oppose that kind of bill would probably be futile, he said.

If Congress lifts restrictions on the FDIC, many observers believe the agency would raise bank premiums to 23 cents per $100 of insured deposits, the same rate at which thrifts are assessed.

A day before Mr. Reischauer's appearance before the Senate Banking Committee, the GAO, another congressional agency, projected that the coverage ratio in 1995 seemed certain to remain well below the $1.25 per $100 of insured deposits mandated in last year's thrift-bailout law.

GAO also warned that the fund would be unable to handle a rash of large bank failures.

In his appearance on Wednesday, Mr. Reischauer said the CBO expects 631 banks to fail from 1990 through 1993. Significantly, of those banks, 295 banks now hold at least 6% in capital.

Caution Urged

The budget office director also warned legislators and regulators to exercise caution in assessing premiums and not undermine the strength of many banks.

Rep. Annunzio introduced a measure that would require banks to transfer 1% of their deposits to the FDIC's Bank Insurance Fund.

"You might be careful on that score," he said. "In the short run, you don't want to push some weak banks over the brink."

For bankers, the prospect of increased premiums raises a number of troubling questions. First, many believe the industry is reaching the limits of what it can afford.

But the question is also likely to prove divisive within the industry. The Independent Bankers Association of America argues that as premiums rise, large institutions will shift their funding sources into foreign branch deposits and nondeposit liabilities. Neither of these are assessed premiums, but they have traditionally been covered by FDIC insurance.

As a result, "as premiums go up, it becomes critical for the FDIC to have as broad an assessment base as possible," said Stephen Verdier, a congressional lobbyist for the Independent Bankers Association.

Opposition Likely

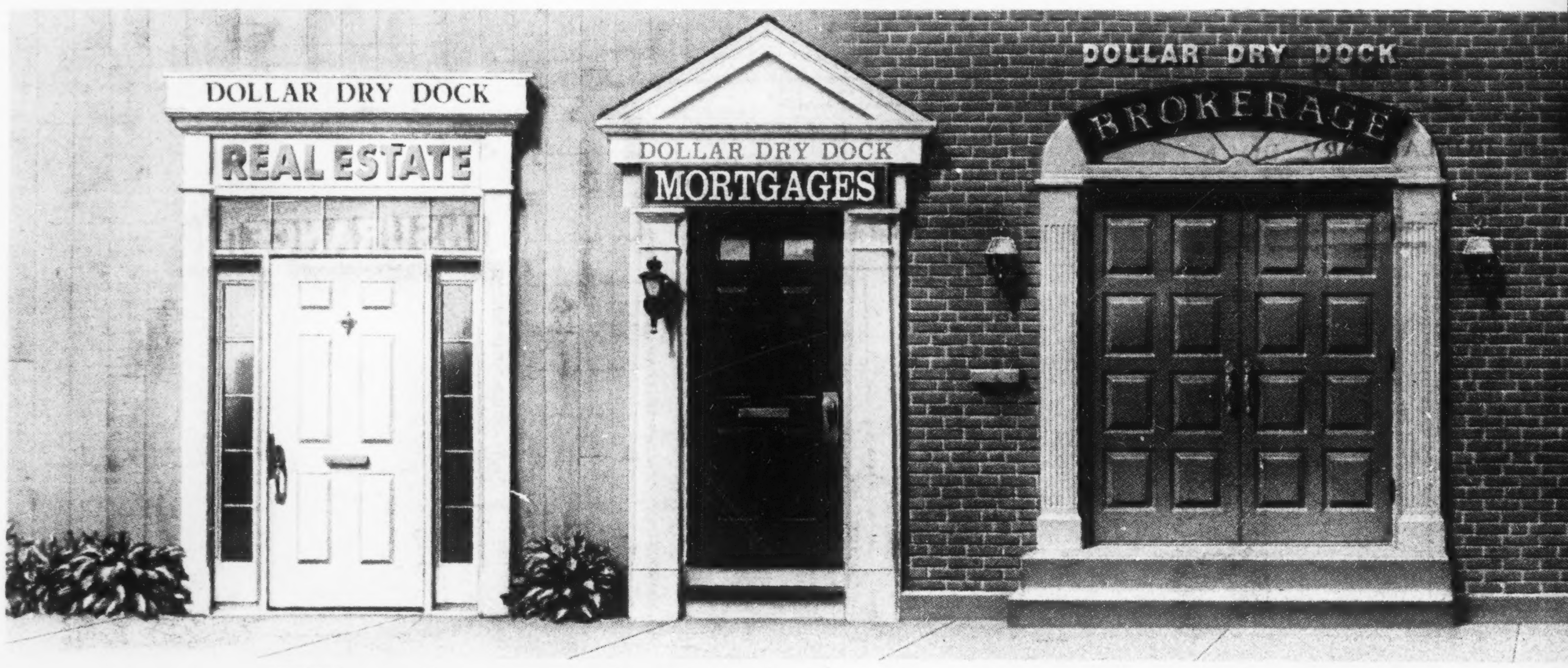
Large institutions would vehemently oppose any effort to bring foreign branch deposits and other liabilities into the assessment base, however.

With the insurance fund looking weaker by the day, members of Congress are scrambling for other means to boost the FDIC's reserves.

Sen. Alan Dixon, D-Ill., proposed Wednesday that interest on the reserves banks maintain with the Federal Reserve be transferred to the FDIC. Currently, the Fed pays such interest

See **LAWMAKERS** *page* **25**

We helped Dollar
and conquer.



What do you call a bank that's everything you see here? Profitable.

Dollar Dry Dock's new idea, to become a one-stop financial center, is made possible by networking from NYNEX®.

The concept revolves around over 1,000 teller terminals and ATMs, on-line via NYNEX Digipath® Digital Service from New York Telephone. Data lines are hubbed to our Central Office, then routed to the bank's mainframes via a high-speed T1 link.

NYNEX was also a one-stop shop for Dollar Dry Dock. The bank uses TRU SYSTEM™ telemanagement software from our Telco Research subsidiary. They use the NYNEX INTELLIPATH II® Digital Centrex Service from New York Telephone. And they got their Datastar® telephone systems from NYNEX Business Information

© 1989 NYNEX Corporation
Datastar is a registered trademark of TIE/communications, Inc.

Big Banks' Deposit Growth Slow Despite Thrift Availability

Continued from *page* **2**

thrifts or other banks must have a tangible leveraged equity-to-asset ratio of between 4.5% and 5.5%, a number that excludes not only goodwill but other intangibles that are acceptable under the published guidelines. The lower amount of capital applies only to banks where substantially all the bank's equity is common equity, Mr. Cohen said.

Moreover, the Fed has an acquisition policy that virtually disqualifies any bank company with an overall Camel rating or Community Reinvestment Act rating of 3 or worse from buying a thrift or bank. "Camel" refers to examination ratings based on the quality of a bank company's capital, assets, management, earnings, and liquidity. The higher the number, the worse the rating.

Many Excluded

"The end result," Mr. Cohen said, "is to disqualify scores of potential purchasers."

Although 19 of the 300 largest banks in the first half of the year acquired deposits from 26 thrifts, other factors such as consolidation of subsidiary banks also played a role in deposit growth.

First American National Bank of Nashville topped the list of gainers in the past six months with a 148% jump in deposits because its holding company merged eight of its Tennessee banks into the Nashville unit. The fourth-largest gainer, Norwest Bank Des Moines, similarly saw deposits rise by 131% because of consolidations with sister banks in Iowa.

The Fed requires buyers of thrifts to meet more stringent capital standards than those imposed under published capital guidelines.

Mellon Was Purchaser

Mellon Bank (East), which placed third on the list of gainers, took the most publicized route to its 131% deposit rise. It purchased 54 offices from Meritor Savings Bank and its PSFS unit in May. Mellon also has announced plans to consolidate four other Pennsylvania banks into the Mellon East unit.

Bank of America, San Francisco, the nation's second-largest bank, gained more than $2 billion of deposits. The gain was fueled in part by the purchase of two California thrifts, First Federal Savings and Loan and Guardian Federal Savings and Loan, in the first half.

Its parent's largest purchase, the $4.1 billion-deposit Western Savings and Loan Association in Phoenix, was moved into the newly created Bank of America, Arizona, which ranked 151st among the top 300 banks as of June 30.

Earlier this month, BankAmerica also won a spirited bidding contest with Security Pacific Corp., its chief rival in the Western Savings auction, for Oregon's Benj. Franklin Savings and Loan.

Security Pacific Gains

Security Pacific National Bank of Los Angeles, for its part, saw its deposits soar 13% and its place in the ranking jump two slots to fourth place because of its California thrift purchases – Gibraltar Savings and Washington Savings and Loan Association.

The search for selective acquisitions and consequent deposit gains in selected regions is not surprising, analysts said.

"If you go through every superregional bank in every key state, you'll find almost all have been active acquirers," said James McDermott, a bank analyst at Keefe, Bruyette & Woods. "It's one of the cheapest way to expand market share and pick up relatively low-cost deposits. It reduces reliance on more sensitive purchased funds."

Bank of New England Off

On the other side of the coin, Bank of New England Corp.'s banks were among the biggest deposit losers. The troubled institution experienced a flood of withdrawals by depositors early in the year, when news of their weak capital came to light.

Some deposits have been replenished in recent months through an aggressive offering of high-yielding certificates of deposit. But in the first six months, BNE's Connecticut Bank and Trust Co. and Bank of New England-West were among the top four deposit losers, slimming down by 16.5% and 15% respectively. Bank of New England, the company's flagship Boston bank, lost 11.4% of deposits.

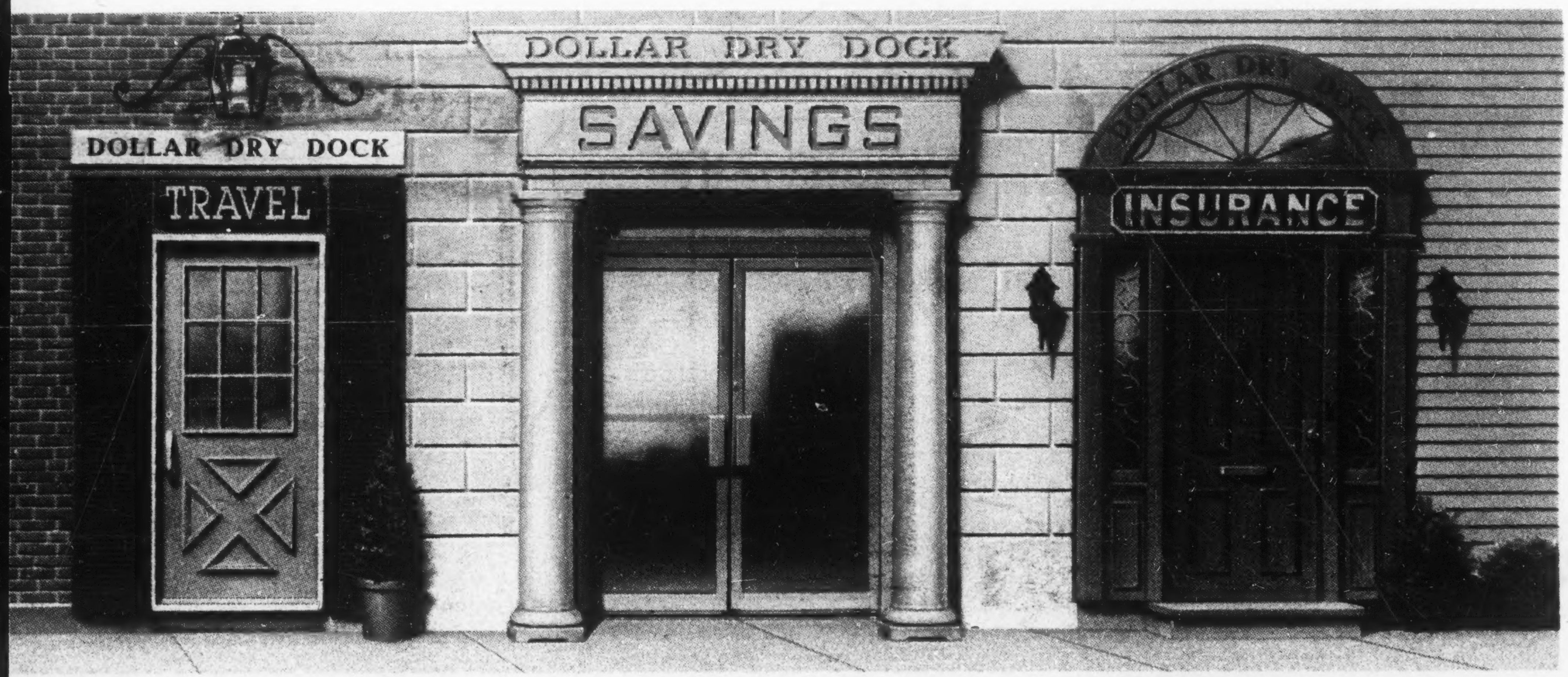
Among the top 20 banks in the nation, 14 registered deposit growth. Citibank NA, the nation's largest in both assets and deposits, added about $5 billion of deposits in the first half of the year, bringing its total to $116.5 billion. Most of the growth derived from routine retail activities, such as certificates of deposit, a bank spokesman said.

Modest deposit losses were registered by Chase Manhattan Bank, Marine Midland Bank, Continental Bank, First Interstate Bank of California, and Republic National Bank of New York. Mellon Bank, Pittsburgh, saw its deposit base drop 15% to $12.8 billion and its rank fall from 17 to 20 among the top 300 banks – in contrast to the growth at its sister Philadelphia-area bank.

"It primarily represents a drop in foreign deposits, which took place as part of our strategy in acquiring the PSFS branches," said J.T. Tuskan, a Mellon spokesman. ☐

Have an Important Legal Notice?
Call Gail Edwards at 212/943-5716

ry Dock divide



Systems Company. As you'd expect, we take responsibility for ongoing maintenance and support.

NYNEX would like to work with you, too. We offer everything from communications and information systems to the services of New England Telephone, New York Telephone, NYNEX Business Information Systems Company, Telco Research, and the other NYNEX companies. Call us at 1 800 535-1535.

Once you've discovered the answer is NYNEX, you won't have to keep shopping around.

Need to communicate? Need to compute? The answer is

NYNEX®

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 6, 16-23,

25-27

Top 300 Commercial Banks in the United States

In order of total deposits June 30, 1990, compared with June 30, 1989 and Dec. 31, 1989

Rank 6/30/90		Deposits June 30, 1990	Deposits June 30, 1989	Rank 6/30/89	Gain from 6/30/89	Deposits Dec. 31, 1989	Rank 12/31/89	Gain from 12/31/89
1	**Citibank NA, New York**	116,478,000,000	105,938,000,000	1		111,487,000,000	1	
2	**Bank of America NT&SA, San Francisco (a)**	75,566,000,000	70,865,000,000	2		73,295,000,000	2	
3	**Chase Manhattan Bank NA, New York (b)**	61,481,000,000	61,497,089,000	3		61,720,245,000	3	
4	**Security Pacific National Bank, Los Angeles (a)**	45,904,431,000	37,240,454,000	6	+ 2	40,597,338,000	6	+2
5	**Morgan Guaranty Trust Co., New York**	43,397,691,000	48,994,825,000	4		40,953,451,000	5	
6	**Manufacturers Hanover Trust Co., New York**	43,235,000,000	43,637,000,000	5		42,736,000,000	4	
7	**Wells Fargo Bank NA, San Francisco (c)**	37,238,577,000	33,739,827,000	8	+ 1	36,462,605,000	7	
8	**Chemical Bank, New York**	33,893,000,000	34,029,000,000	7		32,312,000,000	9	+1
9	**Bank of New York**	32,745,409,000	18,995,849,000	12	+ 3	34,411,451,000	8	
10	**Bankers Trust Co., New York**	30,282,000,000	31,534,969,000	9		27,879,571,000	10	
11	**First National Bank, Chicago**	28,292,077,000	28,971,456,000	10		26,403,340,000	11	
12	**NCNB Texas National Bank, Dallas (d)**	26,819,686,000	21,130,066,000	11		25,623,428,000	12	
13	**First National Bank, Boston**	23,066,388,000	17,853,587,000	14	+ 1	22,061,157,000	13	
14	**Marine Midland Bank NA, Buffalo, N.Y. (e)**	17,450,717,000	16,921,249,000	15	+ 1	18,021,665,000	15	+1
15	**Continental Bank NA, Chicago**	17,351,213,000	18,479,556,000	13		18,178,226,000	14	
16	**First Interstate Bank of California, Los Angeles**	16,711,936,000	16,793,789,000	16		17,849,795,000	16	
17	**Republic National Bank, New York**	14,201,074,000	13,965,958,000	19	+ 2	14,250,340,000	18	+1
18	**NBD Bank, NA, Detroit (f)**	13,974,753,000	12,763,071,000	20	+ 2	12,288,133,000	21	+3
19	**National Westminster Bank USA, New York**	12,789,859,000	11,751,815,000	21	+ 2	12,740,471,000	19	
20	**Mellon Bank NA, Pittsburgh**	12,777,010,000	16,293,037,000	17		15,022,808,000	17	
21	**Southeast Bank NA, Miami**	12,469,158,000	10,928,802,000	25	+ 4	12,715,951,000	20	
22	**First Union National Bank of Florida, Jacksonville (g)**	12,220,485,000	6,840,614,000	44	+22	7,090,935,000	45	+23
23	**Maryland National Bank, Baltimore (h)**	11,614,937,000	6,675,897,000	46	+23	6,631,568,000	52	+29
24	**Union Bank, San Francisco**	11,378,193,000	11,137,492,000	23		11,637,088,000	22	
25	**Pittsburgh National Bank**	11,154,809,000	9,758,161,000	29	+ 4	10,263,540,000	26	+1
26	**NCNB National Bank of North Carolina, Charlotte (i)**	10,977,822,000	11,111,228,000	24		10,585,048,000	24	
27	**Bank One, Texas NA, Dallas (j)**	10,526,119,000	9,993,424,000	28	+ 1	8,525,136,000	34	+7
28	**First Union National Bank, Charlotte, N.C.**	10,523,962,000	9,410,591,000	31	+ 3	10,507,659,000	25	
29	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	10,518,408,000	11,319,632,000	22		11,344,443,000	23	
30	**Sovran Bank NA, Richmond**	10,342,279,000	9,997,793,000	27		10,193,846,000	27	
31	**NCNB National Bank of Florida, Tampa**	9,508,773,000	8,323,170,000	36	+ 5	9,637,057,000	29	
32	**Seattle-First National Bank**	9,327,589,000	8,838,031,000	34	+ 2	9,660,669,000	28	
33	**Citizens & Southern National Bank, Atlanta**	9,146,454,000	9,064,214,000	32		9,468,585,000	30	
34	**Connecticut National Bank, Hartford**	8,791,568,000	7,301,034,000	41	+ 7	8,196,372,000	38	+4
35	**First Bank NA, Minneapolis**	8,582,071,000	9,529,759,000	30		9,104,370,000	32	
36	**First Fidelity Bank NA, Newark, N.J.**	8,545,105,000	7,853,628,000	38	+ 2	8,615,504,000	33	
37	**Midlantic National Bank, Newark, N.J.**	8,477,938,000	4,363,802,000	85	+48	7,791,480,000	40	+3
38	**Valley National Bank, Phoenix**	8,449,021,000	8,358,508,000	35		8,370,893,000	37	
39	**Meridian Bank, Reading, Pa.**	8,251,385,000	6,137,150,000	53	+14	8,394,187,000	36	
40	**Bank of New England NA, Boston (k)**	8,156,544,000	8,932,613,000	33		9,208,787,000	31	
41	**Mellon Bank (East) PSFS NA, Philadelphia (l)**	8,099,508,000	3,126,705,000	121	+80	3,502,200,000	112	+71
42	**Michigan National Bank, Farmington Hills**	8,014,310,000	7,556,608,000	40		7,888,735,000	39	
43	**United States National Bank, Portland, Ore. (i)**	7,591,870,000	6,626,241,000	48	+ 5	6,994,001,000	47	+4
44	**Bank of Hawaii, Honolulu**	7,569,155,454	5,880,472,000	56	+12	6,940,435,000	49	+5
45	**Comerica Bank-Detroit**	7,493,662,000	7,228,440,000	42		7,561,148,000	43	
46	**Crestar Bank, Richmond**	7,430,378,000	7,586,881,000	39		7,631,619,000	42	
47	**Connecticut Bank & Trust Co. NA, Hartford**	7,051,210,000	7,879,829,000	37		8,450,053,000	35	
48	**Fidelity Bank NA, Philadelphia (m)**	7,048,741,000	6,488,484,000	49	+ 1	6,919,305,000	50	+2
49	**Fleet National Bank, Providence, R.I.**	6,985,882,000	5,659,708,000	60	+11	6,111,457,000	59	+10
50	**Philadelphia National Bank**	6,849,538,000	7,016,103,000	43		7,261,814,000	44	
51	**Huntington National Bank, Columbus, Ohio**	6,805,217,000	6,413,359,000	51		6,566,863,000	53	+2
52	**Ameritrust Co. NA, Cleveland**	6,762,380,000	6,480,448,000	50		7,072,134,000	46	
53	**Boston Safe Deposit & Trust Co.**	6,693,312,000	10,825,565,000	26		7,782,273,000	41	
54	**Security Pacific Bank Washington NA, Seattle**	6,669,780,000	5,739,519,000	57	+ 3	6,439,119,000	54	
55	**State Street Bank & Trust Co., Boston**	6,563,695,000	4,774,352,000	78	+23	6,137,917,000	58	+3
56	**Manufacturers National Bank, Detroit**	6,480,894,000	6,821,284,000	45		6,946,034,000	48	
57	**Harris Trust & Savings Bank, Chicago**	6,403,551,000	6,642,406,000	47		6,854,159,000	51	
58	**First National Bank, Atlanta (b)**	6,293,326,000	5,726,983,000	58		6,139,163,000	57	
59	**Shawmut Bank NA, Boston**	6,173,545,000	5,063,037,000	72	+13	5,451,740,000	72	+13
60	**First Interstate Bank of Arizona NA, Phoenix**	6,132,452,000	5,881,460,000	55		6,105,115,000	60	
61	**Norwest Bank Minnesota NA, Minneapolis (c)**	5,947,531,000	5,529,627,000	65	+ 4	5,654,443,000	67	+6
62	**Society National Bank, Cleveland**	5,769,026,000	4,805,275,000	76	+14	6,280,633,000	56	
63	**Provident National Bank, Philadelphia**	5,768,097,000	5,545,364,000	64	+ 1	5,692,972,000	66	+3
64	**AmSouth Bank NA, Birmingham, Ala.**	5,764,009,000	5,555,779,000	63		5,787,896,000	64	
65	**Texas Commerce Bank NA, Houston**	5,665,455,000	6,374,243,000	52		6,416,672,000	55	
66	**First American National Bank, Nashville, Tenn. (n)**	5,629,949,000	2,191,473,000	172	+ 106	2,269,813,000	175	+109
67	**Signet Bank/Virginia, Richmond**	5,614,858,000	5,125,279,000	69	+ 2	5,204,778,000	77	+10
68	**Northern Trust Co., Chicago**	5,548,383,000	5,081,201,000	71	+ 3	5,208,610,000	76	+8
69	**Hibernia National Bank, New Orleans**	5,509,872,000	5,089,469,000	70	+ 1	5,604,612,000	68	
70	**Sanwa Bank California, San Francisco**	5,499,960,000	5,524,297,000	66		5,564,162,000	69	
71	**Barnett Bank of South Florida NA, Miami (b)**	5,484,701,171	5,016,400,000	73	+ 2	5,337,370,130	74	+3
72	**Riggs National Bank, Washington, D.C. (o)**	5,408,851,000	4,968,048,000	74	+ 2	5,702,593,000	65	
73	**First Interstate Bank of Oregon NA, Portland**	5,375,798,000	4,889,811,000	75	+ 2	5,132,209,000	78	+5
74	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	5,315,132,000	5,190,515,000	68		5,447,691,000	73	
75	**Bank of California NA, San Francisco**	5,289,973,000	4,617,081,000	83	+ 8	5,307,898,000	75	
76	**Boatmen's National Bank, St. Louis**	5,233,815,000	5,449,334,000	67		5,080,552,000	79	+3
77	**First Interstate Bank of Texas NA, Houston**	5,221,123,000	5,716,636,000	59		5,881,038,000	62	
78	**Banco Popular de Puerto Rico, San Juan**	5,197,548,000	4,777,463,000	77		4,926,304,000	81	+3
79	**Bank of Tokyo Trust Co., New York**	5,167,653,000	5,645,414,000	61		5,805,020,000	63	
80	**American Security Bank NA, Washington, D.C.**	4,983,691,000	4,099,603,000	92	+12	4,239,736,000	92	+12
81	**First Tennessee Bank NA, Memphis**	4,906,696,000	4,726,428,000	80		4,764,950,000	83	+2
82	**First National Bank of Maryland, Baltimore**	4,879,520,000	4,412,830,000	84	+ 2	4,759,549,000	84	+2
83	**National City Bank, Cleveland**	4,877,241,000	5,602,534,000	62		5,528,397,000	70	
84	**South Carolina National Bank, Columbia**	4,792,187,000	4,290,897,000	88	+ 4	4,667,966,000	85	+1
85	**First Hawaiian Bank, Honolulu**	4,747,079,000	3,831,988,000	96	+11	4,322,099,000	90	+5
86	**First Florida Bank NA, Tampa**	4,642,536,000	4,263,321,000	90	+ 4	4,631,618,000	87	+1
87	**Citibank (New York State), Perinton**	4,594,858,000	3,612,070,000	102	+15	3,958,060,000	99	+12
88	**First Alabama Bank, Montgomery**	4,566,049,000	4,273,624,000	89	+ 1	4,656,599,000	86	
89	**Israel Discount Bank, New York**	4,461,671,000	4,144,162,000	91	+ 2	4,404,126,000	89	
90	**National Westminster Bank NJ, Jersey City, N.J.**	4,454,670,000	4,303,298,000	87		4,209,994,000	93	+3
91	**European American Bank, New York**	4,428,807,000	4,681,104,000	82		4,607,572,000	88	
92	**Central Fidelity Bank, Richmond**	4,383,600,000	3,890,063,000	95	+ 3	4,142,504,000	94	+2
93	**U.S. Bank of Washington NA, Seattle**	4,275,074,000	3,779,689,000	98	+ 5	3,995,400,000	98	+5
94	**First City, Texas-Houston NA**	4,244,674,000	4,711,155,000	81		4,843,074,000	82	
95	**Greenwood Trust Co., New Castle, Del.**	4,241,548,000	3,741,429,000	100	+ 5	5,493,442,000	71	
96	**BancOhio National Bank, Columbus**	4,194,910,000	3,995,179,000	94		4,241,084,000	91	
97	**First Pennsylvania Bank NA, Philadelphia**	4,194,079,000	4,729,610,000	79		4,933,350,000	80	
98	**UJB/Hackensack, N.J. (i)**	4,124,600,000	3,489,006,000	107	+ 9	3,669,538,000	104	+6
99	**Sovran Bank/Central South, Nashville, Tenn. (p)**	4,034,573,000	2,882,512,000	134	+35	3,323,192,000	119	+20
100	**Team Bank, Fort Worth, Tex. (q)**	3,967,406,000	520,166,000	489	+389	610,111,000	447	+347

Data Source: American Banker questionnaire. The data requested are consolidated for the bank and its domestic and foreign subsidiaries. American Banker requests deposit data as reported on the Federal Regulatory Report of Condition (RC-Balance Sheet, items 13a plus 13b), whenever possible. Data may not be comparable with other periods because of mergers, changes in accounting practices, etc. In the case of mergers, the bank under whose charter the merger took place is considered the surviving bank. **(a)**— Acquired two thrifts during the first half of 1990. **(b)**— Acquired one thrift during the first half of 1990. **(c)**— Acquired three banks in the first half. **(d)**— Acquired 13 banks and five thrifts in the first half. **(e)**— Acquired the $2.1 billion-deposit Marine Midland Bank (Delaware) NA on March 31. **(f)**— Acquired three banks and a thrift during the first half and changed title from National Bank of Detroit on May 1. **(g)**— Acquired the $6 billion-deposit Florida National Bank on March 1. **(h)**— Acquired the $3.4 billion-deposit Equitable Bank NA on June 30. **(i)**— Acquired one bank during the first half. **(j)**— Acquired two thrifts and three banks. **(k)**— Acquired three affilated banks. **(l)**— Changed title from Mellon Bank (East) NA on May 19. **(m)**— Changed location from Malvern on May 22. **(n)**— Acquired eight affilated banks. **(o)**— Acquired $1 billion in deposits from the failed National Bank of Washington on Aug. 10. **(p)**— Acquired four affilated banks. **(q)**— Acquired the $3.6 billion deposit Team Bank NA, Fort Worth, and changed title and location from Deposit Guaranty Bank, Dallas, on Feb. 1.

Compiled by American Banker, Copyright 1990.

Top 300 Commercial Banks in the United States

In order of total deposits June 30, 1990, compared with June 30, 1989 and Dec. 31, 1989

Rank 6/30/90		Deposits June 30, 1990	Deposits June 30, 1989	Rank 6/30/89	Gain from 6/30/89	Deposits Dec. 31, 1989	Rank 12/31/89	Gain from 12/31/89
101	Chemical Bank New Jersey NA, Morristown	3,955,173,000	3,780,393,000	97		4,024,524,000	97	
102	BayBank Middlesex, Burlington, Mass. (a)	3,942,117,000	3,330,333,000	111	+ 9	3,533,341,000	111	+9
103	Chase Lincoln First Bank NA, Rochester, N.Y.	3,939,445,000	4,028,295,000	93		4,105,545,000	95	
104	City National Bank, Beverly Hills	3,888,745,000	3,532,122,000	104		3,855,866,000	100	
105	Continental Bank, Norristown, Pa.	3,836,054,000	3,306,786,000	112	+ 7	3,477,584,000	113	+8
106	Norstar Bank of Upstate NY, Albany	3,808,878,000	3,644,131,000	101		4,040,677,000	96	
107	Sumitomo Bank of California, San Francisco	3,791,579,000	3,356,871,000	110	+ 3	3,378,390,000	116	+9
108	Branch Banking & Trust Co., Wilson, N.C.	3,700,774,000	3,574,384,000	103		3,731,838,000	103	
109	Security Pacific Bank Arizona, Phoenix (a)	3,676,816,000	3,517,827,000	105		3,619,887,000	107	
110	National Community Bank, Rutherford, N.J.	3,602,615,406	3,252,152,958	115	+ 5	3,550,851,000	110	
111	Premier Bank NA, Baton Rouge, La.	3,536,207,000	3,759,230,000	99		3,749,929,000	102	
112	INB National Bank, Indianapolis	3,514,151,000	3,481,493,000	108		3,667,168,000	105	
113	Norstar Bank NA, Buffalo, N.Y.	3,489,336,000	3,176,718,000	117	+ 4	3,329,666,000	118	+5
114	American National Bank & Trust Co., Chicago	3,480,661,000	3,217,493,000	116	+ 2	3,554,562,000	109	
115	Chase Manhattan Bank (USA) NA, Wilmington, Del. (b)	3,471,582,000	3,128,300,000	120	+ 5	3,213,865,000	123	+8
116	Sun Bank NA, Orlando, Fla.	3,466,948,000	3,172,689,000	118	+ 2	3,447,737,000	115	
117	Trust Company Bank, Atlanta	3,411,919,000	3,491,727,000	106		3,663,669,000	106	
118	Sovran Bank/Maryland, Bethesda, Md.	3,405,695,000	3,281,699,000	113		3,331,760,000	117	
119	Midlantic National Bank/North, West Paterson, N.J. (a)	3,383,166,000	2,977,577,000	125	+ 6	3,181,582,000	126	+7
120	First-Citizens Bank & Trust Co., Raleigh, N.C.	3,269,097,000	3,027,276,000	123	+ 3	3,239,040,000	122	+2
121	Bank One Columbus NA, Ohio	3,256,597,000	3,145,363,000	119		3,262,049,000	120	
122	Key Bank of Eastern New York NA, Albany (c)	3,241,578,000	2,040,587,000	178	+56	2,237,541,000	177	+55
123	Citizens & Southern National Bank, Charleston, S.C.	3,188,501,000	2,911,131,000	131	+ 8	3,184,061,000	125	+2
124	First Interstate Bank of Washington NA, Seattle	3,185,765,000	2,883,139,000	133	+ 9	3,117,392,000	129	+5
125	Dominion Bank NA, Roanoke, Va.	3,182,107,000	2,956,093,000	126	+ 1	3,145,300,000	127	+2
126	Manufacturers & Traders Trust Co., Buffalo, N.Y. (d)	3,179,116,000	2,926,477,000	128	+ 2	3,023,335,000	134	+8
127	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	3,177,809,000	2,859,180,000	136	+ 9	3,577,783,000	108	
128	First Interstate Bank of Nevada NA, Reno	3,164,238,000	2,772,496,000	142	+14	3,106,743,000	130	+2
129	Bank One Indianapolis NA	3,105,812,000	2,920,906,000	130	+ 1	3,091,449,000	131	+2
130	First Union National Bank, Atlanta	3,098,990,000	3,276,361,000	114		3,246,746,000	121	
131	First American Bank of Virginia, McLean	3,085,377,000	2,981,019,000	124		3,136,873,000	128	
132	Trustmark National Bank, Jackson, Miss.(d)	3,048,466,182	2,586,460,000	149	+17	2,571,454,000	151	+19
133	Industrial Bank of Japan Trust Co., New York	3,047,389,000	3,051,981,000	122		3,199,148,000	124	
134	Fifth Third Bank, Cincinnati	3,015,181,000	4,343,380,000	86		2,966,153,000	136	+2
135	Deposit Guaranty National Bank, Jackson, Miss.	3,003,832,000	2,856,443,000	137	+ 2	2,945,751,000	137	+2
136	Bank South NA, Atlanta	2,954,816,000	2,885,298,000	132		2,876,322,000	140	+4
137	Mercantile Bank NA, Clayton, Mo.	2,948,879,000	2,933,768,000	127		3,066,659,000	132	
138	Bank Leumi Trust Co., New York	2,938,088,000	2,924,521,000	129		3,056,650,000	133	
139	Citibank (South Dakota) NA, Sioux Falls	2,861,663,000	2,619,329,000	146	+ 7	2,630,307,000	148	+9
140	Central Bank of the South, Birmingham, Ala.	2,859,727,000	2,818,879,000	139		2,933,514,000	138	
141	Union Trust Co., Stamford, Conn.	2,810,868,000	2,668,293,000	144	+ 3	2,848,483,000	141	
142	First National Bank, Louisville, Ky.	2,804,515,000	2,869,356,000	135		3,008,809,000	135	
143	Citizens First National Bank, Ridgewood, N.J.	2,707,769,000	2,521,138,000	151	+ 8	2,743,388,000	142	
144	Bank of Baltimore	2,705,714,000	2,797,940,000	140		2,665,597,000	146	+2
145	Banco de Ponce, P.R.	2,696,289,000	2,787,436,000	141		2,637,914,000	147	+2
146	Barclays Bank of New York NA	2,672,721,000	2,653,334,000	145		2,703,620,000	143	
147	Wilmington Trust Co., Del.	2,666,393,000	2,353,159,000	157	+10	2,613,380,000	149	+2
148	Central Trust Co. NA, Cincinnati	2,649,729,000	2,371,698,000	156	+ 8	2,703,551,000	144	
149	Union National Bank, Pittsburgh	2,607,841,000	1,949,739,000	188	+39	1,999,075,000	191	+42
150	Society Bank NA, Dayton, Ohio (a)	2,598,468,000	1,597,347,000	218	+68	1,698,668,000	215	+65
151	Bank of America Arizona, Phoenix (e)	2,588,940,000	....	...		....	...	
152	Signet Bank/Maryland, Baltimore	2,585,657,000	2,558,003,000	150		2,565,857,000	153	+1
153	SouthTrust Bank of Alabama NA, Birmingham	2,577,493,000	2,271,065,000	165	+12	2,383,206,000	164	+11
154	First Security Bank of Utah NA, Salt Lake City	2,569,494,000	2,390,352,000	155	+ 1	2,504,707,000	156	+2
155	Valley Bank of Nevada, Las Vegas	2,543,557,000	2,059,354,000	176	+21	2,367,526,000	165	+10
156	Barnett Bank of Palm Beach County, West Palm Beach, Fla. (f)	2,531,989,000	1,764,071,000	205	+49	1,919,134,000	200	+44
157	Norstar Bank, Melville, N.Y.	2,518,947,000	2,220,944,000	169	+12	2,331,419,000	167	+10
158	Imperial Bank, Los Angeles	2,510,896,000	2,249,080,000	167	+ 9	2,512,238,000	155	
159	First of America Bank-Southeast Michigan NA, Detroit	2,467,165,000	2,302,813,000	160	+ 1	2,392,939,000	162	+3
160	Barnett Bank of Pinellas County, St. Petersburg, Fla. (d)	2,461,845,000	1,898,609,000	190	+30	2,065,123,000	186	+26
161	Society Bank & Trust, Toledo, Ohio (g)	2,445,957,000	2,840,644,000	138		2,674,870,000	145	
162	First Wisconsin National Bank, Milwaukee	2,443,361,000	2,426,477,000	153		2,576,607,000	150	
163	West One Bank Idaho, NA, Boise	2,436,643,000	2,272,783,000	164	+ 1	2,407,595,000	160	
164	NCNB National Bank of South Carolina, Columbia	2,433,406,000	2,284,635,000	162		2,383,450,000	163	
165	Exchange National Bank, Chicago	2,416,170,000	2,223,429,000	168	+ 3	2,203,684,000	179	+14
166	Old Kent Bank & Trust Co., Grand Rapids, Mich.	2,415,217,000	2,612,721,000	147		2,568,095,000	152	
167	Equibank, Pittsburgh	2,397,346,000	2,408,646,000	154		2,530,316,000	154	
168	Morgan Bank (Delaware), Wilmington	2,397,001,000	1,924,373,000	189	+21	2,323,283,000	168	
169	Puget Sound National Bank, Tacoma, Wash.	2,379,633,000	2,275,866,000	163		2,359,113,000	166	
170	Rhode Island Hospital Trust National Bank, Providence	2,352,442,000	2,297,755,000	161		2,417,841,000	157	
171	Citibank (Arizona), Phoenix (h)	2,334,996,000	2,024,337,000	182	+11	2,315,606,000	169	
172	Bank of the West, Walnut Creek, Calif. (a)	2,328,067,000	1,434,694,000	239	+67	1,618,194,000	227	+55
173	Hamilton Bank, Lancaster, Pa.	2,325,087,000	2,250,357,000	166		2,290,285,000	171	
174	First Eastern Bank NA, Wilkes-Barre, Pa. (a)	2,319,165,000	1,887,482,000	192	+18	1,989,748,000	193	+19
175	Star Bank NA, Cincinnati	2,314,658,000	2,322,314,000	158		2,410,707,000	159	
176	Fuji Bank & Trust Co., New York	2,309,643,000	2,601,025,000	148		2,414,405,000	158	
177	Northeastern Bank of Pennsylvania, Wilkes-Barre	2,268,140,000	2,196,690,000	171		2,283,011,000	173	
178	Norwest Bank Des Moines NA, Iowa (i)	2,255,987,000	1,027,663,000	302	+ 124	1,245,008,000	269	+91
179	Banco Santander Puerto Rico, Hato Rey	2,243,231,000	1,840,557,000	199	+20	1,939,109,000	199	+20
180	Frost National Bank, San Antonio, Tex.	2,212,645,000	2,151,020,000	175		2,283,030,000	172	
181	United States Trust Co., New York	2,209,039,000	2,704,539,000	143		1,941,095,000	197	+16
182	United Bank of Denver NA	2,187,932,000	1,858,045,000	196	+14	1,902,313,000	203	+21
183	Merchants National Bank & Trust Co., Indianapolis	2,175,559,000	2,051,060,000	177		2,096,313,000	183	
184	Barnett Bank of Central Florida NA, Orlando	2,167,194,000	1,959,110,000	187	+ 3	2,068,002,000	185	+1
185	New Jersey National Bank, Pennington (a)	2,159,461,000	2,018,522,000	183		2,121,265,000	182	
186	American Express Centurion Bank, Newark, Del.	2,152,482,000	2,444,953,000	152		2,918,559,000	139	
187	First Fidelity Bank NA/North Jersey, Totowa, N.J.	2,149,668,000	2,036,281,000	181		2,158,066,000	180	
188	Boatmen's First National Bank, Kansas City, Mo.	2,143,465,000	2,162,200,000	173		2,232,669,000	178	
189	Zions First National Bank, Salt Lake City, Utah (d)	2,128,834,000	1,877,921,000	193	+ 4	1,981,694,000	194	+5
190	Southern National Bank, Lumberton, N.C.	2,126,419,000	1,986,023,000	185		2,090,430,000	184	
191	Bank of Boston Connecticut, Waterbury	2,125,156,000	2,303,534,000	159		2,297,777,000	170	
192	First City, Texas-Dallas	2,120,842,000	1,872,953,000	194	+ 2	2,140,872,000	181	
193	United Jersey Bank Central NA, Princeton, N.J.	2,119,924,000	1,672,538,000	210	+17	1,780,089,000	210	+17
194	Whitney National Bank, New Orleans	2,111,913,000	2,036,994,000	180		2,248,016,000	176	
195	Key Bank of Central New York NA, Syracuse	2,109,480,000	2,005,259,000	184		1,944,289,000	196	+1
196	Citytrust, Bridgeport, Conn.	2,067,344,000	2,217,299,000	170		2,400,921,000	161	
197	United Carolina Bank, Whiteville, N.C.	2,048,672,000	1,854,616,000	198	+ 1	2,027,757,000	189	
198	MBNA America Bank, NA, Newark, Del.	2,043,481,000	1,401,769,000	242	+44	1,667,986,000	223	+25
199	First National Bank of Commerce, New Orleans	2,012,953,000	2,038,619,000	179		2,277,171,000	174	
200	Bank One Dayton NA, Ohio	1,961,964,000	1,836,465,000	200		1,940,749,000	198	

Data Source: American Banker questionnaire. The data requested are consolidated for the bank and its domestic and foreign subsidiaries. American Banker requests deposit data as reported on the Federal Regulatory Report of Condition (RC-Balance Sheet, items 13a plus 13b), whenever possible. Data may not be comparable with other periods because of mergers, changes in accounting practices, etc. In the case of mergers, the bank under whose charter the merger took place is considered the surviving bank. **(a)**— Acquired one bank during the first half of 1990. **(b)**— Changed from a national to a state chartered bank on June 22. **(c)**— Formerly Key Bank NA. Changed title when it acquired the $961 million-deposit Key Bank of Southeastern NY NA, Newburgh on March 9. **(d)**— Acquired one thrift institution in the first half. **(e)**— BankAmerica Corp., San Francisco, formed the bank on June 1, to acquire the former Western Savings & Loan Assn. FA from the RTC for $81 million, or 4.6% of core deposits. **(f)**— Acquired a bank and a thrift during the first half. **(g)**— Formerly Trustcorp Bank. Changed title on Jan. 2. **(h)**— Acquired three banks during the first half. **(i)**— Formerly Norwest Bank Iowa NA. Change title on Jan. 1, when it acquired nine affiliated banks.

Compiled by American Banker, Copyright 1990.

TOP 300 BANKS

Top 300 Commercial Banks in the United States

In order of total deposits June 30, 1990, compared with June 30, 1989 and Dec. 31, 1989

Rank 6/30/90		Deposits June 30, 1990	Deposits June 30, 1989	Rank 6/30/89	Gain from 6/30/89	Deposits Dec. 31, 1989	Rank 12/31/89	Gain from 12/31/89
201	Bank One Milwaukee NA	1,955,607,000	1,274,791,000	254	+53	1,999,796,000	190	
202	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	1,931,621,000	1,862,306,000	195		1,918,777,000	201	
203	Union Planters National Bank, Memphis, Tenn.	1,893,743,000	1,985,689,000	186		2,035,930,000	188	
204	First Virginia Bank, Falls Church	1,892,288,000	1,789,367,000	203		1,871,455,000	205	+1
205	Sun Bank/Miami NA	1,891,029,000	1,782,851,000	204		1,847,080,000	207	+2
206	Liberty National Bank & Trust Co., Louisville, Ky.	1,887,108,000	1,812,586,000	201		2,060,445,000	187	
207	Commerce Bank of St. Louis NA, Clayton, Mo.	1,877,675,000	1,716,643,000	206		1,956,465,000	195	
208	National State Bank, Elizabeth, N.J.	1,851,765,000	1,803,898,000	202		1,902,775,000	202	
209	First Fidelity Bank NA, Burlington Twp., N.J.	1,847,471,000	1,714,558,000	207		1,825,687,000	208	
210	Citizens Bank of Maryland, Laurel	1,841,907,000	1,411,677,000	240	+30	1,685,578,000	217	+7
211	Fleet Bank of Connecticut, Hartford	1,807,784,000	1,640,659,000	213	+ 2	1,708,824,000	212	+1
212	Sun Bank/South Florida NA, Fort Lauderdale	1,799,893,000	1,680,623,000	208		1,797,627,000	209	
213	M & I Marshall & Ilsley Bank, Milwaukee	1,799,093,000	1,640,859,000	212		1,863,470,000	206	
214	First Security Bank of Idaho NA, Boise (a)	1,768,497,000	1,501,969,000	226	+12	1,602,728,000	229	+15
215	Bank of Delaware, Wilmington	1,743,096,000	1,559,724,000	220	+ 5	1,672,458,000	221	+6
216	Provident Bank, Cincinnati	1,734,378,000	1,556,563,000	221	+ 5	1,641,879,000	225	+ 9
217	Texas Commerce Bank Dallas NA	1,733,718,000	1,609,514,000	217		1,894,148,000	204	
218	First National Bank, Akron, Ohio	1,729,907,000	1,658,109,000	211		1,716,105,000	211	
219	Merchants Bank NA, Allentown, Pa.	1,719,239,471	1,587,308,000	219		1,680,080,156	219	
220	First National Bank, Toms River, N.J.	1,717,163,000	1,630,361,000	214		1,703,047,000	214	
221	Trust Company of New Jersey, Jersey City	1,692,226,000	1,612,080,000	216		1,704,052,000	213	
222	Norwest Bank South Dakota NA, Sioux Falls	1,684,074,000	1,474,368,000	233	+11	1,637,675,000	226	+4
223	Comerica Bank NA, Jackson, Mich. (b)	1,664,312,000	333,298,000	...		782,921,000	383	+160
224	Daiwa Bank Trust Co., New York	1,637,078,000	1,434,726,000	238	+14	1,585,135,000	232	+8
225	United Missouri Bank of Kansas City NA (c)	1,634,519,000	1,307,319,000	249	+24	1,672,228,000	222	
226	Barnett Bank of Jacksonville NA, Fla. (a)	1,627,394,000	1,497,775,000	228	+ 2	1,603,672,000	228	+2
227	Valley National Bank, Passaic, N.J.	1,621,850,000	1,505,614,000	225		1,586,994,000	230	+3
228	Barnett Bank of Southwest Florida, Sarasota	1,616,404,000	1,482,497,000	232	+ 4	1,586,364,000	231	+3
229	Fleet Bank-NH, Nashua	1,592,276,000	769,862,000	381	+ 152	1,566,432,000	236	+7
230	Bank of Oklahoma NA, Tulsa	1,591,043,000	1,449,257,000	236	+ 6	1,697,079,000	216	
231	Central Carolina Bank & Trust Co., Durham, N.C. (d)	1,584,155,000	1,486,834,000	230		1,575,041,000	234	+3
232	BayBank Norfolk County Trust Co., Dedham, Mass.	1,570,189,000	1,515,834,000	223		1,553,095,000	237	+5
233	First Valley Bank, Bethlehem, Pa.	1,566,959,000	825,845,000	360	+ 127	657,671,000	425	+192
234	Merchants Bank, Kansas City, Mo.	1,566,658,000	1,679,453,000	209		1,675,921,000	220	
235	National Bank of Alaska, Anchorage (e)	1,534,310,000	1,858,002,000	197		1,682,878,000	218	
236	Fleet Bank of Maine, Portland	1,529,305,000	1,460,697,000	234		1,503,516,000	241	+5
237	Commerce Bank of Kansas City NA, Mo.	1,501,902,000	1,183,459,000	270	+33	1,334,364,000	255	+18
238	Bank One Cleveland NA	1,488,098,000	1,508,787,000	224		1,506,233,000	240	+2
239	First American Bank NA, Washington, D.C.	1,483,162,000	1,452,145,000	235		1,579,162,000	233	
240	Sunwest Bank of Albuquerque NA, N.M.	1,479,891,000	1,357,067,000	244	+4	1,428,159,000	245	+5
241	Key Bank of Maine, Augusta	1,458,112,000	1,407,691,000	241		1,457,284,000	243	+2
242	Bank of New York (Delaware), Wilmington	1,442,651,000	1,251,128,000	257	+15	1,435,314,000	244	+2
243	Security Bank & Trust Co., Southgate, Mich. (a)	1,433,603,000	1,252,029,000	256	+13	1,298,274,000	259	+16
244	San Diego Trust & Savings Bank, Calif.	1,424,965,000	1,239,407,000	258	+14	1,343,063,000	254	+10
245	Casco Northern Bank NA, Portland, Me.	1,415,819,000	1,498,962,000	227		1,568,424,000	235	
246	Barnett Bank of Tampa NA, Fla.	1,412,480,000	1,291,824,000	251	+ 5	1,345,582,000	253	+7
247	Summit Bank, Fort Wayne, Ind.	1,397,878,000	1,399,063,000	243		1,408,292,000	247	
248	Summit Trust Co., N.J.	1,383,111,000	1,214,853,000	262	+14	1,392,449,000	248	
249	Mercantile-Safe Deposit & Trust Co., Baltimore	1,378,486,000	1,282,710,000	253	+ 4	1,370,075,000	250	+1
250	Dominion Bank of Middle Tennessee, Nashville	1,368,759,000	1,323,330,000	248		1,353,367,000	251	+1
251	Manufacturers Hanover Bank (Delaware), Wilmington	1,368,679,000	1,486,418,000	231		1,462,278,000	242	
252	Banco Central Corp., Hato Rey, P.R.	1,356,444,000	1,110,651,000	284	+32	1,250,796,000	267	+15
253	Jefferson National Bank, Charlottesville, Va.	1,349,770,000	1,205,856,000	265	+12	1,240,749,000	270	+17
254	BayBank Harvard Trust Co., Cambridge, Mass.	1,330,101,000	1,284,122,000	252		1,324,366,000	256	+2
255	Sunburst Bank, Grenada, Miss.	1,317,968,000	1,238,320,000	259	+ 4	1,256,754,000	265	+10
256	National Bank of Commerce, Memphis, Tenn. (e)	1,317,205,000	1,191,016,000	267	+11	1,279,000,000	263	+7
257	International Bank of Commerce, Laredo, Tex.	1,313,411,000	808,675,000	366	+ 109	819,173,000	374	+117
258	Bank of New England-West NA, Springfield, Mass.	1,311,745,000	1,529,203,000	222		1,543,179,000	238	
259	Bank of Mississippi, Tupelo	1,308,734,000	1,214,546,000	263	+ 4	1,238,825,000	272	+13
260	First American Bank of Georgia NA, Atlanta	1,304,432,000	1,346,054,000	246		1,351,021,000	252	
261	Colonial Bank-Northern Region, Montgomery, Ala.	1,303,529,000	895,952,000	339	+78	1,156,843,000	286	+25
262	IBJ Schroder Bank & Trust Co., New York	1,303,346,000	1,447,486,000	237		1,390,817,000	249	
263	First American Bank of Maryland, Silver Spring	1,287,473,000	1,160,188,000	275	+12	1,286,115,000	262	
264	First National Bank, Albuquerque, N.M.	1,285,848,000	990,238,000	311	+47	991,619,000	317	+53
265	First National Bank, Omaha, Neb.	1,279,444,000	1,060,784,000	293	+28	1,230,621,000	274	+9
266	Central Jersey Bank & Trust Co., Freehold, N.J.	1,279,207,000	1,225,151,000	261		1,300,081,000	258	
267	National Bank of Washington, Washington, D.C. (f)	1,268,268,000	1,621,705,000	215		1,538,170,000	239	
268	United Penn Bank, Wilkes-Barre, Pa.	1,267,290,000	1,012,131,000	305	+39	1,111,411,000	296	+28
269	Norwest Bank Nebraska NA, Omaha	1,261,329,000	1,190,418,000	268		1,295,915,000	260	
270	Mark Twain Bank, Ladue, Mo.	1,261,081,000	1,187,298,000	269		1,239,906,000	271	+1
271	Sun Bank of Tampa Bay, Tampa, Fla.	1,257,904,000	1,171,815,000	273	+ 2	1,188,692,000	280	+9
272	First Nat'l Bank of Central Jersey, Bridgewater Twp	1,245,685,000	1,135,956,000	279	+ 7	1,251,194,000	266	
273	Shawmut Arlington Trust Co., Lawrence, Mass.	1,230,942,000	1,345,321,000	247		1,306,239,000	257	
274	First American Bank of New York	1,219,526,000	1,107,357,000	287	+13	1,250,258,000	268	
275	Westamerica Bank NA, San Rafael, Calif.	1,218,301,000	1,145,192,000	276	+ 1	1,233,418,000	273	
276	Bank IV Wichita NA, Kan. (a)	1,213,897,000	1,257,930,000	255		1,203,400,000	277	+1
277	Marine Bank, Warren, Pa.	1,193,442,000	1,108,160,000	286	+9	1,178,273,000	281	+4
278	York Bank & Trust Co., Pa.	1,192,910,000	956,020,000	320	+42	1,015,258,000	311	+33
279	Commonwealth National Bank, Harrisburg, Pa.	1,190,263,000	1,181,784,000	271		1,215,016,000	275	
280	Marquette Bank Minneapolis NA	1,188,897,000	1,081,307,000	291	+11	1,286,837,000	261	
281	Pacific Western Bank, San Jose, Calif.	1,181,782,000	959,751,000	317	+36	953,876,000	326	+45
282	Shawmut Worcester County Bank NA, Worcester, Mass.	1,180,799,000	1,164,052,000	274		1,262,096,000	264	
283	Key Bank of Oregon, Portland	1,166,843,000	1,082,198,000	290	+ 7	1,164,297,000	283	
284	First Bank of Montana NA, Billings (g)	1,157,074,000	214,531,000	...		230,629,000	...	
285	Laredo National Bank, Tex.	1,154,819,000	1,193,026,000	266		1,162,271,000	284	
286	Delaware Trust Co., Wilmington	1,149,658,000	1,090,872,000	289	+ 3	1,129,153,000	292	+6
287	Texas Commerce Bank-El Paso NA (a)	1,143,185,000	1,047,752,000	296	+ 9	1,051,124,000	305	+18
288	Massachusetts Co., Inc., Boston	1,143,076,000	962,819,000	316	+28	1,047,723,000	307	+19
289	Provident Bank of Maryland, Baltimore	1,136,570,000	1,122,249,000	282		1,136,799,000	291	+2
290	Gainer Bank NA, Gary, Ind.	1,125,113,000	1,108,975,000	285		1,110,451,000	297	+7
291	Mitsui Manufacturers Bank, Los Angeles	1,119,128,000	1,206,461,000	264		1,177,787,000	282	
292	Amalgamated Bank, New York	1,117,754,000	1,124,453,000	281		1,156,470,000	287	
293	Bank One Akron NA, Ohio	1,112,039,000	1,059,826,000	294	+ 1	1,117,399,000	295	+2
294	NBD Grand Rapids NA, Mich.	1,107,618,000	1,009,783,000	307	+13	1,091,944,000	299	+5
295	First Bank NA, Milwaukee	1,086,380,000	1,051,304,000	295		1,097,825,000	298	+3
296	First Seneca Bank, Butler, Pa.	1,079,913,000	1,034,895,000	300	+ 4	1,081,125,000	301	+5
297	Security Pacific Bank Oregon, Portland	1,078,327,000	1,000,021,000	310	+13	1,050,709,000	306	+ 9
298	Planters National Bank & Trust Co., Rocky Mountl N.C.	1,077,061,000	931,995,000	328	+30	1,041,457,000	308	+10
299	Bank of New England-Old Colony NA, Providence, R.I.	1,076,084,000	1,118,247,000	283		1,191,244,000	278	
300	Tokai Bank of California, Los Angeles	1,073,588,000	891,217,000	340	+40	989,241,000	320	+20

Data Source: American Banker questionnaire. The data requested are consolidated for the bank and its domestic and foreign subsidiaries. American Banker requests deposit data as reported on the Federal Regulatory Report of Condition (RC-Balance Sheet, items 13a plus 13b), whenever possible. Data may not be comparable with other periods because of mergers, changes in accounting practices, etc. In the case of mergers, the bank under whose charter the merger took place is considered the surviving bank. **(a)**— Acquired one bank during the first half of 1990. **(b)**— Acquired six affiliated banks on Jan. 1. **(c)**— Acquired two branches of a failed thrift in June. **(d)**— Changed from a national to a state chartered bank on June 15. **(e)**— Acquired one thrift institution in the first half. **(f)**— The bank failed in August. Riggs National Bank, Washington, D.C., acquired $1 billion of the bank's deposits. **(g)**— Formerly First Bank NA-Billings. Acquired 10 affilated banks and changed title on Jan. 1.

Compiled by American Banker, Copyright 1990.

Top 300 U.S. Commercial Banks

Listed geographically in deposit-size order within states

		Deposits 6/30/90
	Alabama	
64	AmSouth Bank NA, Birmingham	5,764,009,000
88	First Alabama Bank, Montgomery	4,566,049,000
140	Central Bank of the South, Birmingham	2,859,727,000
153	SouthTrust Bank of Alabama NA, Birmingham	2,577,493,000
261	Colonial Bank-Northern Region, Montgomery	1,303,529,000
	Alaska	
235	National Bank of Alaska, Anchorage	1,534,310,000
	Arizona	
38	Valley National Bank, Phoenix	8,449,021,000
60	First Interstate Bank of Arizona NA, Phoenix	6,132,452,000
109	Security Pacific Bank Arizona, Phoenix	3,676,816,000
151	Bank of America Arizona, Phoenix	2,588,940,000
171	Citibank (Arizona), Phoenix	2,334,996,000
	California	
2	Bank of America NT&SA, San Francisco	75,566,000,000
4	Security Pacific National Bank, Los Angeles	45,904,431,000
7	Wells Fargo Bank NA, San Francisco	37,238,577,000
16	First Interstate Bank of California, Los Angeles	16,711,936,000
24	Union Bank, San Francisco	11,378,193,000
70	Sanwa Bank California, San Francisco	5,499,960,000
75	Bank of California NA, San Francisco	5,289,973,000
104	City National Bank, Beverly Hills	3,888,745,000
107	Sumitomo Bank of California, San Francisco	3,791,579,000
158	Imperial Bank, Los Angeles	2,510,896,000
172	Bank of the West, Walnut Creek	2,328,067,000
244	San Diego Trust & Savings Bank	1,424,965,000
275	Westamerica Bank NA, San Rafael	1,218,301,000
281	Pacific Western Bank, San Jose	1,181,782,000
291	Mitsui Manufacturers Bank, Los Angeles	1,119,128,000
300	Tokai Bank of California, Los Angeles	1,073,588,000
	Colorado	
182	United Bank of Denver NA	2,187,932,000
	Connecticut	
34	Connecticut National Bank, Hartford	8,791,568,000
47	Connecticut Bank & Trust Co. NA, Hartford	7,051,210,000
141	Union Trust Co., Stamford	2,810,868,000
191	Bank of Boston Connecticut, Waterbury	2,125,156,000
196	Citytrust, Bridgeport	2,067,344,000
211	Fleet Bank of Connecticut, Hartford	1,807,784,000
	Delaware	
95	Greenwood Trust Co., New Castle	4,241,548,000
115	Chase Manhattan Bank (USA) NA, Wilmington	3,471,582,000
147	Wilmington Trust Co.	2,666,393,000
168	Morgan Bank (Delaware), Wilmington	2,397,001,000
186	American Express Centurion Bank, Newark	2,152,482,000
198	MBNA America Bank, NA, Newark	2,043,481,000
215	Bank of Delaware, Wilmington	1,743,096,000
242	Bank of New York (Delaware), Wilmington	1,442,651,000
251	Manufacturers Hanover Bank (Delaware), Wilmington	1,368,679,000
286	Delaware Trust Co., Wilmington	1,149,658,000
	District of Columbia	
72	Riggs National Bank, Washington, D.C.	5,408,851,000
80	American Security Bank NA, Washington, D.C.	4,983,691,000
239	First American Bank NA, Washington, D.C.	1,483,162,000
267	National Bank of Washington, Washington, D.C.	1,268,268,000
	Florida	
21	Southeast Bank NA, Miami	12,469,158,000
22	First Union National Bank of Florida, Jacksonville	12,220,485,000
31	NCNB National Bank of Florida, Tampa	9,508,773,000
71	Barnett Bank of South Florida NA, Miami	5,484,701,171
74	Citizens & Southern National Bank, Fort Lauderdale	5,315,132,000
86	First Florida Bank NA, Tampa	4,642,536,000
116	Sun Bank NA, Orlando	3,466,948,000
156	Barnett Bank of Palm Beach Cty., West Palm Beach	2,531,989,000
160	Barnett Bank of Pinellas Cty., St. Petersburg	2,461,845,000
184	Barnett Bank of Central Florida NA, Orlando	2,167,194,000
205	Sun Bank/Miami NA	1,891,029,000
212	Sun Bank/South Florida NA, Fort Lauderdale	1,799,893,000
226	Barnett Bank of Jacksonville NA	1,627,394,000
228	Barnett Bank of Southwest Florida, Sarasota	1,616,404,000
246	Barnett Bank of Tampa NA.	1,412,480,000
271	Sun Bank of Tampa Bay, Tampa	1,257,904,000
	Georgia	
33	Citizens & Southern National Bank, Atlanta	9,146,454,000
58	First National Bank, Atlanta	6,293,326,000
117	Trust Company Bank, Atlanta	3,411,919,000
130	First Union National Bank, Atlanta	3,098,990,000
136	Bank South NA, Atlanta	2,954,816,000
260	First American Bank of Georgia NA, Atlanta	1,304,432,000
	Hawaii	
44	Bank of Hawaii, Honolulu	7,569,155,454
85	First Hawaiian Bank, Honolulu	4,747,079,000
	Idaho	
163	West One Bank Idaho, NA, Boise	2,436,643,000
213	First Security Bank of Idaho NA, Boise	1,768,497,000
	Illinois	
11	First National Bank, Chicago	28,292,077,000
15	Continental Bank NA, Chicago	17,351,213,000
57	Harris Trust & Savings Bank, Chicago	6,403,551,000
68	Northern Trust Co., Chicago	5,548,383,000
114	American National Bank & Trust Co., Chicago	3,480,661,000
165	Exchange National Bank, Chicago	2,416,170,000
	Indiana	
112	INB National Bank, Indianapolis	3,514,151,000
129	Bank One Indianapolis NA	3,105,812,000
183	Merchants National Bank & Trust Co., Indianapolis	2,175,559,000
247	Summit Bank, Fort Wayne	1,397,878,000
290	Gainer Bank NA, Gary	1,125,113,000
	Iowa	
178	Norwest Bank Des Moines NA	2,255,987,000
	Kansas	
276	Bank IV Wichita NA	1,213,897,000
	Kentucky	
127	Citizens Fidelity Bank & Trust Co., Louisville	3,177,809,000
142	First National Bank, Louisville	2,804,515,000
206	Liberty National Bank & Trust Co., Louisville	1,887,108,000
	Louisiana	
69	Hibernia National Bank, New Orleans	5,509,872,000
111	Premier Bank NA, Baton Rouge	3,536,207,000
194	Whitney National Bank, New Orleans	2,111,913,000
199	First National Bank of Commerce, New Orleans	2,012,953,000
	Maine	
236	Fleet Bank of Maine, Portland	1,529,305,000
241	Key Bank of Maine, Augusta	1,458,112,000
245	Casco Northern Bank NA, Portland	1,415,819,000
	Maryland	
23	Maryland National Bank, Baltimore	11,614,937,000
82	First National Bank of Maryland, Baltimore	4,879,520,000
118	Sovran Bank/Maryland, Bethesda	3,405,695,000
144	Bank of Baltimore	2,705,714,000
152	Signet Bank/Maryland, Baltimore	2,585,657,000
210	Citizens Bank of Maryland, Laurel	1,841,907,000
249	Mercantile-Safe Deposit & Trust Co., Baltimore	1,378,486,000
263	First American Bank of Maryland, Silver Spring	1,287,473,000
289	Provident Bank of Maryland, Baltimore	1,136,570,000
	Massachusetts	
13	First National Bank, Boston	23,066,388,000
40	Bank of New England NA, Boston	8,156,544,000
53	Boston Safe Deposit & Trust Co.	6,693,312,000
55	State Street Bank & Trust Co., Boston	6,563,695,000
59	Shawmut Bank NA, Boston	6,173,545,000
102	BayBank Middlesex, Burlington	3,942,117,000
232	BayBank Norfolk County Trust Co., Dedham	1,570,189,000
254	BayBank Harvard Trust Co., Cambridge	1,330,101,000
258	Bank of New England-West NA, Springfield	1,311,745,000
273	Shawmut Arlington Trust Co., Lawrence	1,230,942,000
282	Shawmut Worcester County Bank NA, Worcester	1,180,799,000
288	Massachusetts Co., Inc., Boston	1,143,076,000
	Michigan	
18	NBD Bank, NA, Detroit	13,974,753,000
42	Michigan National Bank, Farmington Hills	8,014,310,000
45	Comerica Bank-Detroit	7,493,662,000
56	Manufacturers National Bank, Detroit	6,480,894,000
159	First of America Bank-Southeast Michigan NA, Detroit	2,467,165,000
166	Old Kent Bank & Trust Co., Grand Rapids	2,415,217,000
223	Comerica Bank NA, Jackson	1,664,312,000
243	Security Bank & Trust Co., Southgate	1,433,603,000
294	NBD Grand Rapids NA	1,107,618,000
	Minnesota	
35	First Bank NA, Minneapolis	8,582,071,000
61	Norwest Bank Minnesota NA, Minneapolis	5,947,531,000
280	Marquette Bank Minneapolis NA	1,188,897,000
	Mississippi	
132	Trustmark National Bank, Jackson	3,048,466,182
135	Deposit Guaranty National Bank, Jackson	3,003,832,000
255	Sunburst Bank, Grenada	1,317,968,000
259	Bank of Mississippi, Tupelo	1,308,734,000
	Missouri	
76	Boatmen's National Bank, St. Louis	5,233,815,000
137	Mercantile Bank NA, Clayton	2,948,879,000
188	Boatmen's First National Bank, Kansas City	2,143,465,000
207	Commerce Bank of St. Louis NA, Clayton	1,877,675,000
225	United Missouri Bank of Kansas City NA	1,634,519,000
234	Merchants Bank, Kansas City	1,566,658,000
237	Commerce Bank of Kansas City NA	1,501,902,000
270	Mark Twain Bank, Ladue	1,261,081,000

Top 300 U.S. Commercial Banks

Listed geographically in deposit-size order within states

		Deposits 6/30/90
	Montana	
284	First Bank of Montana NA, Billings	1,157,074,000
	Nebraska	
265	First National Bank, Omaha	1,279,444,000
269	Norwest Bank Nebraska NA, Omaha	1,261,329,000
	Nevada	
128	First Interstate Bank of Nevada NA, Reno	3,164,238,000
155	Valley Bank of Nevada, Las Vegas	2,543,557,000
	New Hampshire	
229	Fleet Bank-NH, Nashua	1,592,276,000
	New Jersey	
36	First Fidelity Bank NA, Newark	8,545,105,000
37	Midlantic National Bank, Newark	8,477,938,000
90	National Westminster Bank NJ, Jersey City	4,454,670,000
98	UJB/Hackensack	4,124,600,000
101	Chemical Bank New Jersey NA, Morristown	3,955,173,000
110	National Community Bank, Rutherford	3,602,615,406
119	Midlantic National Bank/North, West Paterson	3,383,166,000
143	Citizens First National Bank, Ridgewood	2,707,769,000
185	New Jersey National Bank, Pennington	2,159,461,000
187	First Fidelity Bank NA/North Jersey, Totowa	2,149,668,000
193	United Jersey Bank Central NA, Princeton	2,119,924,000
208	National State Bank, Elizabeth	1,851,765,000
209	First Fidelity Bank NA, Burlington Twp.	1,847,471,000
220	First National Bank, Toms River	1,717,163,000
221	Trust Company of New Jersey, Jersey City	1,692,226,000
227	Valley National Bank, Passaic	1,621,850,000
248	Summit Trust Co.	1,383,111,000
266	Central Jersey Bank & Trust Co., Freehold	1,279,207,000
272	First Nat'l Bank of Central Jersey, Bridgewater Twp	1,245,685,000
	New Mexico	
240	Sunwest Bank of Albuquerque NA	1,479,891,000
264	First National Bank, Albuquerque	1,285,848,000
	New York	
1	Citibank NA, New York	116,478,000,000
3	Chase Manhattan Bank NA, New York	61,481,000,000
5	Morgan Guaranty Trust Co., New York	43,397,691,000
6	Manufacturers Hanover Trust Co., New York	43,235,000,000
8	Chemical Bank, New York	33,893,000,000
9	Bank of New York	32,745,409,000
10	Bankers Trust Co., New York	30,282,000,000
14	Marine Midland Bank NA, Buffalo	17,450,717,000
17	Republic National Bank, New York	14,201,074,000
19	National Westminster Bank USA, New York	12,789,859,000
79	Bank of Tokyo Trust Co., New York	5,167,653,000
87	Citibank (New York State), Perinton	4,594,858,000
89	Israel Discount Bank, New York	4,461,671,000
91	European American Bank, New York	4,428,807,000
103	Chase Lincoln First Bank NA, Rochester	3,939,445,000
106	Norstar Bank of Upstate NY, Albany	3,808,878,000
113	Norstar Bank NA, Buffalo	3,489,336,000
122	Key Bank of Eastern New York NA, Albany	3,241,578,000
126	Manufacturers & Traders Trust Co., Buffalo	3,179,116,000
133	Industrial Bank of Japan Trust Co., New York	3,047,389,000
138	Bank Leumi Trust Co., New York	2,938,088,000
146	Barclays Bank of New York NA	2,672,721,000
157	Norstar Bank, Melville	2,518,947,000
176	Fuji Bank & Trust Co., New York	2,309,643,000
181	United States Trust Co., New York	2,209,039,000
195	Key Bank of Central New York NA, Syracuse	2,109,480,000
224	Daiwa Bank Trust Co., New York	1,637,078,000
262	IBJ Schroder Bank & Trust Co., New York	1,303,346,000
274	First American Bank of New York	1,219,526,000
292	Amalgamated Bank, New York	1,117,754,000
	North Carolina	
26	NCNB National Bank of North Carolina, Charlotte	10,977,822,000
28	First Union National Bank, Charlotte	10,523,962,000
29	Wachovia Bank & Trust Co. NA, Winston-Salem	10,518,408,000
108	Branch Banking & Trust Co., Wilson	3,700,774,000
120	First-Citizens Bank & Trust Co., Raleigh	3,269,097,000
190	Southern National Bank, Lumberton	2,126,419,000
197	United Carolina Bank, Whiteville	2,048,672,000
231	Central Carolina Bank & Trust Co., Durham	1,584,155,000
298	Planters National Bank & Trust Co., Rocky Mount	1,077,061,000
	Ohio	
51	Huntington National Bank, Columbus	6,805,217,000
52	Ameritrust Co. NA, Cleveland	6,762,380,000
62	Society National Bank, Cleveland	5,769,026,000
83	National City Bank, Cleveland	4,877,241,000
96	BancOhio National Bank, Columbus	4,194,910,000
121	Bank One Columbus NA	3,256,597,000
134	Fifth Third Bank, Cincinnati	3,015,181,000
148	Central Trust Co. NA, Cincinnati	2,649,729,000
150	Society Bank NA, Dayton	2,598,468,000
161	Society Bank & Trust, Toledo	2,445,957,000
175	Star Bank NA, Cincinnati	2,314,658,000
200	Bank One Dayton NA	1,961,964,000
216	Provident Bank, Cincinnati	1,734,378,000
218	First National Bank, Akron	1,729,907,000
238	Bank One Cleveland NA	1,488,098,000
293	Bank One Akron NA	1,112,039,000
	Oklahoma	
230	Bank of Oklahoma NA, Tulsa	1,591,043,000
	Oregon	
43	United States National Bank, Portland	7,591,870,000
73	First Interstate Bank of Oregon NA, Portland	5,375,798,000
283	Key Bank of Oregon, Portland	1,166,843,000
297	Security Pacific Bank Oregon, Portland	1,078,327,000
	Pennsylvania	
20	Mellon Bank NA, Pittsburgh	12,777,010,000
25	Pittsburgh National Bank	11,154,809,000
39	Meridian Bank, Reading	8,251,385,000
41	Mellon Bank (East) PSFS NA, Philadelphia	8,099,508,000
48	Fidelity Bank NA, Philadelphia	7,048,741,000
50	Philadelphia National Bank	6,849,538,000
63	Provident National Bank, Philadelphia	5,768,097,000
97	First Pennsylvania Bank NA, Philadelphia	4,194,079,000
105	Continental Bank, Norristown	3,836,054,000
149	Union National Bank, Pittsburgh	2,607,841,000
167	Equibank, Pittsburgh	2,397,346,000
173	Hamilton Bank, Lancaster	2,325,087,000
174	First Eastern Bank NA, Wilkes-Barre	2,319,165,000
177	Northeastern Bank of Pennsylvania, Wilkes-Barre	2,268,140,000
202	Dauphin Deposit Bank & Trust Co., Harrisburg	1,931,621,000
219	Merchants Bank NA, Allentown	1,719,239,471
233	First Valley Bank, Bethlehem	1,566,959,000
268	United Penn Bank, Wilkes-Barre	1,267,290,000
277	Marine Bank, Warren	1,193,442,000
278	York Bank & Trust Co.	1,192,910,000
279	Commonwealth National Bank, Harrisburg	1,190,263,000
296	First Seneca Bank, Butler	1,079,913,000
	Puerto Rico	
78	Banco Popular de Puerto Rico, San Juan	5,197,548,000
145	Banco de Ponce	2,696,289,000
179	Banco Santander Puerto Rico, Hato Rey	2,243,231,000
252	Banco Central Corp., Hato Rey	1,356,444,000
	Rhode Island	
49	Fleet National Bank, Providence	6,985,882,000
170	Rhode Island Hospital Trust National Bank, Providence	2,352,442,000
299	Bank of New England-Old Colony NA, Providence	1,076,084,000
	South Carolina	
84	South Carolina National Bank, Columbia	4,792,187,000
123	Citizens & Southern National Bank, Charleston	3,188,501,000
164	NCNB National Bank of South Carolina, Columbia	2,433,406,000
	South Dakota	
139	Citibank (South Dakota) NA, Sioux Falls	2,861,663,000
222	Norwest Bank South Dakota NA, Sioux Falls	1,684,074,000
	Tennessee	
66	First American National Bank, Nashville	5,629,949,000
81	First Tennessee Bank NA, Memphis	4,906,696,000
99	Sovran Bank/Central South, Nashville	4,034,573,000
203	Union Planters National Bank, Memphis	1,893,743,000
250	Dominion Bank of Middle Tennessee, Nashville	1,368,759,000
256	National Bank of Commerce, Memphis	1,317,205,000
	Texas	
12	NCNB Texas National Bank, Dallas	26,819,686,000
27	Bank One, Texas NA, Dallas	10,526,119,000
65	Texas Commerce Bank NA, Houston	5,665,455,000
77	First Interstate Bank of Texas NA, Houston	5,221,123,000
94	First City, Texas-Houston NA	4,244,674,000
100	Team Bank, Fort Worth	3,967,406,000
180	Frost National Bank, San Antonio	2,212,645,000
192	First City, Texas-Dallas	2,120,842,000
217	Texas Commerce Bank Dallas NA	1,733,718,000
257	International Bank of Commerce, Laredo	1,313,411,000
285	Laredo National Bank	1,154,819,000
287	Texas Commerce Bank-El Paso NA	1,143,185,000
	Utah	
154	First Security Bank of Utah NA, Salt Lake City	2,569,494,000
189	Zions First National Bank, Salt Lake City	2,128,834,000
	Virginia	
30	Sovran Bank NA, Richmond	10,342,279,000
46	Crestar Bank, Richmond	7,430,378,000
67	Signet Bank/Virginia, Richmond	5,614,858,000
92	Central Fidelity Bank, Richmond	4,383,600,000
125	Dominion Bank NA, Roanoke	3,182,107,000
131	First American Bank of Virginia, McLean	3,085,377,000
204	First Virginia Bank, Falls Church	1,892,288,000
253	Jefferson National Bank, Charlottesville	1,349,770,000
	Washington	
32	Seattle-First National Bank	9,327,589,000
54	Security Pacific Bank Washington NA, Seattle	6,669,780,000
93	U.S. Bank of Washington NA, Seattle	4,275,074,000
124	First Interstate Bank of Washington NA, Seattle	3,185,765,000
169	Puget Sound National Bank, Tacoma	2,379,633,000
	Wisconsin	
162	First Wisconsin National Bank, Milwaukee	2,443,361,000
201	Bank One Milwaukee NA	1,955,607,000
213	M & I Marshall & Ilsley Bank, Milwaukee	1,799,093,000
295	First Bank NA, Milwaukee	1,086,380,000

Top 300 Commercial Banks in the United States

In order of total assets June 30, 1990, compared with June 30, 1989

Rank 6/30/90		Assets		Rank 6/30/89	Gain
		6/30/90	6/30/89		
1	**Citibank NA, New York**	164,197,000,000	152,777,000,000	1	
2	**Bank of America NT&SA, San Francisco**	90,679,000,000	86,668,000,000	2	
3	**Chase Manhattan Bank NA, New York**	79,353,000,000	82,014,119,000	3	
4	**Morgan Guaranty Trust Co., New York**	71,964,080,000	76,684,982,000	4	
5	**Security Pacific National Bank, Los Angeles**	64,133,767,000	56,035,698,000	7	+2
6	**Bankers Trust Co., New York**	60,959,000,000	58,715,367,000	5	
7	**Manufacturers Hanover Trust Co., New York**	56,488,000,000	57,126,000,000	6	
8	**Wells Fargo Bank NA, San Francisco**	48,645,065,000	45,092,008,000	9	+1
9	**Chemical Bank, New York**	48,390,000,000	48,471,000,000	8	
10	**Bank of New York**	45,728,708,000	24,884,499,000	14	+4
11	**First National Bank, Chicago**	37,684,684,000	37,734,869,000	10	
12	**NCNB Texas National Bank, Dallas**	34,073,244,000	27,941,433,000	12	
13	**First National Bank, Boston**	30,182,863,000	26,429,365,000	13	
14	**Continental Bank NA, Chicago**	29,268,048,000	31,750,426,000	11	
15	**Republic National Bank, New York**	22,013,002,000	21,654,650,000	17	+2
16	**NCNB National Bank of North Carolina, Charlotte**	21,987,707,000	17,256,812,000	20	+4
17	**Marine Midland Bank NA, Buffalo, N.Y.**	21,800,979,000	21,309,769,000	18	+1
18	**First Interstate Bank of California, Los Angeles**	20,531,421,000	20,182,135,000	19	+1
19	**Pittsburgh National Bank**	18,785,703,000	15,662,345,000	23	+4
20	**NBD Bank, NA, Detroit**	18,656,871,000	16,171,483,000	22	+2
21	**Mellon Bank NA, Pittsburgh**	18,342,162,000	23,241,821,000	15	
22	**First Union National Bank, Charlotte, N.C.**	17,408,852,000	16,576,779,000	21	
23	**First Union National Bank of Florida, Jacksonville**	16,054,870,000	8,946,960,000	51	+ 28
24	**Union Bank, San Francisco**	15,959,550,000	15,149,595,000	24	
25	**Maryland National Bank, Baltimore**	15,630,065,000	9,279,811,000	46	+ 21
26	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	15,492,278,000	14,598,883,000	26	
27	**Southeast Bank NA, Miami**	15,469,836,000	14,521,688,000	27	
28	**National Westminster Bank USA, New York**	14,992,025,000	13,998,161,000	28	
29	**Sovran Bank NA, Richmond**	14,637,498,000	13,122,549,000	31	+2
30	**Bank of New England NA, Boston**	13,265,155,000	15,140,217,000	25	
31	**Bank One, Texas NA, Dallas**	13,109,187,000	13,092,520,000	32	+1
32	**Citizens & Southern National Bank, Atlanta**	13,069,431,000	12,522,983,000	33	+1
33	**Connecticut National Bank, Hartford**	12,468,829,000	12,183,035,000	34	+1
34	**Seattle-First National Bank**	12,270,546,000	11,081,446,000	39	+5
35	**First Bank NA, Minneapolis**	11,816,613,000	13,812,702,000	29	
36	**NCNB National Bank of Florida, Tampa**	11,547,914,000	11,145,171,000	38	+2
37	**First Fidelity Bank NA, Newark, N.J.**	11,458,283,000	11,230,325,000	36	
38	**Crestar Bank, Richmond**	10,966,808,000	9,927,120,000	42	+4
39	**Fleet National Bank, Providence, R.I.**	10,875,088,000	7,315,837,000	68	+ 29
40	**United States National Bank, Portland, Ore.**	10,810,381,000	9,143,478,000	48	+8
41	**Philadelphia National Bank**	10,474,468,000	9,986,622,000	41	
42	**State Street Bank & Trust Co., Boston**	10,390,928,000	8,428,916,000	57	+ 15
43	**Michigan National Bank, Farmington Hills**	10,114,101,000	9,588,584,000	45	+2
44	**Midlantic National Bank, Newark, N.J.**	10,100,816,000	6,418,240,000	78	+ 34
45	**Meridian Bank, Reading, Pa.**	10,010,666,000	8,159,559,000	60	+ 15
46	**Boston Safe Deposit & Trust Co.**	9,846,158,000	13,275,440,000	30	
47	**Fidelity Bank NA, Philadelphia**	9,787,392,000	9,261,162,000	47	
48	**Comerica Bank-Detroit**	9,762,907,000	9,088,226,000	49	+1
49	**Texas Commerce Bank NA, Houston**	9,747,327,000	11,154,327,000	37	
50	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	9,606,213,000	6,850,340,000	71	+ 21
51	**Valley National Bank, Phoenix**	9,387,193,000	9,882,490,000	44	
52	**Northern Trust Co., Chicago**	9,372,182,000	8,887,587,000	52	
53	**Harris Trust & Savings Bank, Chicago**	9,341,601,000	9,883,579,000	43	
54	**Mellon Bank (East) PSFS NA, Philadelphia**	9,292,449,000	4,462,948,000	112	+ 58
55	**Signet Bank/Virginia, Richmond**	9,174,267,000	8,110,459,000	62	+7
56	**Citibank (South Dakota) NA, Sioux Falls**	9,162,485,000	11,353,236,000	35	
57	**American Express Centurion Bank, Newark, Del.**	9,136,754,000	8,423,624,000	58	+1
58	**Manufacturers National Bank, Detroit**	9,041,741,000	8,824,849,000	53	
59	**Huntington National Bank, Columbus, Ohio**	8,824,526,000	8,727,702,000	55	
60	**Shawmut Bank NA, Boston**	8,684,841,000	9,012,912,000	50	
61	**Bank of Hawaii, Honolulu**	8,666,143,242	6,792,959,000	74	+ 13
62	**Security Pacific Bank Washington NA, Seattle**	8,625,877,000	7,445,741,000	67	+5
63	**Bank of Tokyo Trust Co., New York**	8,536,899,000	8,112,144,000	61	
64	**Ameritrust Co. NA, Cleveland**	8,526,970,000	8,445,053,000	56	
65	**Bank of California NA, San Francisco**	8,426,324,000	6,994,932,000	70	+5
66	**Norwest Bank Minnesota NA, Minneapolis**	8,416,332,000	8,776,144,000	54	
67	**First National Bank, Atlanta**	8,395,261,000	8,169,727,000	59	
68	**Provident National Bank, Philadelphia**	8,354,362,000	7,505,308,000	65	
69	**Boatmen‘s National Bank, St. Louis**	7,960,416,000	8,041,636,000	63	
70	**Connecticut Bank & Trust Co. NA, Hartford**	7,839,777,000	10,392,853,000	40	
71	**Society National Bank, Cleveland**	7,677,751,000	6,029,405,000	85	+ 14
72	**First City, Texas-Houston NA**	7,665,741,000	6,794,289,000	73	+1
73	**National City Bank, Cleveland**	7,514,951,000	7,765,283,000	64	
74	**AmSouth Bank NA, Birmingham, Ala.**	7,491,924,000	7,161,012,000	69	
75	**Sanwa Bank California, San Francisco**	7,062,143,000	6,702,966,000	75	
76	**First American National Bank, Nashville, Tenn.**	6,912,817,000	3,032,426,000	163	+ 87
77	**Hibernia National Bank, New Orleans**	6,850,958,000	6,134,556,000	83	+6
78	**First Interstate Bank of Arizona NA, Phoenix**	6,658,377,000	6,809,515,000	72	
79	**Riggs National Bank, Washington, D.C.**	6,408,910,000	5,944,498,000	87	+8
80	**American Security Bank NA, Washington, D.C.**	6,374,239,000	5,388,953,000	96	+ 16
81	**First National Bank of Maryland, Baltimore**	6,356,144,000	5,996,269,000	86	+5
82	**Citibank (New York State), Perinton**	6,336,956,000	5,396,385,000	95	+ 13
83	**Chase Lincoln First Bank NA, Rochester, N.Y.**	6,297,046,000	6,291,085,000	79	
84	**South Carolina National Bank, Columbia**	6,284,804,000	5,686,737,000	91	+7
85	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	6,198,378,000	6,194,479,000	81	
86	**Barnett Bank of South Florida NA, Miami**	6,184,790,109	5,708,291,000	89	+3
87	**First Tennessee Bank NA, Memphis**	6,178,129,000	6,113,877,000	84	
88	**First Interstate Bank of Oregon NA, Portland**	6,158,787,000	6,152,556,000	82	
89	**Citibank (Nevada) NA, Las Vegas**	6,139,383,000	6,214,799,000	80	
90	**UJB/Hackensack, N.J.**	6,084,571,000	4,665,092,000	108	+ 18
91	**Banco Popular de Puerto Rico, San Juan**	6,022,427,000	5,891,148,000	88	
92	**Trust Company Bank, Atlanta**	5,969,456,000	5,695,988,000	90	
93	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	5,838,490,000	5,350,911,000	97	+4
94	**First Interstate Bank of Texas NA, Houston**	5,708,379,000	6,438,338,000	77	
95	**Central Fidelity Bank, Richmond**	5,661,051,000	4,827,611,000	106	+ 11
96	**Industrial Bank of Japan Trust Co., New York**	5,634,736,000	4,807,281,000	107	+ 11
97	**First Pennsylvania Bank NA, Philadelphia**	5,618,008,000	6,574,760,000	76	
98	**IBJ Schroder Bank & Trust Co., New York**	5,606,982,000	3,930,930,000	133	+ 35
99	**First Florida Bank NA, Tampa**	5,530,485,000	5,242,896,000	98	
100	**Greenwood Trust Co., New Castle, Del.**	5,499,679,000	5,223,862,000	99	

Data Sources: American Banker questionnaire, Federal regulatory report of condition for June 30, 1990, and various state banking departments. Assets for 1990 may not be comparable with assets reported for 1989 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank.

Compiled by American Banker, Copyright 1990.

Equimark Expects Smaller Loss in 3d Quarter

Reuters

PITTSBURGH — Equimark Corp. expects to post a loss for the third quarter, but a substantially smaller one than in either of the first two quarters of the year.

Asked when Pittsburgh-based Equimark would return to profitability, chairman Alan Fellheimer told reporters, "Not in the third quarter."

"We still have those consumer losses bubbling through," he said. "But it's not going to look anything like the first or second quarter."

Real Estate Problems

The $3.5 billion-asset holding company lost $31 million in the first half of the year, largely because of problem real estate and consumer loans. Mr. Fellheimer, whose remarks came after a luncheon speech on Tuesday, said it is too early to predict results for the fourth quarter.

The chairman, who last week announced plans to step down as soon as a replacement is named, said he had just come from a meeting with federal bank examiners. He said their review of Equimark's loan portfolio was "going well."

Mr. Fellheimer said examiners had finished their review of the company's Philadelphia banking unit, $688 million-asset Liberty Savings Bank. "We did real well. We were really pleased," he said.

Mr. Fellheimer also said that he views an investment made by New York's Tisch family in Equimark as "a good thing." The Tisch family holdings, through FLF Associates, became public last month after the stake reached 6.8%.

Calling them friendly investors, Mr. Fellheimer said he knows the Tisch family through contacts made while he was seeking investors during his failed attempt to acquire National Bancshares Corp. of Texas from the Federal Deposit Insurance Corp.

Mr. Fellheimer dismissed speculation that he was under any pressure to step down as chairman. He said that as Equimark's second-largest stockholder, "I felt the company needed a different kind of manager."

The chairman, a lawyer by training, earned his reputation as a hard-nosed loan collector, a role he played during the successful turnaround of Equimark's main subsidiary, Equibank, in the mid-1980s. But he has never been content as a day-to-day banking manager. ☐

Focus On
A Changing Industry
Home
MORTGAGES
Read It Fridays in AMERICAN BANKER

Form Y-001
4-15-87
JOHN G. MILLER
3206 DEKALB AVE
NORRISTOWN, PA 19301
# A61003
DE OTELL AGENCY
28900
M.A. PETERSON
GARAGE
WE MAKE IT HAPPEN

Lawmakers Push For Rate Hikes

Continued from *page* 16

to the Treasury at yearend. But because of the peculiarities of federal budget accounting, Mr. Dixon's approach would involve only a bookkeeping transaction that would not increase the federal deficit.

Mr. Yingling said the ABA is already taking a close look at the Dixon proposal, and would likely support it.

Credit Union Model

Mr. Annunzio's proposal, which would recapitalize the Bank Insurance Fund along the lines of the Credit Union Share Insurance Fund, also may find some support in the industry.

The measure introduced Wednesday would require banks to place 1% of their total deposits with the FDIC, but it would permit institutions to count the deposit as an asset on their books.

In a Sept. 6 letter to House Banking Committee Chairman Henry B. Gonzalez, D-Tex., Mr. Seidman cited that approach as one "that appears to merit consideration."

Mr. Seidman said the credit union model has at least two potential benefits. First, more resources would be made available to the bank fund.

Also, "banks might have a stronger incentive for self-policing of the industry if the stakes were a tangible component of their balance sheet," he added.

Gloomy Conferees

The CBO report on the health of the bank insurance fund, coming on the heels of an equally grim report from the General Accounting Office on Tuesday, added to a sense of gloom at a gathering this week of top bank lobbyists.

The American Bankers Association's bank leadership conference, meeting in Washington, reflected the industry mood, according to one participant. This source, who asked not to be named, said banks are feeling increasingly beleaguered by premium increases and calls for tougher regulation.

Mr. Yingling of the ABA described the mood as one of concern that lawmakers are overreacting to the S&L crisis. "There is real concern that Washington is overreacting, with heavy new regulation and heavy new insurance costs, all because of the S&L crisis," he said. ☐

Woman Is Indicted In Embezzlement

BOSTON — A federal grand jury returned a 22-count indictment against a Revere, Mass., woman that accuses her of embezzling funds from Bank of New England.

U.S. Attorney Wayne A. Budd in Boston said Lyn L. White, 23, transferred bank funds into her personal account in transactions between January 1989 and June 1990.

If convicted, Ms. White faces up to 20 years incarceration and $1 million in fines, Mr. Budd said. ☐

Do you have an important legal notice?
Call Gail Edwards at 212/943-5716

Top 300 Commercial Banks in the United States

In order of total assets June 30, 1990, compared with June 30, 1989

Rank 6/30/90		Assets		Rank 6/30/89	Gain
		6/30/90	6/30/89		
101	BancOhio National Bank, Columbus	5,466,954,000	5,163,899,000	101	
102	First Alabama Bank, Montgomery	5,227,751,000	5,143,851,000	102	
103	U.S. Bank of Washington NA, Seattle	5,198,941,000	4,595,523,000	109	+6
104	First Hawaiian Bank, Honolulu	5,171,840,000	4,217,448,000	124	+ 20
105	European American Bank, New York	5,116,987,000	5,446,618,000	93	
106	NCNB National Bank of South Carolina, Columbia	5,026,716,000	4,490,367,000	111	+5
107	National Westminster Bank NJ, Jersey City, N.J.	4,949,311,000	5,170,630,000	100	
108	Sovran Bank/Central South, Nashville, Tenn.	4,912,516,000	3,408,083,000	152	+ 44
109	City National Bank, Beverly Hills	4,884,946,000	4,238,840,000	122	+ 13
110	Morgan Bank (Delaware), Wilmington	4,881,771,000	4,858,035,000	104	
111	Dominion Bank NA, Roanoke, Va.	4,877,331,000	4,413,409,000	114	+3
112	Israel Discount Bank, New York	4,827,569,000	4,512,114,000	110	
113	Chemical Bank New Jersey NA, Morristown	4,772,318,000	4,458,825,000	113	
114	Norstar Bank of Upstate NY, Albany	4,730,602,000	4,196,438,000	126	+ 12
115	First Union National Bank, Atlanta	4,655,144,000	4,244,454,000	121	+6
116	INB National Bank, Indianapolis	4,649,924,000	4,830,371,000	105	
117	Team Bank, Fort Worth, Tex.	4,643,676,000	576,774,000	...	
118	American National Bank & Trust Co., Chicago	4,639,352,000	4,300,769,000	118	
119	Bank of New York (Delaware), Wilmington	4,532,922,000	3,801,602,000	137	+ 18
120	Continental Bank, Norristown, Pa.	4,527,919,000	4,087,720,000	130	+ 10
121	Bank One Columbus NA, Ohio	4,465,578,000	4,409,761,000	115	
122	Bank South NA, Atlanta	4,432,431,000	3,863,926,000	134	+ 12
123	Sumitomo Bank of California, San Francisco	4,429,585,000	3,973,505,000	132	+ 9
124	Fuji Bank & Trust Co., New York	4,421,655,000	4,370,782,000	117	
125	Branch Banking & Trust Co., Wilson, N.C.	4,402,732,000	4,397,471,000	116	
126	Manufacturers & Traders Trust Co., Buffalo, N.Y.	4,375,874,000	3,816,394,000	136	+ 10
127	Central Bank of the South, Birmingham, Ala.	4,367,401,000	4,210,560,000	125	
128	BayBank Middlesex, Burlington, Mass.	4,351,722,000	4,117,760,000	128	
129	Security Pacific Bank Arizona, Phoenix	4,315,034,000	5,422,203,000	94	
130	Sun Bank NA, Orlando, Fla.	4,286,975,000	3,863,068,000	135	+5
131	FCC National Bank, Wilmington, Del.	4,236,000,000	4,295,176,000	119	
132	Sovran Bank/Maryland, Bethesda, Md.	4,176,604,000	4,109,011,000	129	
133	Norstar Bank NA, Buffalo, N.Y.	4,173,554,000	3,786,823,000	138	+5
134	Bank One Indianapolis NA	4,170,601,000	4,289,908,000	120	
135	Citizens & Southern National Bank, Charleston, S.C.	4,145,526,000	3,736,923,000	140	+5
136	Mercantile Bank NA, Clayton, Mo.	4,114,344,000	4,022,349,000	131	
137	Premier Bank NA, Baton Rouge, La.	4,111,993,000	4,226,081,000	123	
138	Fifth Third Bank, Cincinnati	4,080,850,000	5,487,009,000	92	
139	National Community Bank, Rutherford, N.J.	4,069,137,104	3,768,262,832	139	
140	First National Bank, Louisville, Ky.	4,053,351,000	4,160,979,000	127	
141	Midlantic National Bank/North, West Paterson, N.J.	3,940,329,000	3,537,792,000	146	+5
142	First Interstate Bank of Washington NA, Seattle	3,870,490,000	3,477,630,000	148	+6
143	First Interstate Bank of Nevada NA, Reno	3,868,842,000	3,565,229,000	144	+1
144	First American Bank of Virginia, McLean	3,830,475,000	3,728,288,000	141	
145	First-Citizens Bank & Trust Co., Raleigh, N.C.	3,821,312,000	3,470,907,000	149	+4
146	Deposit Guaranty National Bank, Jackson, Miss.	3,727,514,000	3,595,004,000	143	
147	Central Trust Co. NA, Cincinnati	3,704,684,000	3,558,197,000	145	
148	Merchants National Bank & Trust Co., Indianapolis	3,697,169,000	3,460,852,000	150	+2
149	SouthTrust Bank of Alabama NA, Birmingham	3,694,501,000	3,240,810,000	157	+8
150	Key Bank of Eastern New York NA, Albany	3,663,778,000	2,361,794,000	196	+ 46
151	Wilmington Trust Co., Del.	3,622,334,000	3,294,903,000	155	+4
152	Signet Bank/Maryland, Baltimore	3,616,658,000	3,710,745,000	142	
153	Trustmark National Bank, Jackson, Miss.	3,612,560,771	3,095,186,000	161	+8
154	First Security Bank of Utah NA, Salt Lake City	3,560,771,000	3,187,214,000	160	+6
155	First Wisconsin National Bank, Milwaukee	3,435,248,000	3,301,855,000	154	
156	Bank of Baltimore	3,357,716,000	3,248,105,000	156	
157	Union Trust Co., Stamford, Conn.	3,332,166,000	3,433,319,000	151	
158	West One Bank Idaho, NA, Boise	3,255,601,000	3,026,533,000	164	+6
159	Barclays Bank of New York NA	3,251,845,000	3,230,254,000	158	
160	Bank Leumi Trust Co., New York	3,214,503,000	3,225,447,000	159	
161	Old Kent Bank & Trust Co., Grand Rapids, Mich.	3,202,284,000	3,370,046,000	153	
162	Exchange National Bank, Chicago	3,143,015,000	2,943,848,000	167	+5
163	Star Bank NA, Cincinnati	3,083,239,000	3,000,410,000	165	+2
164	United Bank of Denver NA	3,067,717,000	2,697,916,000	176	+ 12
165	Union National Bank, Pittsburgh	3,034,201,000	2,263,856,000	204	+ 39
166	Boatmen's First National Bank, Kansas City, Mo.	3,008,686,000	2,984,764,000	166	
167	Society Bank NA, Dayton, Ohio	3,001,694,000	1,912,058,000	228	+ 61
168	Valley Bank of Nevada, Las Vegas	2,992,298,000	2,503,487,000	187	+ 19
169	Citizens First National Bank, Ridgewood, N.J.	2,970,852,000	2,804,254,000	172	+3
170	Society Bank & Trust, Toledo, Ohio	2,947,340,000	3,529,965,000	147	
171	Norstar Bank, Melville, N.Y.	2,931,457,000	2,502,162,000	188	+ 17
172	Banco de Ponce, P.R.	2,927,266,000	3,061,930,000	162	
173	Norwest Bank Des Moines NA, Iowa	2,910,174,000	1,403,058,000	291	+118
174	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	2,899,035,000	2,017,448,000	214	+ 40
175	Imperial Bank, Los Angeles	2,887,468,000	2,541,563,000	185	+ 10
176	Citibank (Arizona), Phoenix	2,852,164,000	2,596,963,000	179	+3
177	Bank of America Arizona, Phoenix	2,838,708,000	....	...	
178	Hamilton Bank, Lancaster, Pa.	2,826,479,000	2,707,827,000	175	
179	Equibank, Pittsburgh	2,798,794,000	2,936,659,000	169	–
180	Rhode Island Hospital Trust National Bank, Providence	2,784,543,000	2,939,904,000	168	
181	Barnett Bank of Pinellas Cty., St. Petersburg, Fla.	2,783,105,000	2,216,972,000	206	+ 25
182	United States Trust Co., New York	2,761,599,000	2,871,353,000	170	
183	First Fidelity Bank NA/North Jersey, Totowa, N.J.	2,759,432,000	2,348,920,000	197	+ 14
184	Citibank (Maryland) NA, Towson	2,737,930,000	1,665,090,000	259	+ 75
185	Bankers Trust (Delaware), Wilmington	2,713,170,000	2,224,084,000	205	+ 20
186	Bank of the West, Walnut Creek, Calif.	2,704,721,000	1,812,171,000	241	+ 55
187	First of America Bank-Southeast Michigan NA, Detroit	2,685,438,000	2,601,283,000	178	
188	Northeastern Bank of Pennsylvania, Wilkes-Barre	2,671,353,000	2,555,256,000	184	
189	Puget Sound National Bank, Tacoma, Wash.	2,657,676,000	2,564,922,000	182	
190	First National Bank of Commerce, New Orleans	2,657,631,000	2,772,828,000	173	
191	MBNA America Bank, NA, Newark, Del.	2,655,611,000	1,903,042,000	229	+ 38
192	Bank One Milwaukee NA	2,624,859,000	1,885,353,000	231	+ 39
193	Southern National Bank, Lumberton, N.C.	2,619,528,000	2,375,999,000	194	+1
194	M & I Marshall & Ilsley Bank, Milwaukee	2,613,572,000	2,649,509,000	177	
195	First Eastern Bank NA, Wilkes-Barre, Pa.	2,613,331,000	2,160,192,000	207	+ 12
196	Zions First National Bank, Salt Lake City, Utah	2,607,606,000	2,406,403,000	191	
197	Barnett Bank of Central Florida NA, Orlando	2,590,271,000	2,324,752,000	198	+1
198	Whitney National Bank, New Orleans	2,562,902,000	2,518,383,000	186	
199	First City, Texas-Dallas	2,545,776,000	2,414,416,000	190	
200	Daiwa Bank Trust Co., New York	2,517,717,000	2,265,468,000	203	+3

Data Sources: American Banker questionnaire, Federal regulatory report of condition for June 30, 1990, and various state banking departments. Assets for 1990 may not be comparable with assets reported for 1989 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank.

Compiled by American Banker, Copyright 1990.

Top 300 Commercial Banks in the United States

In order of total assets June 30, 1990, compared with June 30, 1989

Rank 6/30/90		Assets		Rank 6/30/89	Gain
		6/30/90	6/30/89		
201	Third National Bank, Nashville, Tennn	2,514,619,000	2,580,671,000	180	
202	New Jersey National Bank, Pennington	2,514,055,000	2,377,586,000	193	
203	Key Bank of Central New York NA, Syracuse	2,510,895,000	2,422,417,000	189	
204	Fleet Bank of Connecticut, Hartford	2,506,163,000	2,271,138,000	202	
205	Banco Santander Puerto Rico, Hato Rey	2,471,631,000	2,052,449,000	212	+7
206	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	2,466,943,000	2,310,258,000	200	
207	Bank One Dayton NA, Ohio	2,454,559,000	2,364,880,000	195	
208	Frost National Bank, San Antonio, Tex.	2,446,003,000	2,557,329,000	183	
209	United Jersey Bank Central NA, Princeton, N.J.	2,439,902,000	1,917,510,000	226	+ 17
210	Liberty National Bank & Trust Co., Louisville, Ky.	2,418,888,000	2,396,277,000	192	
211	Bank of Boston Connecticut, Waterbury	2,397,094,000	2,735,266,000	174	
212	Union Planters National Bank, Memphis, Tenn.	2,325,795,000	2,852,128,000	171	
213	First Security Bank of Idaho NA, Boise	2,314,060,000	1,829,857,000	235	+ 22
214	Citizens Bank of Maryland, Laurel	2,299,367,000	1,913,990,000	227	+ 13
215	United Carolina Bank, Whiteville, N.C.	2,286,281,000	2,063,104,000	211	
216	Citibank (Delaware), New Castle	2,242,287,000	1,528,696,000	273	+ 57
217	Citytrust, Bridgeport, Conn.	2,240,996,000	2,566,540,000	181	
218	First Fidelity Bank NA, Burlington Twp., N.J.	2,236,234,000	1,998,865,000	216	
219	Bank of Delaware, Wilmington	2,177,340,000	1,918,927,000	225	+6
220	Sun Bank/South Florida NA, Fort Lauderdale	2,159,834,000	1,994,204,000	217	
221	Sun Bank/Miami NA	2,159,709,000	2,136,187,000	209	
222	First Virginia Bank, Falls Church	2,115,446,000	1,992,642,000	218	
223	Commerce Bank of St. Louis NA, Clayton, Mo.	2,112,725,000	1,919,132,000	224	+1
224	Household Bank NA, Salinas, Calif.	2,111,040,000	1,310,323,000	308	+ 84
225	National State Bank, Elizabeth, N.J.	2,103,010,000	2,143,077,000	208	
226	Provident Bank, Cincinnati	2,101,887,000	2,004,363,000	215	
227	United Missouri Bank of Kansas City NA	2,078,142,000	1,763,842,000	247	+ 20
228	Norwest Bank South Dakota NA, Sioux Falls	2,063,476,000	1,883,031,000	232	+4
229	Merchants Bank NA, Allentown, Pa.	2,063,084,183	1,826,309,000	239	+ 10
230	National Bank of Alaska, Anchorage	2,049,003,000	2,298,763,000	201	
231	First National Bank, Akron, Ohio	2,029,353,000	1,941,611,000	220	
232	Barnett Bank of Jacksonville NA, Fla.	1,967,620,000	1,801,145,000	243	+ 11
233	First American Bank NA, Washington, D.C.	1,954,612,000	1,928,061,000	222	
234	Sunwest Bank of Albuquerque NA, N.M.	1,927,495,000	1,721,807,000	249	+ 15
235	Texas Commerce Bank Dallas NA	1,920,177,000	1,816,658,000	240	+5
236	First American Bank of Georgia NA, Atlanta	1,895,145,000	1,860,837,000	234	
237	Fleet Bank-NH, Nashua	1,891,018,000	976,497,000	381	+144
238	Fleet Bank of Maine, Portland	1,881,454,000	1,828,850,000	238	
239	Trust Company of New Jersey, Jersey City	1,874,216,000	1,743,689,000	248	+ 9
240	First Valley Bank, Bethlehem, Pa.	1,871,181,000	1,108,281,000	347	+107
241	Marine Bank, Warren, Pa.	1,869,363,000	1,708,421,000	253	+ 12
242	First National Bank, Toms River, N.J.	1,858,520,000	1,932,392,000	221	
243	Valley National Bank, Passaic, N.J.	1,845,366,000	1,720,471,000	250	+7
244	Comerica Bank NA, Jackson, Mich.	1,838,625,000	362,084,000	...	
245	Key Bank of Maine, Augusta	1,837,991,000	1,718,565,000	251	+6
246	Davenport Bank & Trust Co., Iowa	1,824,907,896	1,683,676,271	258	+ 12
247	Commerce Bank of Kansas City NA, Mo.	1,824,165,000	1,528,820,000	272	+ 25
248	Central Carolina Bank & Trust Co., Durham, N.C.	1,820,231,000	1,707,352,000	254	+6
249	Bank of Oklahoma NA, Tulsa	1,812,072,000	1,772,738,000	244	
250	Barnett Bank of Southwest Florida, Sarasota	1,801,323,000	1,710,227,000	252	+2
251	Bank One Cleveland NA	1,794,639,000	1,876,082,000	233	
252	BayBank Norfolk County Trust Co., Dedham, Mass.	1,788,441,000	1,770,820,000	245	
253	Mercantile-Safe Deposit & Trust Co., Baltimore	1,774,032,000	1,705,887,000	255	+2
254	Merrill Lynch Bank & Trust Co., Plainsboro, N.J.	1,768,028,000	1,765,785,000	246	
255	Custodial Trust Co., Trenton, N.J.	1,762,575,000	1,616,974,000	263	+8
256	Merchants Bank, Kansas City, Mo.	1,755,476,000	1,829,506,000	236	
257	Manufacturers Hanover Bank (Delaware), Wilmington	1,722,999,000	1,898,006,000	230	
258	Banco Central Corp., Hato Rey, P.R.	1,715,304,000	1,455,449,000	280	+ 22
259	National Bank of Commerce, Memphis, Tenn.	1,702,484,000	1,517,105,000	274	+ 15
260	First National Bank, Albuquerque, N.M.	1,696,609,000	1,405,691,000	290	+ 30
261	Summit Bank, Fort Wayne, Ind.	1,662,564,000	1,698,602,000	257	
262	First American Bank of New York	1,662,216,000	1,470,469,000	279	+ 17
263	National Bank of Washington, Washington D.C.	1,650,969,000	1,923,966,000	223	
264	Dominion Bank of Middle Tennessee, Nashville	1,645,358,000	1,581,619,000	266	+2
265	Casco Northern Bank NA, Portland, Me.	1,625,244,000	1,642,967,000	262	
266	Amalgamated Bank, New York	1,579,092,000	1,500,158,000	275	+ 9
267	Bank IV Wichita NA, Kan.	1,575,374,000	1,545,853,000	269	+2
268	Barnett Bank of Tampa NA, Fla.	1,575,177,000	1,447,906,000	282	+ 14
269	San Diego Trust & Savings Bank, Calif.	1,561,529,000	1,371,620,000	298	+ 29
270	Nationar, New York	1,559,275,000	1,802,083,000	242	
271	First American Bank of Maryland, Silver Spring	1,557,155,000	1,436,321,000	283	+ 12
272	Security Pacific Bank Oregon, Portland	1,554,307,000	1,539,558,000	270	
273	Security Bank & Trust Co., Southgate, Mich.	1,553,351,000	1,387,774,000	294	+ 21
274	First Interstate Bank of Denver NA	1,538,591,000	1,653,744,000	260	
275	Massachusetts Co., Inc., Boston	1,529,379,000	1,336,425,000	303	+ 28
276	Jefferson National Bank, Charlottesville, Va.	1,525,684,000	1,370,061,000	299	+ 23
277	Summit Trust Co., N.J.	1,524,065,000	1,391,867,000	292	+ 15
278	Marquette Bank Minneapolis NA	1,512,004,000	1,424,372,000	286	+ 8
279	Key Bank of Oregon, Portland	1,504,717,000	1,303,587,000	310	+ 31
280	Sunburst Bank, Grenada, Miss.	1,494,420,000	1,477,554,000	278	
281	Bank of Mississippi, Tupelo	1,491,533,000	1,360,793,000	301	+ 20
282	First USA Bank, Wilmington, Del.	1,490,414,000	1,700,150,000	256	
283	BayBank Harvard Trust Co., Cambridge, Mass.	1,486,402,000	1,610,993,000	264	
284	Colonial Bank-Northern Region, Montgomery, Ala.	1,475,858,000	1,037,192,000	368	+ 84
285	Central Jersey Bank & Trust Co., Freehold, N.J.	1,470,928,000	1,432,982,000	284	
286	Provident Bank of Maryland, Baltimore	1,469,973,000	1,276,012,000	315	+ 29
287	First Bank NA, Milwaukee	1,461,129,000	1,579,340,000	267	
288	Norwest Bank Nebraska NA, Omaha	1,459,119,000	1,482,510,000	277	
289	First Union National Bank, Greenville, S.C.	1,450,609,000	1,415,371,000	288	
290	Colorado National Bank, Denver	1,448,578,000	1,416,498,000	287	
291	United Penn Bank, Wilkes-Barre, Pa.	1,446,972,000	1,245,079,000	322	+ 31
292	First National Bank, Omaha, Neb.	1,439,978,000	1,202,560,000	331	+ 39
293	International Bank of Commerce, Laredo, Tex.	1,438,139,000	869,942,000	...	
294	Gainer Bank NA, Gary, Ind.	1,435,242,000	1,424,407,000	285	
295	Mark Twain Bank, Ladue, Mo.	1,434,048,000	1,334,364,000	304	+ 9
296	Commonwealth National Bank, Harrisburg, Pa.	1,425,971,000	1,453,086,000	281	
297	York Bank & Trust Co., York, Pa.	1,424,710,000	1,212,831,000	329	+ 32
298	Sun Bank of Tampa Bay, Tampa, Fla.	1,418,897,000	1,326,436,000	306	+ 8
299	Chemical Bank (Delaware), Wilmington	1,413,777,000	1,560,233,000	268	
300	Bank of New England-West NA, Springfield, Mass.	1,409,906,000	2,043,674,000	213	

Data Sources: American Banker questionnaire, Federal regulatory report of condition for June 30, 1990, and various state banking departments. Assets for 1990 may not be comparable with assets reported for 1989 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank.

Compiled by American Banker, Copyright 1990.

R0175-1

LARGEST CREDIT CARD LENDERS
Rankings begin on page 16A

AMERICAN BANKER

VOL. CLV NO. 181 | Monday, September 17, 1990 | 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Banks Aren't Rushing to Buy New IBM Line

By KAREN GULLO

ANALYSIS: *Follow-up on the news*

NEW YORK — If International Business Machines Corp. delivers on the promises for more powerful hardware and new software it made last week, bankers may eventually be able to speed processing, improve customer service, and reduce operating expenses.

But the key word is "eventually."

Bankers whose institutions rely on IBM's most powerful mainframes said they are not speeding up plans to upgrade computer systems despite the long-awaited announcement. These bankers said they would not buy new computers for two years – long after the more powerful mainframes become available.

Some bankers said IBM's new mainframe line is simply not innovative enough to prompt immediate purchases. Others noted that the IBM software that most excites bankers, including improved security, data base management, and systems control, is at least two to four years away.

"The announcements had to be somewhat disappointing to bankers because they are more directional than substantive," said Frank Gens, vice president at Technology Investment Strategies, a research firm in Framingham, Mass. "IBM is basically telling bankers to sit tight over the next two to four years, which may give some comfort, but it means they will have to continue looking outside IBM for those solutions."

Market Share Concerns

IBM's announcement, which included 140 products, was the first unveiling of a major mainframe line in 10 years. The computer giant is counting on the new line to increase its market share, which has eroded as companies shift to distributed computing and as competition intensifies with lower-priced Japanese mainframes.

Though Fleet/Norstar Financial Group Inc. does not plan to alter its investment plans, it welcomed the new direction from IBM.

"We're glad to see IBM continue to make available more mips [millions of instructions per second, a measure of computing speed] and power," said Michael Zucchini, executive vice president and chief information officer at Fleet/Norstar. "Now, we have an upgrade path, and that will help us do consolidations" of data centers and oth-

See **IBM** page 3

INSIDE NEWS

SPECIAL REPORT

AFTER EXPLOSIVE expansion during much of the 1980s, the credit-card industry is seeking to maintain growth in the face of high consumer debt, a general economic chill, and a spate of new players. *Page 1A*

WASHINGTON

RENEGOTIATING the 1988 sales of insolvent thrifts could bring in billions to the federal government, but it would take billions in new money up front to realize such savings, L. William Seidman said. *Page 2*

LEADERS OF the banking industry arrived in the nation's capital for a policymaking session just as lawmakers were starting to clamor for more FDIC rate hikes. *Page 8*

TECHNOLOGY

NATIONAL CITY Corp. of Cleveland is developing a program that will allow welfare recipients to use a smart card instead of food stamps. *Page 3*

INTERNATIONAL

Cash-strapped Japanese banks are hoping to tap corporations' surplus funds through subordinated debt agreements. *Page 14*

CONSUMER

A SENATE BILL would require separate examinations for consumer compliance, which encompasses community reinvestment and fair lending, and for safety and soundness. *Page 10*

COMMENT

NUTTY TAX LAWS weakened a generation of bankers, says Paul S. Nadler. *Page 4*

A SCATTERSHOT improvement program that lacks focus and discipline may create more problems than it solves, writes Robert E. Mainer. *Page 4*

REQUIRED READING

IN TESTIMONY before the Senate Banking Committee, Charles Bowsher of the GAO called the state of the FDIC fund "disturbing." *Page 7*

INDEX

Company Index 2
Letters 5
Executive Changes 18
Classified Advertising 20
Bank and Thrift Stocks 23

Credit Card Lenders Reduce Chargeoff Levels

Seven of top 10 bank card lenders improved in 1989

	Consolidated card loans ($ in billions)	Chargeoffs as % of loans 1989	Chargeoffs as % of loans 1988	Percentage change
Citicorp	$22.7	3.45%	3.49%	–1%
Chase Manhattan Corp.	$9.9	2.51%	2.97%	–16%
BankAmerica Corp.	$7.5	2.05%	1.99%	+3%
Sears, Roebuck and Co.	$7.1	2.44%	2.48%	–2%
American Express Co.	$5.4	4.70%	3.11%	+51%
First Chicago Corp.	$5.1	2.99%	2.73%	+10%
Bank of New York Co.	$3.5	2.61%	2.69%	–3%
Wells Fargo & Co.	$3.1	2.34%	3.07%	–24%
Manufacturers Hanover Corp.	$2.4	3.70%	6.42%	–42%
First Interstate Bancorp	$2.1	3.15%	3.53%	–11%
Totals for top 10	$68.8	3.03%	3.12%	–3%

Source: American Banker

Management, Collection Systems Get Credit for Lower Card Losses

By YVETTE D. KANTROW

NEW YORK — As concerns mount about the quality of consumer credit, the nation's top card banks are becoming more adept at managing their card portfolios, according to an *American Banker* survey.

Among the top 100 card banks, chargeoffs as a percentage of credit card loans outstanding dropped to 2.9% at the end of 1989, from 3.1% at the end of 1988. (The chargeoff figures are included in tables showing the largest bank card issuers, on pages 16A and 20A-23A.)

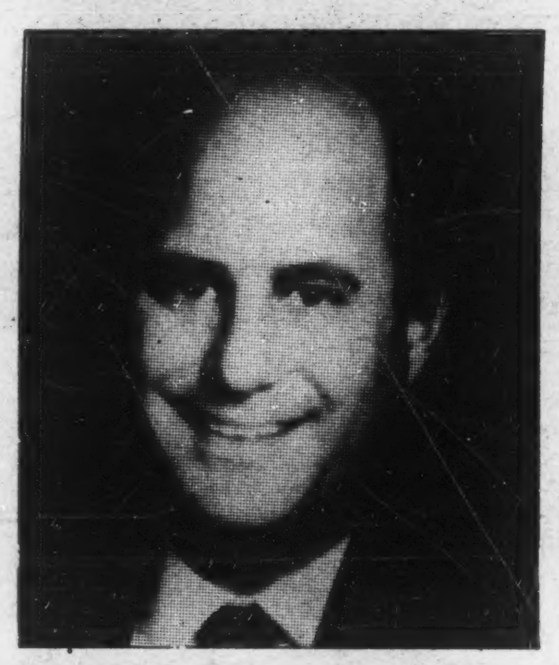
Controlling Losses

Bankers' ability to keep such losses under control is expected to help the credit card business

See **TOP** *page* **10**

First Gibraltar of Texas Expected To Acquire Failed Oklahoma Thrift

By STEVE KLINKERMAN



Ronald O. Perelman
MacAndrews & Forbes

DALLAS — Ronald O. Perelman's First Gibraltar Bank late Friday was expected to announce it had acquired the failed Sooner Federal Savings Association of Tulsa, Okla., becoming the first Texas institution to make a major out-of-state acquisition.

Terms of the transaction were not immediately available, but sources said First Gibraltar would acquire a substantial portion of Sooner's $1.3 billion in assets from the Resolution Trust Corp. First Gibraltar and RTC officials were unavailable for comment.

As of March 31, Sooner's portfolio included $400 million of mortgage-backed securities and $470 million of housing loans, according to data from Ferguson & Co. "It was not a

See **PERELMAN** *page* **13**

Accounting Proposal Still Alive Despite Panel's Move

By KELLEY HOLLAND

The banking industry won a major victory last week by beating back an accounting proposal that would have sharply increased banks' earnings volatility, but another battle over the issue still looms.

A committee of the American Institute of Certified Public Accountants last week postponed a vote on the proposal, which would require banks to report at the lower of cost or market value a greater proportion of their investment portfolios.

But a spokesman said the accounting group is continuing to study the idea and could take it up again at a December meeting.

Meanwhile, regulators at the Securities and Exchange Commission are still interested in having banks use more market value accounting for investment portfolios on their financial statements.

As a result, there is still a chance that banks' financial reports could have quite a different look as early as 1991.

"The issue is not dead," said Henry Ruempler, director of tax and accounting at the American Bankers Association. But for now, "at least you have an AICPA committee that is recognizing the difference of what they originally tried to do," he said.

Currently, banks report their trading portfolios on a mark-to-market basis, while their investment portfolios are reported at historical cost.

Disclosure of Losses

The committee did vote to require banks to disclose unrealized gains and losses from their investment portfolios in the footnotes of their financial statements.

"I'd characterize it as a recognition that this is a difficult issue and it's better to make sure

See **SHOWDOWN** *back page*

1st Interstate's Carson Faces Twice-Wary Analysts

By SAM ZUCKERMAN

SAN FRANCISCO – Few large banking companies have disappointed investors more in recent years than loss-plagued First Interstate Bancorp. So what was billed as Edward M. Carson's first road show since he became chairman and chief executive last spring was a little like Daniel's visit to the lion's den.

Late last year, First Interstate's then chairman and chief executive, Joseph J. Pinola, was reportedly raked over the coals by investors at a Boston meeting after the company had announced a $400 million addition to loan loss reserves without warning.

"I'd like to try to convince you that we're not a bunch of idiots," Mr. Carson said last week, getting straight to the point, during his remarks at the Montgomery Securities annual investment conference in San Francisco.

Mr. Carson's message was simple: the management team put in place at Los Angeles-based First Interstate following the retirement of Mr. Pinola has pinpointed the organization's problems and is putting into effect solutions that will produce consistent profits. The unstated

See **STOCKS** *back page*

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 10-11, 16A,

21A-23A

COMMUNITY RELATIONS

Bill Would Separate Exams For Lending Compliance

By LINDA CORMAN

WASHINGTON — A bill awaiting action on the Senate floor would create yet another exam for many financial institutions.

The Fair Lending Enforcement Act, which was introduced by Sen. Alan Dixon, D-Ill., would require regulators to conduct separate examinations for consumer compliance, which encompasses community reinvestment and fair lending, and for safety and soundness. Several regulators now do both in one fell swoop.

The measure is modeled after the practices of the Federal Reserve Board, which has conducted separate exams in these areas for the past 15 years. The Federal Deposit Insurance Corp. and the Office of Thrift Supervision are also taking steps to create separate exams.

But the Office of the Comptroller of the Currency and the federal credit union regulator have expressed at least some resistance to the proposal, saying it could increase their examination costs. And industry trade groups say the measure would increase the regulatory burden on financial institutions.

The bill, which passed the Senate Banking Committee in July, would require that all financial regulators create separate units for consumer compliance by Jan. 1, 1993. Under the proposal, the heads of the consumer compliance programs would answer directly to their respective agency heads, not to the examiners in charge of safety and soundness.

Discrimination Alleged

The legislation sprang from hearings conducted over the past year on alleged discrimination in mortgage lending.

"There has been lots of testimony that regulators don't give enough attention to [consumer compliance] exams," said a staff member of the Banking Committee. "It is too complex to do both consumer exams and safety and soundness exams. If a choice [has to be made], short shrift is given to consumer stuff."

The proposed changes are designed to make sure examiners devote full attention to banks' compliance with consumer legislation and to ensure that examiners are fully versed in that subject.

The National Association of Federal Credit Unions has been the most vocal in expressing concerns about the measure.

The cost of having separate examiners is the primary issue, said John H. Zimmerman, legislative representative for the organization. Mr. Zimmerman declined to provide an estimate of what the additional costs would be to the credit union regulator and what costs would be passed on to credit unions.

The Banking Committee staff member, however, said the credit union group had claimed the bill would set it back $3 million. The staff member said the committee estimated the cost would be closer to $300,000.

The banking trade groups have not made the legislation a priority in their legislative battles. But both the American Bankers Association and the Consumer Bankers Association say the measure is another example of the growing regulatory burden on their members.

Conflicting Demands

Craig Ulrich, vice president and general counsel for the consumers association, said a potential problem with separate exams is that banks may "get stuck between conflicting demands . . . between safety and soundness and consumer compliance."

Some cases of conflicts have already arisen when regulators have used separate examiners, Mr. Ulrich said. Some bankers have said they see inherent conflict in being more flexible about qualifications for borrowers in low-income areas and living up to regulators' standards, particularly when making housing and other real estate loans.

In its report on the estimated cost of implementing the proposal, the Congressional Budget Office said the added expense to the National Credit Union Administration – the federal agency that regulates credit unions – would be $200,000 for training and $400,000 for reporting and supervision.

Although the NCUA board has not taken a position on the proposed legislation, the regulator has concerns about the costs, said Robert Loftus, agency director of public and congressional affairs.

"We feel we're doing all that is necessary for consumer compliance," said Mr. Loftus, who added that the agency is seeking some changes in the bill.

Among the banking agencies, the Office of the Comptroller of the Currency has offered the strongest resistance to the proposal even though it has taken steps to alter its organization to meet the bill's requirements, said the Banking Committee staff member.

"No one here is trying to stonewall" the proposal, said a spokesperson for the Comptroller's office. But she said the agency is concerned that the bill would translate into increased costs for the OCC. The Congressional Budget Office found the additional cost for the Comptroller's office would be $200,000 to $500,000. The money would be needed to hire consumer compliance directors for each of six supervisory districts.

No additional costs would be borne by the FDIC, the OTS, or the Fed, the Congressional Budget Office found, because these agencies are already introducing compliance systems similar to those called for in the legislation. □

Top Card Banks Cut Loan Losses

Consolidations Help Big Lenders Find Efficiencies

Continued from *page* **1**

remain among the most profitable for financial institutions.

"Cards are making a much larger contribution to their banks' income than they have in the past," said Robert K. Hammer, president of R.K. Hammer, an investment bank in Newbury Park, Calif., that specializes in card portfolio sales. "That dependency on revenue from cards will continue to grow."

Top 10 Credit Card Companies

(Dollar amounts in millions)

Card rank 12/89		Card loans 12/31/89	Percent change	Chargeoffs as a % of card loans	Percent change
1.	Citicorp	$22,726	+4.8%	3.45	-1.1%
2.	Chase Manhattan Corp.	9,913	+37.1	2.51	-15.5
3.	BankAmerica Corp.	7,481	+24.8	2.05	+3.0
4.	Sears, Roebuck & Co.	7,115	+17.8	2.44	-1.6
5.	American Express Co.	5,390	+33.6	4.70	+51.1
6.	First Chicago Corp.	5,122	+38.7	2.99	+9.5
7.	Bank of New York Co.	3,466	+10.5	2.61	-3.0
8.	Wells Fargo & Co.	3,115	+14.5	2.34	-23.8
9.	Manufacturers Hanover Corp.	2,379	+12.4	3.70	-42.4
10.	First Interstate Bancorp	2,095	-13.2	3.15	-10.8

Industry observers attributed some of the down trend in chargeoffs to the maturing of the credit card business. As accounts in a bank's portfolio get older, the likelihood of default decreases, they said.

But more important, the decline in chargeoffs demonstrates that bank investments several years ago in sophisticated credit-reporting and collections systems are now paying off. These systems screen out credit risks and help banks induce payments from delinquent borrowers.

Collections Emphasized

"There has been a tremendous emphasis on collection activity, which started about two to three years ago, when bankruptcies first hit and credit losses got out of hand," said Peter T. Dunn, managing director of Edgar, Dunn, and Conover, a San Francisco management consulting firm. "What we're seeing is the impact of those programs and better-managed portfolios."

That is good news for bankers, who have been worried about a host of gloomy economic statistics, including an uptick in personal bankruptcies. In 1989, 616,753 people filed for bankruptcy, an all-time high and an increase of 12% from 1988.

The *American Banker* survey found other bits of good news for credit card bankers. While many worry that little room is left for growth in the business, the study found that loans outstanding continued to increase at a healthy clip.

> **"What we're seeing is the impact of those programs and better-managed portfolios."**
>
> **Peter T. Dunn**
> *Edgar, Dunn, and Conover*

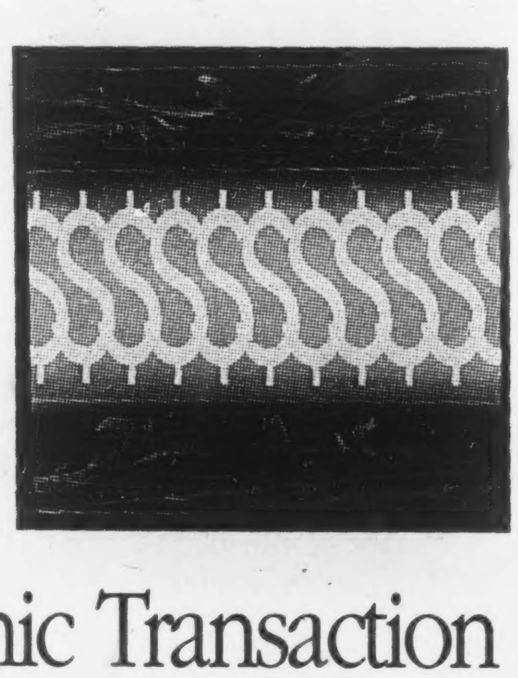
In 1989, the top 100 credit card banks reported receivables totaling $106 billion, a 13.7% jump from the previous year. Credit card loans outstanding at all commercial banks totaled $130.8 billion in 1989, an 11.6% increase.

The industry's card holdings grew faster than its overall consumer loan portfolio, which rose by 10.6% last year. But card growth fell well short of banks' 27% surge in home equity loans. The latter have become increasingly popular because, unlike interest payments on credit cards, interest on home equity credit remains fully tax-deductible under the Tax Reform Act of 1986.

The credit card business is continuing to consolidate, the numbers showed, with roughly three-quarters of loans outstanding held by the 100 largest players. Benefiting from economies of scale, the biggest card banks appeared the most adept at controlling losses. Seven of the top

See **AGE** *next page*

BT Tymnet Is



Electronic Transaction Services

BT Tymnet offers the broadest array of Electronic Draft Capture (EDC) and other Point-of-Sales transaction services in the industry. Quality BT Tymnet services enable banks to provide merchants with innovative, highly competitive and profitable solutions. Full service capabilities include: a wide range of connectivity, state-of-the-art card and check support and reliable performance worldwide. Just call our toll-free number for complete details.

BT Tymnet is: Global Network Services,℠ Network Management System, Dialcom® Messaging Services, EDI+Net,® LAN Connectivity Services and much more.

Contact BT Tymnet: 2560 North First Street
P.O. Box 49019 ♦ San Jose, CA 95161-9019 ♦ 800-872-7654

BT TYMNET™
A British Telecom Company

Spirited.
Solid.
Strong.
Business Communications Around The World.

Age Boosts Card Portfolios' Quality

Continued from *page* **10**

10 credit card banks reported chargeoff ratios below the top 100's average.

Chargeoffs Decline

Among the 10 largest holding companies ranked by subsidiaries' combined credit card loans outstanding, seven showed declines in chargeoffs in 1989.

"Operating leaner and meaner is becoming a way of life," said Mr. Hammer, the California investment banker.

At the banking subsidiary of Chase Manhattan Corp., the nation's second-largest card issuer, the chargeoff ratio declined to 2.58%, from 3.01% a year earlier. At the same time, loans outstanding rose a whopping 37.6%, mostly due to five portfolio acquisitions.

Chase's statistics demonstrated how the surge in portfolio sales is also helping keep chargeoffs down. Banks in the market for new receivables often look for seasoned accounts, which are less likely to default than newly solicited customers.

Buying 'Old Portfolios'

"A few years ago, there was an explosion of new account solicitations," said Mr. Dunn, the management consultant. "What we're seeing now is a moving around of old portfolios."

Earnings surged 30.45% at 20 top banks that specialize in credit card lending.

In 1989, about $6.6 billion worth of credit card receivables changed hands.

In fact, evidence indicated that a concentration in credit card lending yields superior profits to the biggest issuers. At 20 top banks that specialize in credit card lending, earnings surged 30.45%.

Other key findings of the survey follow:

- Citicorp remains the largest company in the business. At the end of 1989, units of the holding company claimed $22.7 billion in card loans outstanding. Portfolio growth was probably greater than the 4.7% increase reported, since the figures reflect Citicorp's asset securitization transactions.
- Sears, Roebuck and Co.'s Discover card continued to grow more profitable. Receivables at Greenwood Trust Co., the Newcastle, Del., bank that issues the card, grew 16.7% in 1989, to $6.89 billion. Net income at the bank hit $97.1 million, up from $1.33 million in 1988.
- Another nonbank competitor – American Express Co. – also saw significant growth. Its Centurion unit, which holds receivables for the Optima card, claimed $5.1 billion in loans outstanding in 1989, up 35.9% from a year earlier. Net income soared 78.5%, to $65 million.
- Among the top 10 banks, the biggest gain was posted by FCC National Bank, Wilmington, Del. Its outstanding credit cards and related loans surged by more than 60%. The next biggest gains were at Citibank (Nevada), Los Angeles – 39.95% – and Chase Manhattan Bank (USA), Wilmington – 37.63%.

— Phil Roosevelt in New York contributed to this article.

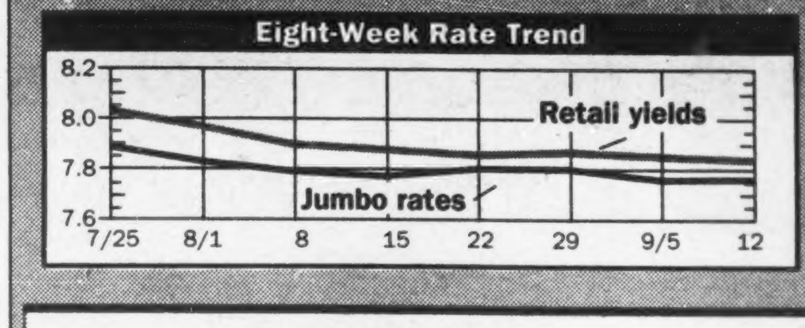
IF YOU WANT

✓ Competitive Rates
✓ Tax Advantages
✓ Complete Safety

BUY U.S.
SAVINGS BONDS
Where you bank.

AMERICAN BANKER /*Bank Rate Monitor's*™ Consumer Money Index

Retail and Jumbo CDs



Here are the market-by-market averages being paid on jumbo and retail certificates of deposit by the 10 largest banks and thrifts in each of the nation's 10 largest markets on September 12. The eight-week rate trend is the average being paid on one-year maturities by the same 100 institutions on the dates indicated.

Retail Yields

	6-month	1-year	5-year
New York	7.62%	7.82%	8.04%
Los Angeles	7.75	7.92	7.89
Chicago	7.52	7.66	8.08
San Francisco	7.72	7.91	8.06
Philadelphia	7.68	7.73	8.00
Detroit	7.36	7.62	7.98
Boston	7.94	8.12	8.26
Houston	7.60	7.62	7.86
Dallas	7.61	7.71	7.96
Washington	8.12	8.27	8.39
BRM NATIONAL AVERAGE	7.69	7.84	8.05

Jumbo Rates

	6-month	1-year	5-year
New York	7.45%	7.58%	7.92%
Los Angeles	7.73	7.79	7.88
Chicago	7.63	7.71	8.27
San Francisco	7.73	7.82	8.16
Philadelphia	7.71	7.69	7.91
Detroit	7.75	7.75	7.78
Boston	7.83	7.85	8.08
Houston	7.62	7.71	7.94
Dallas	7.67	7.77	8.04
Washington	7.87	7.93	8.25
BRM NATIONAL AVERAGE	7.70	7.76	8.02

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

DEFINE LIQUIDITY

Liquidity is the CBOT Treasury Complex.

Liquidity is open interest.

And open interest for 2-Year T-Notes, the newest addition to the CBOT Treasury complex, has grown to 10,000 in less than 3 months of trading.

Liquidity is 2-Year T-Notes . . . only at the Chicago Board of Trade.

For literature call:
1-800-THE-CBOT ext. 205
or Fax: 312-341-3027

Chicago Board of Trade

1990, Chicago Board of Trade

The Top 25 Companies in Bank Credit Cards

Based on the combined credit card loans outstanding at commercial bank and thrift subsidiaries (in millions of dollars)

Rank 12/89	Rank 12/88		Credit Card Loans Outstanding Credit at Bank & Thrift Subsidiaries 12/31/89	12/31/88	% Chg.	Number of Subsidiaries 12/31/89	12/31/88	Largest Credit Card Subsidiary (Card loans)
1	1	**Citicorp, New York**	$22,726	$21,687	4.79%	14	10	Citibank (South Dakota), NA, Souix Falls ($9,336)
2	2	**Chase Manhattan Corp., New York**	9,913	7,232	37.07	6	4	Chase Manhattan Bank (USA), Wilmington, Del. ($9,266)
3	4	**BankAmerica Corp., San Francisco**	7,481	5,995	24.79	2	2	Bank of America NT&SA, San Francisco ($6,189)
4	3	**Sears, Roebuck & Co., Chicago (a)**	7,115	6,038	17.83	2	2	Greenwood Trust Co., Newcastle, Del. ($6,895)
5	5	**American Express Co., New York (b)**	5,390	4,035	33.58	3	3	American Express Centurion Bank, Newark, Del. ($5,191)
6	6	**First Chicago Corp.**	5,122	3,692	38.73	14	13	FCC National Bank, Wilmington, Del. ($4,815)
7	7	**Bank of New York Co. Inc.**	3,466	3,138	10.45	2	5	Bank of New York (Delaware), Wilmington ($3,362)
8	8	**Wells Fargo & Co., San Francisco**	3,115	2,720	14.52	1	1	Wells Fargo Bank, NA, San Francisco ($3,115)
9	10	**Manufacturers Hanover Corp., New York**	2,379	2,117	12.38	1	1	Manufacturers Hanover Trust Co., New York ($2,379)
10	9	**First Interstate Bancorp., Los Angeles**	2,095	2,413	-13.18	25	21	First Interstate Bank of California, Los Angeles ($1,036)
11	20	**NCNB Corp., Charlotte, N.C.**	1,798	1,225	46.77	6	5	NCNB National Bank of South Carolina, Columbia ($518)
12	23	**Household International Inc., Prospect Heights, Ill.**	1,744	1,116	56.27	2	2	Household Bank NA, Salinas, Calif. ($1,598)
13	12	**Banc One Corp., Columbus, Ohio**	1,566	1,731[1]	-9.53	51	50	Bank One Columbus NA, Ohio ($507)
14	13	**MNC Financial Corp., Baltimore**	1,488	1,581[1]	-5.88	3	4	Maryland Bank NA, Newark, Del. ($1,360)
15	21	**CoreStates Financial Corp., Philadelphia (c)**	1,486	1,180	25.96	1	1	CoreStates Bank of Delaware NA, Wilmington ($1,486)
16	15	**Marine Midland Banks, Buffalo, N.Y. (d)**	1,471	1,407	4.55	2	2	Marine Midland (Delaware), NA, Wilmington ($741)
17	18	**Signet Banking Corp., Richmond**	1,461	1,244	17.44	2	2	Signet Bank/Virginia, Richmond ($1,418)
18	17	**First Wachovia Corp., Winston-Salem, N.C**	1,411	1,310	7.71	3	3	First National Bank, Atlanta ($961)
19	14	**Capital Holding Corp., Louisville, Ky.**	1,356	1,468	-7.63	1	1	First Deposit National Bank, Tilton, N.H. ($1,356)
20	11	**Security Pacific Corp., Los Angeles**	1,325	1,989[1]	-33.38	8	6	Security Pacific National Bank, Los Angeles ($539)
21	...	**Norwest Corp., Minneapolis**	1,230	995	23.62	36	35	Norwest Bank Des Moines NA, Iowa ($378)
22	22	**Chemical Banking Corp., New York**	1,169	1,173[1]	-0.34	22	21	Chemical Bank (Delaware), Wilmington ($704.4)
23	24§	**Barnett Banks Inc., Jacksonville, Fla.**	1,117	1,052[1]	6.18	34	34	Barnett Bank of South Florida NA, Miami ($252)
24	25§	**National City Corp., Cleveland**	1,098	1,050[1]	4.57	13	13	BancOhio National Bank, Columbus (778)
25	26§	**Sovran Financial Corp., Norfolk, Va.**	1,089	1,039	4.81	9	9	Sovran Bank, NA, Richmond ($715)
		TOTALS FOR THE TOP 25 COMPANIES	**$89,611**	**$78,940§**	**13.52%**	**263**	**250**	
		Dropping out of the Top 25						
--	16	**Chevy Chase Savings Bank FSB, Md. (e)**	979	1,381	-29.1	1	1	Chevy Chase Savings Bank FSB, Md. ($979)
--	19	**Lomas Financial Corp., Dallas (f)**	945	1,240	-23.78	1	1	First USA Bank, Wilmington, Del. ($945)

Data sources: Federal regulatory report of condition for all FDIC-insured commercial and savings banks. and data for SAIF-insured thrifts and federally-chartered FDIC-insured savings banks are from the Quarterly Financial Report submitted to the Office of Thrift Supervision. American Banker extracted these data from **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving. Tex **Credit card loans outstanding:** For commercial banks and FDIC-insured savings banks. these loans are defined to include all extensions of credit to individuals for household. family. and other personal expenditures arising from bank credit cards or special prearranged overdraft plans For thrifts reporting to the FHLBB. these loans include credit extended in connection with credit cards plus overdrafts on NOW accounts plus any other open-ended credit extended to consumers. **Commercial banks** include "nonbank" banks, and **thrifts** include both FSLIC-insured and FDIC-insured savings institutions. Industrial banks are excluded. **(a)**— The bank is a direct subsidiary of Dean Witter Financial Services Group, which is in turn a subsidiary of Sears, Roebuck and Co. Greenwood Trust handles the "Discover" credit card operations for Sears. **(b)**— The bank is a direct subsidiary of American Express Travel Related Services, which in turn, is a subsidiary of American Express. The bank handles the "Optima" card operations for American Express. **(c)**— Acquired about $90 million of the credit card portfolio of Chevy Chase Savings Bank FSB, Md. **(d)**— On March 31, the Delaware bank was merged into Marine Midland Bank NA, Buffalo, N.Y. **(e)**— In the process of selling off its credit card portfolio. **(f)**— The subsidiary bank was formerly known as Lomas Bank USA. It changed title on 10/16/89, and became a direct subsidiary of First USA Inc., Dallas, which in turn, is a subsidiary of Lomas Financial Corp. **(§)**— Revised. **(1)**— Revised to include bank and thrift affiliates that were omitted from the 1988 total in last year's listing.

Compiled by American Banker, Copyright 1990.

Bank Credit Card Operations of Diversified Financial Services Companies

Rank 12/89	Rank 12/88	Name of Bank	Name of Parent	Credit Card Loans (thousands of dollars) 12/31/89	12/31/88	% Chg.	Date of Acq./Start
6	6	**American Express Centurion Bank, Newark, Del.**	American Express Travel Related Services **(a)**	$5,191,360	$3,818,234	36.0%	1985
160	191	**Associates National Bank, Pleasanton, Calif.**	Associates Corporation of North America, Dallas	99,445	68,597	45.0	1980
..	..	**Boston Safe Deposit & Trust Co.**	Shearson Lehman Hutton Inc., New York **(a)**	3,498	7,560	-53.7	1981
30	42	**Colonial National Bank USA, Wilmington**	ADVANTA Corp, Horsham, Pa.	661,108	459,664	43.8	1982
17	12	**First Deposit National Bank, Tilton, N.H.**	Capital Holding Corp., Louisville, Ky.	1,356,357	1,468,469	-7.6	1984
7‡	7‡	**First Nationwide Bank FSB, San Francisco**	Ford Motor Co., Dearborn, Mich.	209,562	337,390	-56.4	1985
120	129	**First Signature Bank & Trust Co., Portsmouth, N.H.**	John Hancock Mutual Life Insurance Co., Portsmouth, NH	151,615	128,149	18.3	1985
22	15	**First USA Bank, Wilmington, Del. (b)**	First USA Inc., Dallas **(c)**	945,165	1,240,063	-23.8	1986
4	3	**Greenwood Trust Co., Newcastle, Del.**	Dean Witter Financial Services Group, New York **(d)**	6,894,546	5,909,337	16.7	1985
12‡	65‡	**Household Bank FSB, Newport Beach, Calif.**	Household International Inc., Prospect Heights, Ill.	145,751	46,887	210.9	1976
13	20	**Household Bank NA, Salinas, Calif.**	Household International Inc., Prospect Heights, Ill.	1,598,296	1,068,858	49.5	1981
96	128	**Hurley State Bank, Sioux Falls, S.D.**	Dean Witter Financial Services Group, New York **(d)**	219,961	128,616	71.0	1986
102	90	**IDS Bank & Trust Co., Minneapolis, Minn.**	American Express Travel Related Services **(a)**	195,547	209,342	-6.6	1986
223	397	**Massachusetts Co., Inc. Boston**	Travelers Corp., Hartford, Conn.	57,059	15,478	268.6	1969
302	65	**Monogram Bank of Ohio, Blue Ash, Ohio**	General Electric Capital Corp., Stamford, Conn. **(e)**	34,169	370,956	-90.8	1986
55	..	**Monogram Bank USA, Cincinnati**	General Electric Capital Corp., Stamford, Conn. **(e)**	404,623	0	...	1988
56	..	**Monogram Credit Card Bank, Roswell, Ga.**	General Electric Capital Corp., Stamford, Conn. **(e)**	403,544	11,343	3,457.6	1988
36	49	**J.C. Penney National Bank, Harrington, Del.**	J.C. Penney & Co., New York	548,091	402,892	36.0	1983
58	57	**Primerica Bank, Newark, Del.**	Commercial Credit Corp., Baltimore	380,653	351,890	8.2	1984
32	...	**World Financial Network National Bank, Whitehall, Ohio**	The Limited Inc., Columbus, Ohio **(f)**	586,026	....	...	1989

Rank— Credit card loan rank among commercial banks, unless otherwise indicated. **(‡)**— Credit card loan rank among thrift institutions. **Credit credit loans**— See the definition of credit card loans outstanding for commercial banks in the footnotes to the table on page 21A. **(a)**— A subsidiary of American Express Co., New York. **(b)**— Formerly Lomas Bank USA. Changed title on 10/16/89. **(c)**— First USA Inc. is a subsidiary of Lomas Financial Corp., Dallas. **(d)**— A subsidiary of Sears, Roebuck & Co., Chicago. **(e)**— A subsidiary of General Electric Co., Fairfield, Conn. **(f)**— The Limited Inc. owns and operates women's specialty fashion stores.

Compiled by American Banker, Copyright 1990.

Top 100 Banks in Credit Card Operations

Credit card loans outstanding on Dec. 31, 1989, compared with Dec. 31, 1988 (in thousands of dollars)

Rank 12/89		Credit Card and Related Loans Outstanding			Total Loans	Credit Cards as a % of	Net Income			Net Chargeoffs (Card Related)		Chargeoffs as % Of Credit Card Loans	
		12/31/89	12/31/88	% Chg.	12/31/89	Total Loans	1989	1988	% Chg.	1989	1988	1989	1988
1	**Citibank (South Dakota) NA, Sioux Falls**	9,335,697	12,107,130	-22.89	10,090,796	92.52	298,826	321,592	-7.08	450,974	537,097	4.83	4.44
2	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	9,266,069	6,732,513	37.63	9,295,491	99.68	204,749	137,833	48.55	238,712	202,803	2.58	3.01
3	**Citibank (Nevada) NA, Las Vegas**	8,069,062	5,765,860	39.95	8,145,651	99.06	177,836	134,958	31.77	213,823	126,606	2.65	2.20
4	**Greenwood Trust Co., Newcastle, Del.**	6,894,546	5,909,337	16.67	6,919,651	99.64	97,132	1,336	7,170	166,181	147,184	2.41	2.49
5	**Bank of America NT&SA, San Francisco**	6,189,000	4,844,000	27.77	65,118,000	9.50	743,000	575,000	29.22	124,000	95,000	2.00	1.96
6	**American Express Centurion Bank, Newark, Del.**	5,191,360	3,818,234	35.96	5,863,885	88.53	65,016	36,426	78.49	244,088	118,821	4.70	3.11
7	**FCC National Bank, Wilmington, Del.**	4,815,016	2,997,421	60.64	4,798,303	100.35	20,194	44,500	-54.62	143,887	81,729	2.99	2.73
8	**Bank of New York (Delaware), Wilmington**	3,362,102	2,666,463	26.09	3,783,265	88.87	61,751	40,403	52.84	87,731	71,628	2.61	2.69
9	**Wells Fargo Bank NA, San Francisco**	3,115,312	2,720,496	14.51	39,349,480	7.92	580,273	510,722	13.62	72,819	83,496	2.34	3.07
10	**Manufacturers Hanover Trust Co., New York**	2,379,000	2,117,000	12.38	37,322,000	6.37	(637,000)	480,000	-232.71	88,000	136,000	3.70	6.42
11	**Citibank (Maryland) NA, Towson, Md.**	2,097,963	1,303,965	60.89	2,174,985	96.46	29,525	7,931	272.27	64,895	44,696	3.09	3.43
12	**Citibank NA, New York**	2,011,000	1,668,000	20.56	108,694,000	1.85	222,000	1,423,000	-84.40	12,000	16,000	0.60	0.96
13	**Household Bank NA, Salinas, Calif.**	1,598,296	1,068,858	49.53	1,598,296	100.00	17,172	9,719	76.68	65,268	54,025	4.08	5.05
14	**CoreStates Bank of Delaware NA, Wilmington**	1,486,035	1,179,685	25.97	1,486,035	100.00	17,210	24,608	-30.06	27,312	23,272	1.84	1.97
15	**Signet Bank/Virginia, Richmond**	1,418,449	1,203,326	17.88	4,602,600	30.82	86,167	68,815	25.22	37,735	33,272	2.66	2.77
16	**Maryland Bank NA, Newark, Del.**	1,359,996	1,428,573	-4.80	1,397,623	97.31	29,908	34,798	-14.05	23,261	30,476	1.71	2.13
17	**First Deposit National Bank, Tilton, N.H.**	1,356,357	1,468,469	-7.63	1,399,583	96.91	43,684	19,412	125.04	34,557	28,963	2.55	1.97
18	**Seattle-First National Bank**	1,291,487	1,150,980	12.21	9,950,703	12.98	126,576	72,574	74.41	29,928	24,347	2.32	2.12
19	**Southeast Bank NA, Miami**	1,044,111	842,361	23.95	10,748,235	9.71	94,045	134,568	-30.11	31,597	17,131	3.03	2.03
20	**First Interstate Bank of California, Los Angeles**	1,036,383	966,152	7.27	14,256,722	7.27	271,745	238,299	14.04	16,731	27,455	1.61	2.84
21	**First National Bank, Atlanta**	961,426	875,543	9.81	5,125,383	18.76	64,160	57,812	10.98	26,865	23,682	2.79	2.70
22	**First USA Bank, Wilmington, Del.**	945,165	1,240,063	-23.78	1,160,220	81.46	22,958	36,397	-36.92	49,984	48,256	5.29	3.89
23	**Barclays Bank of Delaware NA, Wilmington**	814,952	669,638	21.70	814,952	100.00	(7,976)	(8,550)	6.71	60,405	35,041	7.41	5.23
24	**BancOhio National Bank, Columbus**	777,596	747,692	4.00	3,874,607	20.07	61,406	38,621	59.00	33,646	60,848	4.33	8.14
25	**Marine Midland (Delaware) NA, Wilmington**	741,217	736,618	0.62	2,167,185	34.20	24,914	20,225	23.18	29,108	37,382	3.93	5.07
26	**Marine Midland Bank NA, Buffalo, N.Y.**	729,355	670,629	8.76	17,847,778	4.09	(36,168)	62,563	-157.81	12,902	7,351	1.77	1.10
27	**Sovran Bank NA, Richmond**	714,943	699,110	2.26	9,014,468	7.93	151,593	137,772	10.03	15,393	13,602	2.15	1.95
28	**Chemical Bank (Delaware), Wilmington**	704,389	7,063	9872.94	1,068,960	65.89	17,481	18,121	-3.53	12,690	264	1.80	3.74
29	**Mellon Bank Delaware NA, Wilmington**	694,831	705,438	-1.50	1,200,141	57.90	17,313	13,447	28.75	18,631	18,145	2.68	2.57
30	**Colonial National Bank USA, Wilmington, Del.**	661,108	459,664	43.82	881,708	74.98	14,718	(19,059)	-177.22	20,625	31,658	3.12	6.89
31	**First Omni Bank NA, Millsboro, Del.**	588,804	508,483	15.80	590,919	99.64	14,325	15,174	-5.60	19,256	20,263	3.27	3.98
32	**World Financial Network National Bank, Whitehall, Ohio**	586,026	....	...	586,026	100.00	4,579	.....	...	20,902	....	3.57	...
33	**United States National Bank, Portland, Ore.**	574,609	385,305	49.13	7,060,312	8.14	112,675	91,245	23.49	8,518	8,174	1.48	2.12
34	**First National Bank, Omaha, Neb.**	574,603	397,108	44.70	1,027,502	55.92	22,361	19,027	17.52	20,954	14,835	3.65	3.74
35	**First City Bank-Sioux Falls NA, S.D.**	574,313	570,789	0.62	574,387	99.99	23,145	23,960	-3.40	24,396	24,360	4.25	4.27
36	**J.C. Penny National Bank, Harrington, Del.**	548,091	402,892	36.04	582,439	94.10	6,328	5,076	24.67	24,926	17,848	4.55	4.43
37	**Security Pacific National Bank, Los Angeles**	538,968	1,218,816	-55.78	38,040,612	1.42	713,408	545,699	30.73	23,489	31,574	4.36	2.59
38	**PNC National Bank, Wilmington, Del.**	537,872	507,494	5.99	700,135	76.82	7,215	2,736	163.71	11,585	7,464	2.15	1.47
39	**Valley National Bank, Phoenix, Ariz.**	536,447	505,405	6.14	6,544,612	8.20	(131,569)	53,013	-348.18	19,063	17,022	3.55	3.37
40	**Crestar Bank, Richmond**	535,856	521,903	2.67	7,455,095	7.19	100,627	84,742	18.75	14,620	18,266	2.73	3.50
41	**Citizens & Southern National Bank, Atlanta**	523,142	526,221	-0.59	8,069,690	6.48	149,904	130,374	14.98	14,136	11,434	2.70	2.17
42	**Harris Trust & Savings Bank, Chicago**	522,181	426,234	22.51	5,506,375	9.48	23,786	67,383	-64.70	13,237	9,178	2.53	2.15
43	**NCNB National Bank of South Carolina, Columbia**	518,400	423,815	22.32	3,207,954	16.16	50,721	35,815	41.62	19,112	21,524	3.69	5.08
44	**Bank One Columbus NA, Ohio**	507,132	336,604	50.66	2,703,633	18.76	26,905	42,614	-36.86	22,918	33,377	4.52	9.92
45	**Security Pacific Bank Washington NA, Seattle**	499,768	526,181	-5.02	6,297,386	7.94	100,162	117,781	-14.96	10,025	8,660	2.01	1.65
46	**Security Bank & Trust Co., Southgate, Mich.**	487,217	438,529	11.10	974,609	49.99	17,355	14,891	16.55	7,986	5,450	1.64	1.24
47	**Equibank (Delaware) NA, Wilmington**	474,789	327,830	44.83	475,320	99.89	(3,378)	11,845	-128.52	16,803	11,384	3.54	3.47
48	**First Wisconsin National Bank, Milwaukee**	443,932	398,300	11.46	2,403,650	18.47	48,265	76,593	-36.99	6,280	4,911	1.41	1.23
49	**First Union National Bank of Georgia, Atlanta**	442,470	370,955	19.28	3,244,492	13.64	13,543	23,943	-43.44	5,217	1,743	1.18	0.47
50	**State Street Bank & Trust Co., Boston**	438,613	340,402	28.85	2,479,022	17.69	103,515	92,332	12.11	9,246	6,845	2.11	2.01
51	**First Bank NA, Minneapolis**	431,115	316,005	36.43	9,265,478	4.65	(91,883)	(51,459)	-78.56	6,898	4,828	1.60	1.53
52	**National Westminster Bank USA, New York**	427,558	406,011	5.31	10,770,611	3.97	(128,628)	89,138	-244.30	9,551	7,990	2.23	1.97
53	**NCNB National Bank of North Carolina, Charlotte**	412,954	451,970	-8.63	11,174,872	3.70	175,209	157,953	10.92	5,680	7,270	1.38	1.61
54	**Central Bank Denver NA**	410,731	308,326	33.21	914,354	44.92	7,990	(27,184)	129.39	10,487	6,759	2.55	2.19
55	**Monogram Bank USA, Cincinnati**	404,623	....	...	404,623	100.00	1,687	449	275.72	36,928	....	9.13	...
56	**Monogram Credit Card Bank, Roswell, Ga.**	403,544	11,343	3457.65	403,544	100.00	8,008	108	7,315	1,208	4	0.30	0.04
57	**Equitable Bank NA, Baltimore**	391,514	375,937	4.14	2,976,952	13.15	19,218	38,429	-49.99	9,251	7,314	2.36	1.95
58	**Primerica Bank, Newark, Del.**	380,653	351,890	8.17	382,138	99.61	4,477	3,367	32.97	9,990	12,968	2.62	3.69
59	**Norwest Bank Des Moines NA, Iowa**	377,973	405,014	-6.68	1,019,871	37.06	14,611	20,631	-29.18	14,380	11,603	3.80	2.86
60	**NCNB Texas National Bank, Dallas**	371,860	120,642	208.23	12,875,875	2.89	308,833	(227,731)	235.61	8,099	0	2.18	0.00
61	**INB National Bank, Indianapolis**	365,898	385,824	-5.16	3,352,884	10.91	45,024	46,177	-2.50	13,472	8,179	3.68	2.12
62	**First National Bank of Commerce, New Orleans**	362,187	307,996	17.59	1,522,716	23.79	30,040	32,194	-6.69	7,099	5,422	1.96	1.76
63	**Society National Bank, Cleveland**	353,487	243,581	45.12	4,841,750	7.30	88,288	67,689	30.43	6,702	3,589	1.90	1.47
64	**Ameritrust Co. NA, Cleveland**	338,537	260,193	30.11	6,296,248	5.38	121,212	117,268	3.36	5,548	6,888	1.64	2.65
65	**Dominion Bank NA, Roanoke, Va.**	331,913	132,091	151.28	2,875,378	11.54	50,403	41,819	20.53	4,411	3,180	1.33	2.41
66	**Sun Bank NA, Orlando, Fla.**	327,021	316,801	3.23	2,893,590	11.30	47,378	39,747	19.20	9,530	8,338	2.91	2.63
67	**Bank One Texas NA, Dallas**	325,890	....	...	7,244,411	4.50	......	....	...	6,204	....	1.90	...
68	**Wachovia Bank & Trust Co NA, Winston-Salem, N.C.**	325,049	314,745	3.27	9,847,819	3.30	184,866	171,093	8.05	1,631	1,445	0.50	0.46
69	**Chase Lincoln First Bank NA, Rochester, N.Y.**	324,851	312,315	4.01	5,487,513	5.92	27,611	57,136	-51.67	5,194	5,162	1.60	1.65
70	**NCNB National Bank, Atlanta**	322,493	194,041	66.20	474,703	67.94	4,521	4.491	0.67	0	0	0.00	0.00
71	**NBD Delaware Bank, Wilmington**	321,340	346,570	-7.28	321,341	100.00	5,967	4,059	47.01	6,013	6,520	1.87	1.88
72	**Connecticut Bank & Trust Co. NA, Hartford**	319,507	302,741	5.54	5,920,220	5.40	(354,795)	90,579	-491.70	5,121	3,909	1.60	1.29
73	**Delaware Trust Co., Wilmington**	309,300	279,453	10.68	1,030,499	30.01	17,383	14,913	16.56	4,800	4,176	1.55	1.49
74	**First Interstate Bank of Oregon NA, Portland**	305,281	263,872	15.69	4,014,529	7.60	90,569	68,696	31.84	4,487	3,756	1.47	1.42
75	**Comerica-Midwest NA, Toledo, Ohio**	304,001	270,190	12.51	304,001	100.00	7,031	6,180	13.77	9,048	6,659	2.98	2.46
76	**Chase Manhattan Bank NA, New York**	300,237	157,675	90.42	54,995,735	0.55	(722,673)	838,989	-186.14	4,109	6,683	1.37	4.24
77	**First Tennessee Bank NA, Memphis**	295,616	248,542	18.94	3,541,061	8.35	27,112	50,254	-46.05	7,543	6,805	2.55	2.74
78	**Shawmut Bank NA, Boston**	288,422	223,059	29.30	6,223,824	4.63	75,398	82,442	-8.54	5,707	3,325	1.98	1.49
79	**Connecticut National Bank, Hartford**	286,779	239.291	19.85	8,328,176	3.44	57,001	97,040	-41.26	2,184	1,818	0.76	0.76
80	**Banco Popular de Puerto Rico, San Juan**	283,861	270,112	5.09	3,277,659	8.66	56,170	47,142	19.15	6,092	5,957	2.15	2.21
81	**Norwest Bank Minnesota NA, Minneapolis**	282,007	210,259	34.12	5,766,343	4.89	66,444	48,278	37.63	7,125	2,755	2.53	1.31
82	**Colorado National Bank, Denver**	281,989	246,097	14.58	886,761	31.80	15,907	17,865	-10.96	7,893	6,253	2.80	2.54
83	**Central Fidelity Bank, Richmond**	271,443	252,902	7.33	3,518,300	7.72	50,917	47,245	7.77	4,799	4,795	1.77	1.90
84	**Midlantic National Bank/Delaware, Wilmington**	266,698	179,557	48.53	266,698	100.00	4,366	2,079	110.00	4,562	868	1.71	0.48
85	**First Interstate Bank of Arizona NA, Phoenix**	263,874	280,640	-5.97	4,582,901	5.76	(153,764)	79,456	-293.52	10,275	11,862	3.89	4.23
86	**South Carolina National Bank, Columbia**	263,618	223,241	18.09	4,181,495	6.30	53,490	50,001	6.98	3,321	2,686	1.26	1.20
87	**Union Bank, San Francisco**	263,612	284,503	-7.34	11,481,395	2.30	138,926	60,770	128.61	6,624	5,114	2.51	1.80
88	**Comerica Bank-Detroit**	256,188	243,160	5.36	6,540,111	3.92	57,545	93,945	-38.75	4,470	4,656	1.74	1.91
89	**Barnett Bank of South Florida NA, Miami**	251,578	256,816	-2.04	4,663,455	5.39	32,887	56,060	-41.34	7,655	5,976	3.04	2.33
90	**Meridian Bank, Reading, Pa.**	250,192	176,133	42.05	6,843,415	3.66	64,353	70,479	-8.69	4,999	2,895	2.00	1.64
91	**Boatmen's Bank of Delaware, New Castle**	249,549	123,822	101.54	249,549	100.00	5,493	2,115	159.72	5,120	2,212	2.05	1.79
92	**Bank One Dayton NA, Ohio**	248,247	197,707	25.56	1,604,681	15.47	37,050	31,885	16.20	8,374	8,111	3.37	4.10
93	**Huntington National Bank, Columbus, Ohio**	231,382	202,650	14.18	5,631,848	4.11	92,951	86,014	8.06	5,595	4,043	2.42	2.00
94	**Chemical Bank New Jersey NA, Morristown**	228,825	150,609	51.93	3,616,392	6.33	39,181	19,490	101.03	6,500	4,766	2.84	3.16
95	**Sovran Bank/Delaware, Dover**	224,502	221,228	1.48	224,502	100.00	9,851	7,169	37.41	3,203	2,701	1.43	1.22
96	**Hurley State Bank, Sioux Falls, S.D.**	219,961	128,616	71.02	219,961	100.00	3,084	(213)	1547.89	6,920	3,014	3.15	2.34
97	**European American Bank, New York**	218,034	196,611	10.90	3,322,112	6.56	42,535	64,906	-34.47	4,569	4,866	2.10	2.47
98	**United Jersey Bank, Hackensack, N.J.**	205,880	189,840	8.45	3,563,533	5.78	60,995	52,423	16.35	5,984	4,208	2.91	2.22
99	**First American National Bank, Nashville, Tenn.**	201,760	191,800	5.19	2,036,871	9.91	(20,590)	(3,232)	-537.07	6,162	4,788	3.05	2.50
100	**First Pennsylvania Bank (Delaware), Wilmington**	199,114	177,636	12.09	199,114	100.00	(674)	(2,379)	71.67	5,040	4,785	2.53	2.69
	TOTALS FOR TOP 100‡ ($ million)	**106,798**	**93,963**	**13.7**	**741,057**	**14.4**	**5,063**	**8,794**	**-42.4**	**3,113**	**2,888**	**2.9**	**3.1**
	TOTALS FOR ALL COMMERCIAL BANKS† ($ million)	**130,845**	**117,233**	**11.6**	**2,003,858**	**6.5**	**15,652**	**24,817**	**-36.9**	**3,700**	**3,340**	**2.8**	**2.8**

Data sources: Data are from the Report of Condition and the Report of Income submitted to the Federal Deposit Insurance Corp. American Banker used **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex, and **Lotus One Source**, a data base provided by **Sheshunoff Information Services Inc.,** Austin Texas, to extract these data. The 1988 data are not adjusted for mergers in 1989. **Credit Cards and Related Loans Outstanding** are from Schedule RC-C, item 6a, of the Report of Condition and include, on a gross basis, all extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. **Total loans** are from RC-Balance Sheet, item 4.a.—"Loans and leases, net of unearned income". **Net Income** is income after taxes but before extraordinary items and other adjustments (Report of Income, item 10). **Net Chargeoffs** are gross chargeoffs on credit cards and related plans less recoveries on credit cards and related plans. The data are from Schedule RI-B of the Report of Income, item 5(a) Column A less item 5(a) Column B. **(‡)**— Except for net income, the 1988 totals are for the top 100 banks in 1988. The 1988 net income is for the top 100 credit card banks in 1989. **(†)**— Data are for FDIC-insured commercial banks and are from the Federal Reserve Board and the Federal Deposit Insurance Corp.

Compiled by American Banker, Copyright 1990.

Geographic Listing of Top 100 Credit Card Banks

Shown by state with credit card loans on Dec. 31, 1989, compared with Dec. 31, 1988 and Dec. 31, 1987 (in thousands of dollars)

	Rank		Credit Card and Related Loans Outstanding			Percent Change		Rank	
	12/89		12/31/89	12/31/88	12/31/87	'88-'89	'87-'88	12/88	12/87
Arizona	39	Valley National Bank, Phoenix	$536,447	$505,405	$478,291	6.1	5.7	40	36
	85	First Interstate Bank of Arizona NA, Phoenix	263,874	280,640	300,022	(5.97)	(6.5)	71	53
California	5	Bank of America NT&SA, San Francisco	6,189,000	4,844,000	4,122,000	27.8	17.5	5	2
	9	Wells Fargo Bank NA, San Francisco	3,115,312	2,720,496	2,861,110†	14.51	(4.9)	8	6
	13	Household Bank NA, Salinas	1,598,296	1,068,858	936,497	49.5	14.1	20	22
	20	First Interstate Bank of California, Los Angeles	1,036,383	966,152	1,000,493†	7.3	(3.4)	22	19
	37	Security Pacific National Bank, Los Angeles	538,968	1,218,816	1,160,373†	(55.8)	5.0	16	15
	87	Union Bank, San Francisco	263,612	284,503	282,173†	(7.3)	0.8	70	105
Colorado	54	Central Bank Denver NA	410,731	308,326	271,236	33.2	13.7	67	67
	82	Colorado National Bank, Denver	281,989	246,097	207,120	14.6	18.8	80	87
Connecticut	72	Connecticut Bank & Trust Co. NA, Hartford	319,507	302,741	272,550	5.54	11.1	69	66
	79	Connecticut National Bank, Hartford	286,779	239,291	220,914†	19.9	9.9	83	83
Delaware	2	Chase Manhattan Bank (USA) NA, Wilmington	9,266,069	6,732,513	5,907,687	37.6	14.0	2	2
	4	Greenwood Trust Co., Newcastle	6,894,546	5,909,337	3,135,774	16.7	88.4	3	5
	6	American Express Centurion Bank, Newark	5,191,360	3,818,234	1,647,475	36.0	131.8	6	12
	7	FCC National Bank, Wilmington	4,815,016	2,997,421	2,311,520	60.6	29.7	7	8
	8	Bank of New York (Delaware), Wilmington	3,362,102	2,666,463	2,041,747	26.1	30.6	9	9
	14	CoreStates Bank of Delaware NA, Wilmington	1,486,035	1,179,685	995,566	26.0	18.5	18	20
	16	Maryland Bank NA, Newark	1,359,996	1,428,573	1,829,360	(4.8)	(21.9)	13	10
	22	First USA Bank, Wilmington	945,165	1,240,063	1,087,210	(23.8)	14.1	15	17
	23	Barclays Bank of Delaware NA, Wilmington	814,952	669,638	387,196	21.7	72.9	31	42
	25	Marine Midland Bank (Delaware) NA, Wilmington	741,217	736,618	733,764	0.6	0.4	27	28
	28	Chemical Bank (Delaware), Wilmington	704,389	7,063	7,727	9872.9	(8.6)	..	..
	29	Mellon Bank (Delaware) NA, Wilmington	694,831	705,438	622,891	(1.5)	13.3	29	31
	30	Colonial National Bank USA, Wilmington	661,108	459,664	521,896	43.8	(11.9)	42	35
	31	First Omni Bank NA, Millsboro	588,804	508,483	473,395	15.8	7.4	38	37
	36	J.C. Penney National Bank, Harrington	548,091	402,892	257,823	36.0	56.3	49	70
	38	PNC National Bank, Wilmington	537,872	507,494	324,460	6.0	56.4	39	55
	47	Equibank Delaware NA, Wilmington	474,789	327,830	356,919	44.8	(8.2)	61	50
	58	Primerica Bank, Newark	380,653	351,890	323,056	8.2	8.9	57	56
	71	NBD Delaware Bank, Wilmington	321,340	346,570	352,939	(7.3)	(1.8)	58	51
	73	Delaware Trust Co., Wilmington	309,300	279,453	111,017	10.7	151.7	72	132
	84	Midlantic National Bank, Wilmington	266,698	179,557	....	48.5	.....	101	...
	91	Boatmen's Bank of Delaware, New Castle	249,549	123,822	....	101.5	.....	134	...
	95	Sovran Bank/Delaware, Dover	224,502	221,228	213,145	1.5	3.8	86	85
	100	First Pennsylvania Bank(Delaware), Wilmington	199,114	177,636	171,398	12.1	3.6	102	99
Florida	19	Southeast Bank NA, Miami	1,044,111	842,361	742,063†	24.0	13.6	24	27
	66	Sun Bank NA, Orlando	327,021	316,801	296,526	3.23	6.8	62	64
	89	Barnett Bank of South Florida NA, Miami	251,578	256,816	233,217	(2.0)	10.1	77	78
Georgia	21	First National Bank, Atlanta	961,426	875,543	854,207	9.8	2.5	23	24
	41	Citizens & Southern National Bank, Atlanta	523,142	526,221	379,179	(0.6)	38.8	35	45
	49	First Union National Bank of Georgia, Atlanta	442,470	370,955	64,825	19.3	472.2	56	193
	56	Monogram Credit Card Bank, Roswell	403,544	11,343	......	3457.7	.....	..	...
	95	NCNB National Bank, Atlanta	332,493	194,041	193	66.2	100,439	95	...
Illinois	42	Harris Trust & Savings Bank, Chicago	522,181	426,234	369,167	22.5	15.5	45	48
Indiana	61	Indiana National Bank, Indianapolis	365,898	385,824	314,954	(5.2)	22.5	52	58
Iowa	59	Norwest Bank Des Moines NA	377,973	405,014	330,104	(6.7)	22.7	48	54
Louisiana	62	First National Bank of Commerce, New Orleans	362,187	307,996	260,019	17.6	18.5	68	69
Maryland	11	Citibank (Maryland) NA, Towson	2,097,963	1,303,965	966,260	60.9	34.9	14	21
	57	Equitable Bank NA, Baltimore	391,514	375,937	309,968	4.1	21.3	54	60
Massachusetts	50	State Street Bank & Trust Co., Boston	438,613	340,402	297,736	28.9	14.3	59	63
	78	Shawmut Bank NA, Boston	288,422	223,059	198,821†	29.3	12.2	85	91
Michigan	46	Security Bank & Trust Co., Southgate	487,217	438,529	383,963	11.1	14.2	44	44
	88	Comerica Bank-Detroit	256,188	243,160	247,023	5.4	(1.6)	82	74
Minnesota	51	First Bank NA, Minneapolis	431,115	316,005	239,449†	36.4	32.0	63	79
	81	Norwest Bank Minnesota NA, Minneapolis	282,007	210,259	103,163†	34.1	103.8	89	270
Nebraska	34	First National Bank, Omaha	574,603	397,108	354,812†	44.7	11.9	51	53
Nevada	3	Citibank (Nevada) NA, Las Vegas	8,069,062	5,765,860	3,191,800	40.0	80.6	4	4
New Hampshire	17	First Deposit National Bank, Tilton	1,356,357	1,468,469	853,630	(7.6)	72.0	12	25
New Jersey	94	Chemical Bank NA, Morristown	228,825	150,609	156,814	51.9	(4.0)	115	...
	98	United Jersey Bank, Hackensack	205,880	189,840	159,136	8.5	19.3	98	102
New York	10	Manufacturers Hanover Trust Co., New York	2,379,000	2,117,000	2,611,000	12.4	(18.9)	10	7
	12	Citibank NA, New York	2,011,000	1,668,000	1,537,000	20.6	8.5	11	13
	26	Marine Midland Bank NA, Buffalo	729,355	670,629	624,973	8.8	(7.3)	30	30
	52	National Westminster Bank USA, New York	427,558	406,011	386,440	5.3	5.1	47	43
	69	Chase Lincoln First Bank NA, Rochester	324,851	312,315	265,822	4.0	17.5	66	68
	76	The Chase Manhattan Bank NA, New York	300,237	157,675	171,598	90.4	(8.1)	107	98
	97	European American Bank, New York	218,034	196,611	206,475	10.9	(4.8)	94	88
North Carolina	53	NCNB National Bank of North Carolina, Charlotte	412,954	451,970	472,441	(8.6)	(4.3)	43	38
	68	Wachovia Bank & Trust Co. NA, Winston Salem	325,049	314,745	305,442	3.3	3.0	64	61
Ohio	24	BancOhio National Bank, Columbus	777,596	747,692	769,559	4.0	(2.8)	26	26
	32	World Financial Network National Bank, Whitehall	586,026	....	....	....	.....	..	..
	44	Bank One Columbus NA	507,132	336,604	459,558	50.7	(26.8)	60	39
	55	Monogram Bank, Cincinnati	404,623	....	....	....	....	..	..
	63	Society National Bank, Cleveland	353,487	243,581	226,514	45.1	7.5	81	82
	64	Ameritrust Co. NA, Cleveland	338,537	260,193	255,872	30.1	1.7	76	72
	75	Comerica-Midwest NA, Toledo	304,001	270,190	216,718	12.5	24.7	73	84
	92	Bank One Dayton NA	248,247	197,707	174,273	25.6	13.4	93	97
	93	Huntington National Bank, Columbus	231,382	202,650	165,801	14.2	22.2	91	101
Oregon	33	United States National Bank, Portland	574,609	385,305	376,359	49.1	2.4	53	47
	74	First Interstate Bank of Oregon NA, Portland	305,281	263,872	227,267	15.7	16.1	75	81
Pennsylvania	90	Meridian Bank, Reading	250,192	176,133	242,932	42.05	(27.5)	103	76
Puerto Rico	80	Banco Popular de Puerto Rico, San Juan	283,861	270,112	244,833	5.1	10.3	74	75
South Carolina	43	NCNB South Carolina, Columbia	518,400	423,815	402,122	22.3	5.4	46	41
	86	South Carolina National Bank, Charleston	263,618	223,241	196,614	18.1	13.5	84	89
South Dakota	1	Citibank South Dakota NA, Sioux Falls	9,335,697	12,107,130	11,564,760	(22.9)	4.7	1	1
	35	First City Bank, Sioux Falls NA	574,313	570,789	583,950	0.6	(2.3)	32	32
	96	Hurley State Bank, Sioux Falls	219,961	128,616	57,477	71.0	123.8	128	..
Tennessee	77	First Tennesee Bank NA, Memphis	295,616	248,542	240,252	18.9	3.5	79	77
	99	First American National Bank, Nashville	201,760	191,800	178,809	5.2	7.3	97	95
Texas	60	NCNB Texas National Bank, Dallas	371,860	120,642	....	208.2	...	137	..
	67	Bank One Texas NA, Dallas	325,890	....	....	...	...	..	..
Virginia	15	Signet Bank/Virginia, Richmond	1,418,449	1,203,326	1,099,045	17.9	9.5	17	16
	27	Sovran Bank NA, Richmond	714,943	699,110	689,910	2.3	1.3	29	29
	40	Crestar Bank, Richmond	535,856	521,903	540,764	2.7	(3.5)	37	33
	65	Dominion Bank NA, Roanoke	331,913	132,091	111,642	151.3	18.3	125	..
	83	Central Fidelity Bank, Richmond	271,443	252,902	252,181	7.3	0.3	78	73
Washington	18	Seattle-First National Bank	1,291,487	1,150,980	998,979	12.2	15.2	19	18
	45	Security Pacific Bank Washington NA, Seattle	499,768	526,181	449,506	(5.0)	17.1	36	40
Wisconsin	48	First Wisconsin National Bank, Milwaukee	443,932	398,300	360,392	11.5	10.5	50	49

Data sources: Data are from the Report of Condition submitted to the Federal Deposit Insurance Corp. American Banker used **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex, and **Lotus One Source**, a data base provided by **Sheshunoff Information Services Inc.,** Austin Texas, to extract these data. The merger-adjusted data for 1987 are from **ADP Data Services Division,** New York. **(†)**— Restated for mergers, but the bank's rank is based on the actual data for that year and has not been restated for mergers.

Compiled by American Banker, Copyright 1990

Top 100 Thrifts in Credit Card Operations

Credit card loans outstanding on Dec. 31, 1989, compared with Dec. 31, 1988 (in thousands of dollars)

Rank 12/89		Credit Card Loans			Total Consumer Loans			Credit Card Loans /Consumer Loans (%)	
		12/31/89	12/31/88	% Chg.	12/31/89	12/31/88	% Chg.	12/31/89	12/31/88
1	**Chevy Chase Savings Bank, FSB, Md.**	978,894	1,380,619	-29.10	1,096,592	1,413,900	-22.44	89.27	97.65
2	**Citibank FSB, Chicago**	518,575	388,681	33.42	679,831	519,499	30.86	76.28	74.82
3	**People's Bank, Bridgeport, Conn.**	481,094	316,950	51.79	5,728,513	5,174,168	10.71	8.40	6.13
4	**Great Western Bank, FSB, Beverly Hills**	413,018	366,818	12.59	750,948	690,656	8.73	55.00	53.11
5	**California Federal Savings & Loan Assn., Los Angeies**	245,482	380,611	-35.50	848,392	882,993	-3.92	28.93	43.10
6	**USAA Federal Savings Bank, San Antonio, Tex.**	232,539	44,855	418.42	438,146	195,971	123.58	53.07	22.89
7	**First Nationwide Bank, FSB, San Francisco**	209,562	480,601	-56.40	759,422	1,561,260	-51.36	27.59	30.78
8	**Citibank FSB, Miami**	191,755	130,997	46.38	213,241	141,105	51.12	89.92	92.84
9	**Ohio Savings Bank, Cleveland**	159,430	141,307	12.83	166,367	148,230	12.24	95.83	95.33
10	**Far West Federal Bank, Portland, Ore.**	154,894	139,277	11.21	277,283	230,217	20.44	55.86	60.50
11	**First Financial Bank, FSB, Stevens Point, Wis.**	146,628	261,720	-43.98	632,172	680,478	-7.10	23.19	38.46
12	**Household Bank FSB, Newport Beach, Calif.**	145,751	46,887	210.86	409,635	531,229	-22.89	35.58	8.83
13	**Glendale Federal Bank, FSB, Calif.**	144,613	352,989	-59.03	1,102,992	927,981	18.86	13.11	38.04
14	**Dollar Dry Dock Bank, White Plains, N.Y.**	143,917	256,166	-43.82	3,380,972	3,269,609	3.41	4.26	7.83
15	**Home Savings of America, FA, Irwindale, Calif.**	134,397	124,481	7.97	234,663	218,765	7.27	57.27	56.90
16	**Empire of America Federal Savings Bank, Buffalo, N.Y.**	134,330	749,416	-82.08	1,809,453	2,664,487	-32.09	7.42	28.13
17	**American Savings Bank, FA, Irvine, Calif.**	125,870	66,423	89.50	180,558	126,583	42.64	69.71	52.47
18	**Citibank FSB, San Francisco**	117,768	68,247	72.56	148,906	100,098	48.76	79.09	68.18
19	**Homefed Bank, FSB, San Diego, Calif.**	114,105	101,185	12.77	233,922	250,570	-6.64	48.78	40.38
20	**Apple Bank For Savings, New York**	89,784	67,933	32.17	3,147,317	2,801,290	12.35	2.85	2.43
21	**Perpetual Savings Bank, FSB, McLean, Va.**	65,070	89,861	-27.59	324,964	302,770	7.33	20.02	29.68
22	**First Federal Savings Bank, Santurce, P.R.**	64,355	65,159	-1.23	439,872	471,653	-6.74	14.63	13.82
23	**Gem Savings Association, Dayton, Ohio**	53,022	128,924	-58.87	248,517	282,850	-12.14	21.34	45.58
24	**TCF Bank Savings, FSB, Minneapolis**	53,021	90,566	-41.46	567,610	779,132	-27.15	9.34	11.62
25	**Home Unity Savings & Loan Assn., Lafayette Hill, Pa.**	47,339	51,066	-7.30	79,770	88,130	-9.49	59.34	57.94
26	**Standard Federal Bank, Troy, Mich.**	46,025	175,344	-73.75	393,416	382,503	2.85	11.70	45.84
27	**Georgia Federal Bank, FSB, Atlanta**	42,984	44,490	-3.39	449,272	406,762	10.45	9.57	10.94
28	**Florida Federal Savings Bank, St. Petersburg**	37,927	45,027	-15.77	735,993	770,652	-4.50	5.15	5.84
29	**CenTrust Bank, SSB, Miami**	34,917	70,169	-50.24	929,018	791,010	17.45	3.76	8.87
30	**American Savings Bank, FSB, Honolulu**	33,763	20,893	61.60	62,516	46,903	33.29	54.01	44.55
31	**Flushing Savings Bank, New York**	30,637	0	...	299,474	297,148	0.78	10.23	0.00
32	**Charter Federal Savings Bank, Bristol, Va.**	30,477	50,397	-39.53	138,316	85,957	60.91	22.03	58.63
33	**Leader Federal Bank for Savings, Memphis, Tenn.**	29,291	61,238	-52.17	183,068	225,095	-18.67	16.00	27.21
34	**Dollar Bank, FSB, Pittsburgh**	29,083	69,910	-58.40	244,671	230,814	6.00	11.89	30.29
35	**Long Island Savings Bank Centereach FSB, N.Y. (a)**	28,867	19,658	46.85	78,111	76,414	2.22	36.96	25.73
36	**Key Federal Savings Bank, Owings Mills, Md.**	27,934	30,508	-8.44	44,094	47,674	-7.51	63.35	63.99
37	**Loyola Federal Savings & Loan Assn., Baltimore**	27,545	31,484	-12.51	398,305	396,378	0.49	6.92	7.94
38	**Germania Bank, FSB, Alton, Ill.**	25,480	24,618	3.50	35,746	39,018	-8.39	71.28	63.09
39	**Albany Savings Bank FSB, N.Y.**	24,256	23,091	5.05	131,837	120,569	9.35	18.40	19.15
40	**Santander Federal Savings Bank, Bayamon, P.R.**	24,243	26,483	-8.46	187,761	199,242	-5.76	12.91	13.29
41	**First Capital Bank, Concord, N.H.**	24,066	21,263	13.18	228,419	227,273	0.50	10.54	9.36
42	**Citizens Federal Savings & Loan Assn., Dayton, Ohio**	23,962	21,247	12.78	58,767	58,864	-0.16	40.77	36.10
43	**First Gibraltar Bank, FSB, Dallas**	23,742	17,690	34.21	140,292	195,180	-28.12	16.92	9.06
44	**State Savings Bank, Columbus, Ohio**	23,536	31,484	-25.24	58,626	48,665	20.47	40.15	64.70
45	**The First, FA, Orlando, Fla.**	22,740	61,494	-63.02	168,098	139,915	20.14	13.53	43.95
46	**EurekaBank, Foster City, Calif.**	22,304	27,757	-19.65	49,859	58,741	-15.12	44.73	47.25
47	**Pacific First Federal Savings Bank, Seattle**	20,314	19,584	3.73	389,572	318,476	22.32	5.21	6.15
48	**Cardinal Federal Savings Bank, Cleveland**	20,129	33,407	-39.75	92,013	86,499	6.37	21.88	38.62
49	**Horizon Savings Assn., Austin, Tex.**	19,624	9,180	113.77	21,579	10,551	104.52	90.94	87.01
50	**Commercial Federal Savings & Loan Assn., Omaha, Neb.**	18,108	109,120	-83.41	147,195	262,181	-43.86	12.30	41.62
51	**BankAtlantic, FSB, Fort Lauderdale, Fla.**	18,019	11,709	53.89	351,042	245,980	42.71	5.13	4.76
52	**Western Savings & Loan Assn., FA, Phoenix (b)**	17,524	88,531	-80.21	438,594	559,240	-21.57	4.00	15.83
53	**Cumberland Federal Savings Bank, Louisville, Ky.**	17,290	23,725	-27.12	81,877	67,205	21.83	21.12	35.30
54	**Bank Western, FSB, Denver**	17,097	187,332	-90.87	379,918	422,982	-10.18	4.50	44.29
55	**First Federal Savings & Loan Assn., Rochester, N.Y.**	17,028	86,291	-80.27	269,115	229,368	17.33	6.33	37.62
56	**Meritor Savings, FA, Arlington, Va.**	16,837	15,710	7.17	44,591	61,074	-26.99	37.76	25.72
57	**Skaneateles Savings Bank, N.Y.**	16,507	12,242	34.84	152,923	147,495	3.68	10.79	8.30
58	**Arkansas Federal Savings Bank, Little Rock**	16,312	4,652	250.64	17,678	6,474	173.06	92.27	71.86
59	**Equity Bank for Savings, FA, Oklahoma City**	15,451	579	2568.57	24,857	9,362	165.51	62.16	6.18
60	**First Financial Savings Bank, SLA, Woodbridge, N.J.**	15,353	14,758	4.03	15,808	15,602	1.32	97.12	94.59
61	**Norstar Bank Central New York, Syracuse**	15,279	12,853	18.87	879,727	844,684	4.15	1.74	1.52
62	**Diamond Savings & Loan Co., Findlay, Ohio**	15,122	17,994	-15.96	60,325	58,146	3.75	25.07	30.95
63	**Rochester Community Savings Bank, N.Y.**	15,085	3,687	309.14	2,615,530	2,620,688	-0.20	0.58	0.14
64	**Peoples Savings Bank, Worcester, Mass.**	14,747	0	...	532,048	418,359	27.17	2.77	0.00
65	**Parkvale Savings Assn., Monroeville, Pa.**	14,630	8,945	63.56	35,837	23,364	53.39	40.82	38.29
66	**Sacramento Savings & Loan Assn., Calif.**	14,595	12,856	13.53	35,276	33,276	6.01	41.37	38.63
67	**San Francisco Federal Savings & Loan Assn.**	14,474	35,667	-59.42	140,592	108,618	29.44	10.30	32.84
68	**Society for Savings, Hartford, Conn.**	14,283	71,618	-80.06	2,853,204	2,871,784	-0.65	0.50	2.49
69	**Southwest Savings & Loan Assn.l FA, Phoenix**	13,955	55,343	–74.78	63,911	69,661	–8.25	21.84	79.45
70	**Heartland Federal Savings & Loan Assn., Ponca City, Okla.**	13,555	13,139	3.17	66,826	67,356	-0.79	20.28	19.51
71	**Binghamton Savings Bank, N.Y.**	13,535	13,516	0.14	655,503	640,764	2.30	2.06	2.11
72	**Benjamin Franklin Federal S & L Assn., Portland, Ore.**	13,336	13,453	-0.87	208,692	204,275	2.16	6.39	6.59
73	**American Pioneer Savings Bank, Orlando, Fla.**	13,004	56,955	-77.17	155,820	149,643	4.13	8.35	38.06
74	**Bankers First Federal Savings & Loan Assn., Augusta, Ga.**	12,855	12,979	-0.96	32,114	33,213	-3.31	40.03	39.08
75	**Amoskeag Bank, Manchester, N.H.**	12,830	11,846	8.31	999,638	1,217,435	-17.89	1.28	0.97
76	**Atlantic Financial Savings, FA, Charleston, W.Va.**	12,479	7,243	72.29	98,224	72,520	35.44	12.70	9.99
77	**CrossLand Savings FSB, Brooklyn, New York**	11,906	55,191	-78.43	186,385	241,458	-22.81	6.39	22.86
78	**Columbia Savings, FS&LA, Englewood, Colo.**	11,530	16,227	-28.95	29,945	29,892	0.18	38.50	54.29
79	**Amwest Savings Assn., Bryan, Tex.**	11,405	5,681	100.76	256,474	318,097	-19.37	4.45	1.79
80	**Heritage Savings Bank, FSB, Richmond, Va.**	11,111	9,667	14.94	17,532	11,255	55.77	63.38	85.89
81	**Continental Savings of America, S&LA, San Francisco**	11,080	5,179	113.94	12,042	6,468	86.18	92.01	80.07
82	**Middletown Savings Bank, N.Y.**	10,817	8,617	25.53	188,118	180,472	4.24	5.75	4.77
83	**PriMerit Bank, Las Vegas, Nev.**	10,805	11,865	-8.93	64,503	57,993	11.23	16.75	20.46
84	**United Savings Bank, Vienna, Va.**	10,583	15,920	-33.52	31,305	35,610	-12.09	33.81	44.71
85	**South Carolina Federal Savinga Bank, Columbia**	10,478	32,511	-67.77	92,568	82,512	12.19	11.32	39.40
86	**Worcester County Institution for Savings, Mass.**	10,406	7,963	30.68	1,012,354	975,890	3.74	1.03	0.82
87	**Standard Federal Savings Bank, Gaithersburg, Md.**	10,296	23,202	-55.62	45,852	48,386	-5.24	22.45	47.95
88	**Fortune Savings Bank, Clearwater, Fla.**	10,294	10,628	-3.14	276,407	277,660	-0.45	3.72	3.83
89	**Western Federal Savings Bank, Mayaguez, P.R.**	10,226	10,728	-4.68	121,078	114,684	5.58	8.45	9,35
90	**Wilmington Savings Fund Society, FSB, Del.**	10,000	78,356	-87.24	167,530	123,944	35.17	5.97	63.22
91	**GreatAmerican Federal Savings & Loan Assn., Oak Park, Ill.**	9,891	1,752	464.55	13,725	4,379	213.43	72.07	40.01
92	**Champion Federal Savings & Loan Assn., Bloomington, Ill.**	9,858	47,236	-79.13	485,089	486,690	-0.33	2.03	9.71
93	**Horizon Financial, FA, Southampton, Pa.**	9,804	24,540	-60.05	159,179	190,182	-16.30	6.16	12.90
94	**Poughkeepsie Savings Bank, FSB, N.Y.**	9,576	17,777	-46.13	157,185	146,686	7.16	6.09	12.12
95	**Merabank, FSB, Phoenix, Ariz.**	9,472	78,097	-87.87	515,159	544,323	-5.36	1.84	14.35
96	**Republic Capital Bank, SSB, Milwaukee**	9,468	11,330	-16.43	72,040	32,169	123.94	13.14	35.22
97	**Palmetto Federal Savings Bank, Aiken, S,C.**	9,434	7,419	27.16	50,867	40,256	26.36	18.55	18.43
98	**Imperial Savings Assn., San Diego, Calif.**	9,418	207,507	-95.46	904,365	1,275,288	-29.09	1.04	16.27
99	**Caguas Central Federal Savings Bank, P.R.**	9,411	7,173	31.20	166,036	111,441	48.99	5.67	6.44
100	**Liberty Savings Bank, FSB, Atlanta**	9,214	8,924	3.25	74,533	84,597	–11.90	12.36	10.55
	TOTALS FOR TOP 100 ($million)	**6,495**	**8,691[1]**	**–25.3**	**45,876**	**45,966**	**–0.20**	**14.16**	**18.91**
	TOTALS FOR ALL SAVINGS INSTITUTIONS† ($million)	**7,413**	**8,622[2]**	**–14.0**	**67,369**	**71,152**	**–5.32**	**11.00**	**12.12**

Data sources: Data for state-chartered BIF-insured thrifts are from the Report of Condition submitted to the Federal Deposit Insurance Corp.; and data for SAIF-insured thrifts and federally-chartered FDIC-insured savings banks are from the Quarterly Financial Report submitted to the Office of Thrift Supervision. American Banker used **BankSource,** a data base provided by **W.C. Ferguson & Co.,** Irving, Tex, and **Lotus One Source**, a data base provided by **Sheshunoff Information Services Inc.,** Austin Texas, to extract these data. **Credit card loans:** as defined by the federal regulators, include open-ended, unsecured credit extended in connection with credit cards plus overdrafts on NOW accounts plus any other open-ended credit extended to consumers. **Note:** The 1989 credit card data may not be comparable to the 1988 data for some thrifts. The 1988 data include home equity lines of credit for some SAIF-insured thrifts. In 1989,the OTS changed its report form and home equity lines of credit are now reported separately from credit card transactions. **Total consumer loans**: as defined by the regulators: loans on deposits; home improvement loans; education loans; consumer auto loans; other closed-end consumer loans; credit cards and other open-end credit extended to consumers; and retail mobile home loans.

Credit Card Loans/Consumer Loans is the ratio of credit card loans to total consumer loans, expressed as a percentage. **N.A.**— Not available. **(a)**— A division of Long Island Savings Bank FSB, Melville, N.Y. **(b)**— On 6/1/90, the thrift was acquired by a newly chartered commercial bank, Bank of America Arizona. **(†)**— Data are from the **Office of Thrift Supervision** and the **Federal Deposit Insurance Corp.** **(1)**— Total includes home equity lines of credit. **(2)**— Total excludes home equity lines of credit.

Compiled by American Banker, Copyright 1990

800

C0175-1

AMERICAN B

VOL. CLV NO. 182 Tuesday, September 18, 1990 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Credit Union Insurance: Model Earns a 2d Look

By BILL ATKINSON

For months, credit union representatives have been telling anyone who will listen that their deposit insurance system is a sound alternative to the one used by the banking industry.

Bankers scoffed at the notion. But the message appears to have gotten through to regulators and congressmen, who are now considering the merits of reshaping the bank fund on the credit union model.

ANALYSIS: *Follow-up on the news*

Last week, Frank Annunzio, D-Ill., chairman of the House Banking subcommittee on financial institutions, introduced a bill that would require banks to place 1% of their deposits with the Federal Deposit Insurance Corp. In effect, the bank insurance fund would take on the credit union insurance structure.

Several days earlier, FDIC Chairman L. William Seidman dispatched a letter to House Banking Committee Chairman Henry B. Gonzalez, D-Tex., saying the credit union's approach to insurance would merit consideration.

Examining Pros and Cons

"The pros and cons are being looked at," acknowledged John F. Bovenzi, deputy to Mr. Seidman. "It warrants consideration rather than a proposal by the FDIC. We are making a suggestion to Congress that it is something they could look into. We have made no determination that it would be a system that we would want to use in that form."

The FDIC already has employees in its research division reviewing such a plan, Mr. Bovenzi said.

Bankers have publicly criticized the credit union insurance structure and dismissed it as a model for themselves. They say the system is risky because credit unions place 1% of their insured deposits with the National Credit Union Share Insurance Fund and do not write that money off their books.

Although the contribution bolsters the insurance fund, each credit union is open to losses if the insurance fund is forced to spend the 1% of deposits it holds, the bankers charge.

Alternatives Must be Weighed

But the banking industry may be forced to take a close look at alternatives to its current deposit insurance system. Losses have continued to erode the FDIC fund to a record low of 70 cents

See **CREDIT** *page* **14**

INSIDE NEWS

REGULATORS

THE HOUSE approved legislation that gives regulators authority to raise premiums for banks and thrifts as high as needed. *Page 2*

A FEDERAL JUDGE has ordered the OTS to halt enforcement of capital rules and other provisions of last year's thrift law against Far West Federal Bank in Portland, Ore. *Page 2*

INTERNATIONAL

INTEREST ARREARS on the loans of 50 major debtor countries to commercial banks have tripled to $22 billion in the past 18 months, accelerating commercial banks' retreat from lending to those countries. *Page 10*

FINANCE

AS INSTITUTIONAL investors grow more skittish and demanding about bank securities, a number of banks are trying to find opportunities to appeal to retail investors for new funding and capital. *Page 32*

CONSUMER

UST CORP., a conservative Boston banking company, aims to become a major player in the Massachusetts retail market after its acquisition of 17 branches of Home Owners Savings Bank from the RTC. *Page 14*

TECHNOLOGY

MASTERCARD is expected to announce that it is moving toward a system that will reduce much of the paper burden and the liabilities that banks face in processing card transactions. *Page 3*

REAL ESTATE

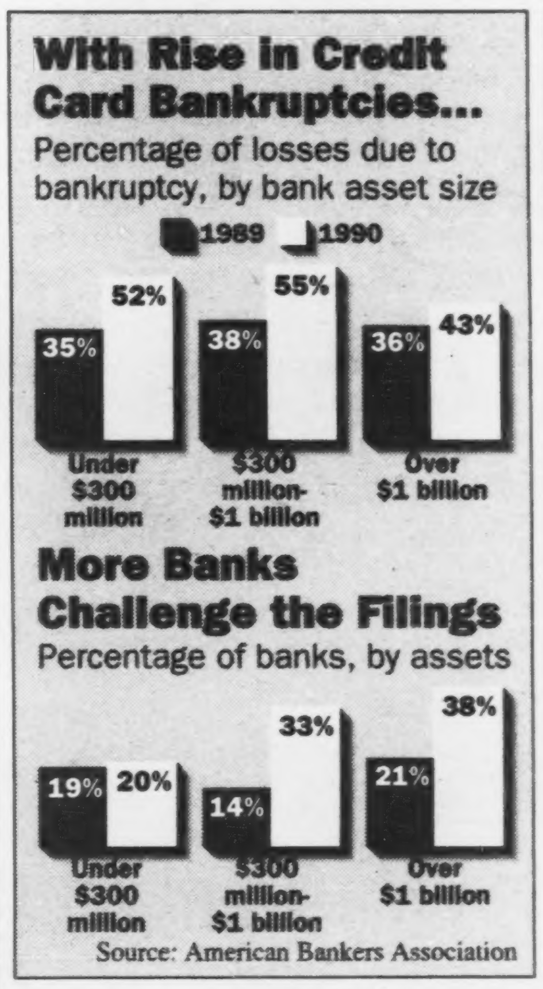
CONTENTIOUS meetings between bankers and debt-laden real estate developers are nothing new. But in today's market, more cooperation might be desirable. *Page 12*

COMMENT

EQUITY DURATIONS are surprisingly long, suggesting outsize rate exposures, says Sanford Rose. *Page 4*

INDEX

Company Index 2
Weekly Index of Stories 8
Thrift Trigger Dates 26
Classified Advertising 27
Bank and Thrift Stocks 31



With Rise in Credit Card Bankruptcies...
Percentage of losses due to bankruptcy, by bank asset size

More Banks Challenge the Filings
Percentage of banks, by assets

Source: American Bankers Association

Bankruptcy Seen As Causing Half Of Card Losses

By YVETTE D. KANTROW

NEW YORK – Nearly half of all credit card losses are now attributable to personal bankruptcies, up from a third only one year ago, according to an industry report.

The finding – nestled within the American Bankers Association's annual credit card survey – demonstrates how the recent uptick in personal bankruptcies could harm the credit card industry. The trade group warned that if allowed to continue, the bankruptcy trend may result in higher credit card prices and fees.

Role for Bankers

"That it increased so much really surprised me," said George Fesus, executive vice president at State Street Bank and Trust Co., Boston, and incoming chairman of the American Bankers Association's bank

See **CARD** *page* **21**

UAL Buyout Group Seeks Smaller Financing Package

By STEVEN LIPIN

The union-led buyout group bidding for UAL Corp. is now seeking only $2 billion in bank financing for a new, lower bid to buy the airline, banking sources confirmed. That compares with the $2.5 billion it sought from banks just a month ago.

The new bid is expected to be valued at $175 to $180 a share with at least $140 of that in cash, said a banker with knowledge of the deal. The current bid is $201 a share in cash and securities.

Banks to Hear Pitch

The employee-led group was tentatively scheduled to present the new proposal to four lead banks and 25 potential lenders Wednesday in New York.

Those leading the financing – the banking units of Bankers Trust New York Corp., Manufacturers Hanover Corp., First Chicago Corp., and Security Pacific Corp. – will not underwrite the proposed new offer, a banking source said.

Because of turbulence in the energy markets, the sluggishness of the airline industry, and the difficult environment for funding highly leveraged deals, the four would-be agents are not prepared to step up with $500 million commitments each, a banking source said.

Rather, the group is seeking to arrange a "club" financing with a large number of banks, similar to the deal for RJR Nabisco Inc. in which 28 banks were involved in the primary syndication, according to bankers working on the deal. The obvious difference

See **DEALS** *page* **30**

Comptroller Joins with Fed, FDIC On a 3% Minimum Capital Ratio

By BILL ATKINSON

WASHINGTON — After months of debate among regulators over a minimum bank capital requirement, the Office of the Comptroller of the Currency said Monday that it will fall in line with a Federal Reserve Board plan to require a 3% leverage ratio at the healthiest banks and higher levels at others.

The decision came a week after an intense Senate Banking Committee hearing in which Comptroller of the Currency Robert L. Clarke was portrayed as an "odd man out."

Seidman Criticism

L. William Seidman, chairman of the Federal Deposit Insurance Corp., said then that his agency would endorse the Fed policy, and he criticized Mr. Clarke's adherence to a slightly different standard. Mr. Clarke and the other regulators were told by committee Chairman Donald W. Riegle Jr., D-Mich., to agree.

The proposal calls for banks to maintain a minimum ratio based on their Camel ratings, regulatory assessments of capital, asset quality, management, equity, and liquidity. Banks that get a "1" rating, superior, would have to maintain capital equal to at least 3% of assets, regardless of whether they also meet higher, risk-based capital requirements.

Banks lower on the Camel scale would have to attain a higher capital level.

Mr. Seidman at the FDIC has

See **COMPTROLLER** *page* **21**

Green Movement Cultivates Its Own Bank

By JOHN EVANS

LONDON — There's a bank in West Germany whose mandate is to make the world a better place to live.

It's called Okobank, a deposit-taking cooperative that will bankroll only projects that it deems environmentally sound or socially responsible. It was founded two years ago by prominent members of Germany's powerful green movement.

A Quick Buildup

"We're the world's first ecology bank," says Tarsten Martin, the Frankfurt-based bank's chief accountant who acts as its public

See **GREEN** *page* **10**

Tom Bloom

Comptroller Joins Fed, FDIC in 3% Minimum Capital Ratio

Continued from *page* **1**

said he will back the 3% minimum despite his earlier support for a 4.5% standard. The agency has not yet adopted the rule, but it is expected to be discussed today at an FDIC board meeting.

OTS Backs 3% Ratio

Also Monday, the Office of Thrift Supervision said it supports the 3% leverage ratio and will amend its capital regulations accordingly.

The Comptroller's office initially proposed a 3% minimum for the healthiest banks but did not define healthy, said Ellen Stockdale, a spokeswoman for the agency. Critics charged that the proposal would let too many banks qualify for the minimum ratio. Now, the 3% minimum will apply to about 640 national banks with a 1 Camel rating.

"We never thought we were very far apart," Ms. Stockdale said of the Fed and the Comptroller. "For us to go from our original wording to 3% [for top-rated banks] was just a clarification."

In a written statement, Mr. Clarke acknowledged that concern existed over possible confusion between the Comptroller's and Fed's guidelines.

Clarke Is 'Delighted'

"For that reason, we have changed the language of the OCC's final rule to make it identical with that of the Federal Reserve," he said. "We are delighted that the FDIC also plans to adopt the same guideline."

The Comptroller plans to publish its final rule in the *Federal Register* this week.

Some industry observers still grumble over the guidelines, saying they will confuse bankers who will initially not know their capital requirement if they do not qualify as a 1-rated institution.

"I just think the end result is going to be uncertainty for the industry," said James Butera, a Washington banking lawyer and lobbyist. "It is a very different system than we have now. Everybody is in the same boat. Right now, everybody that is FDIC-insured is subject to a leverage ratio of 6%. All you need is a calculator to figure it out."

James D. McLaughlin, director of agency relations, trust, and securities at the American Bankers Association, acknowledged the advantages of uniformity, but he objected to tying the minimum leverage ratio to a bank's Camel rating. The rating is subjective and lacks precision, he said. ☐

Focus On
A Changing Industry
Home
MORTGAGES
Read It Fridays In **AMERICAN BANKER**

Card Losses from Bankruptcy on the Rise

Continued from *page* **1**

card division. Mr. Fesus urged bankers to take a more active role in educating consumers on the use of credit and in fighting fraudulent bankruptcy filings.

According to a published report, 616,753 people filed for personal bankruptcy last year, an all-time high and a 12% increase over the previous year. Some bankers fear that bankruptcy will further escalate this year as an uncertain economy spurs people to abandon their debt.

For its third annual bank card report, the ABA mailed questionnaires to 1,620 banks this summer to gain information on their bank card businesses. Completed surveys were returned by 446 banks.

The trade group announced the results at its annual bank card conference in New York.

Overall, the banking industry reported $3.7 billion in net bank card and related revolving credit losses in 1989, up from $3.3 billion in 1988, the ABA said. At the same time, the use of credit cards also grew.

Deadbeats Are Few

"All bankruptcy and loss statistics have to be kept in context of the total industry," Mr. Fesus said. "We're still only talking about 2% to 3% of our customers.

"The vast majority of bank cardholders are in good control of their expenditures," he said.

In 1989, consumers used credit cards 2.9 billion times to purchase more than $189.8 billion worth of goods and services. That's up from the 2.7 billion card transactions conducted in 1988, representing $168.4 billion in retail sales.

According to the ABA study, 2.36% of all credit card accounts were 30 or more days past due at June 30, up from 2.20% a year earlier. Based on dollar outstandings, delinquencies totaled 3.46% at the end this year's second quarter.

Mr. Fesus said that bankruptcy's increasing contribution to bank card losses could be an aberration and may not signal an long-term trend. His institution, based in the troubled New England region, has not seen an as much of an uptick in bankruptcy-related credit card losses as those uncovered by the ABA study, he said.

Visa on Monday revealed an automated tracking system that allows banks to use personal computers to get weekly updates on bankruptcy filings. According to Ken Crone, director of Visa's bankruptcy reduction program, the system is unusual because it allows banks to get information on bankruptcies the same week they are filed. It typically takes credit bureaus one to three months to report on new filings, he said. ☐

BIZAR SHUSTAK MARTIN & SCHNEIDER
COUNSELLORS AT LAW

"Providing savvy, street~wise legal representation for banks and lending institutions"

485 MADISON AVENUE
NEW YORK, NEW YORK 10022
CALL ERWIN J. SHUSTAK AT (212) 752-7200

3d-World Interest Arrears Soar

Continued from *page* **10**

ment deficit soared.

Mr. Schulmann's comments came on the eve of the annual meetings of the International Monetary Fund and the World Bank. It has become a tradition for the IIF, founded in 1984 to advise bankers on the economic outlook for Third World debtor countries, to make statements in anticipation of the annual meetings, and to scold Third World debtors for debt arrears.

Strategic Problems

Although progress had been made with $60 billion of bank debt owed by highly indebted, middle-income countries representing about one-quarter of the outstanding medium- and long-term bank debt reduced since 1985, Mr. Schulmann said problems persist in current official debt strategy.

Mr. Schulmann criticized advocates of reducing or forgiving debt and finance ministers who try to "drive down secondary market prices through 'open-mouth' policies."

Mr. Schulmann said that as long as debtor countries continue to accumulate arrears, retrenchment of commercial creditors will continue.

The Confidence Factor

'The rapid build-up of arrears destroys confidence among potential investors, undermines discipline in the international system, and indicates a strong element of moral hazard in the official strategy," he said.

Mr. Schulmann pressed the international agencies to condition future credit extension on countries resuming payments on their arrears.

"The IMF and the World Bank need to make clear that they will not provide finance to countries until they have stopped adding to arrears and agreed with their creditors to a program to eliminate the arrears within a reasonable time frame," Mr. Schulmann said.

Loan Terms Criticized

He also said the final terms of an imminent agreement for a standby loan of $2 billion between the IMF and Brazil would be key to whether commercial banks resumed lending in the Third World.

Tentative agreement was reached last week, and the loan was not attached to resumption of interest payments by Brazil. Mr. Schulmann's remarks were understood to be a warning that changes should be made before the agreement is final.

Mr. Schulmann further noted that both Argentina and Brazil wil probably have substantial trade surpluses this year, providing them with the foreign exchange reserves they need to make debt repayments. ☐

We Honor
Plus System
Plus
CIRRUS.

Add PLUS SYSTEM to your CIRRUS ATM and you won't be able to keep the people away.

Over 150 million PLUS SYSTEM cardholders can have access to your ATM. Plus System, Inc. and Cirrus, Inc. "duality" have given CIRRUS ATM owners the ability to accept PLUS SYSTEM ATM cards.

Rocky Mountain BankCard System, the original founder of the PLUS SYSTEM ATM network (and one of the nation's ten largest debit and credit card processors), can sponsor your CIRRUS ATM's into the PLUS SYSTEM network.

For details on PLUS SYSTEM sponsorship, debit and credit card processing services, or agent bank merchant services:
CALL SANDY BUTLER TODAY!
1-800-525-3717 (outside Colorado)
1-800-332-3320 (in Colorado)
1-303-620-7263 (in Denver)

RMBCS®
Rocky Mountain BankCard System®
Who's better to sponsor your membership into the PLUS SYSTEM network... than the people who created it.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 21

800

C0175-1

TOP 100 HOLDING COMPANIES
Tables on pages 10, 12

AMERICAN BANKER

VOL. CLV NO. 196 | *Tuesday, October 9, 1* | *155th year*

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Banks Need to Rethink the Mortgage Game

By SANFORD ROSE

The mortgage business is good; the mortgage business is bad. One hears both refrains echoed in the pages of this newspaper. Who is right? The answer is that both may be right because each protagonist is probably talking about a different part of what is generically called the mortgage business.

That business can usually be divided into three distinct parts: origination, servicing, and funding. Mortgage servicing can be hugely profitable, but generally only for scale players. Economies of scale in this activity are enormous. The direct servicing cost per loan declines from about $120 for those servicing less than $500 million in mortgages to only about $75 for those servicing more than $5 billion in outstandings.

Comment

Mortgage origination can also be profitable (although again probably only for scale players with a good handle on costs). The reason is that the institutional market has a tremendous, well-nigh insatiable, appetite for current-coupon originations, especially fixed-rate ones, and in consequence tends to bid up their price (drive down their yield). Hence, efficient gatherers of mortgages who originate at par can generally count on selling these originations at more than par.

An Inefficient Market

This phenomenon betokens market inefficiency. Current-coupon mortgages usually have the largest amount of prepayment risk. If rates fall by 150 basis points or more, a substantial number of mortgagors will elect to refinance at the lower rates, killing the yield on the portfolio.

These mortgages should therefore be priced lower (their yields should be higher) to compensate investors for the risk of early prepayment. But because investment demand perversely remains so buoyant, this does not happen. The market continues to overprice, affording mortgage gatherers the opportunity to sell their current production at attractive prices.

A Negative Spread

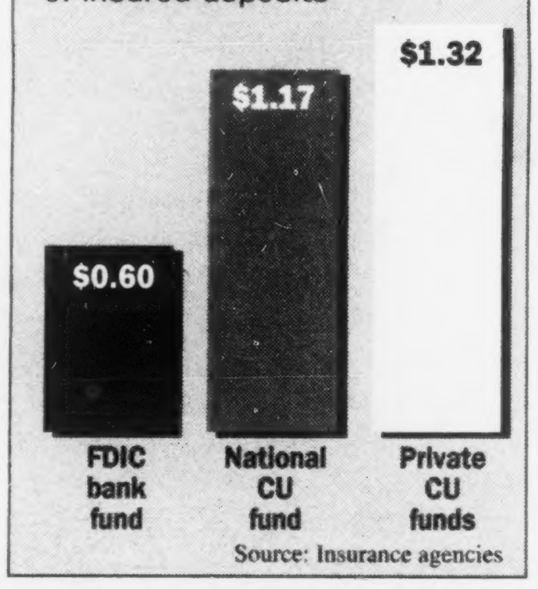
However, the very reason that makes mortgage origination a profitable activity helps to make mortgage funding – the third segment of the business – an unprofitable one. The spread on current-coupon mortgages, relative to Treasuries, has been fall-

See **RETHINKING** *page* **4**

INSIDE NEWS

CONSUMER

Are Credit Union Deposits Safer?
Reserves per $100 of insured deposits



Source: Insurance agencies

PRIVATE INSURANCE, used by some credit unions, may offer a model for reform of the bank insurance system. *Page 6*

THE VAST MAJORITY of banks and thrifts whose community reinvestment performance has been examined since a disclosure law went into effect July 1 have been rated satisfactory or better. *Page 2*

REGULATIONS

CITICORP has filed suit against the Fed, seeking to overturn an order blocking the company from selling and underwriting insurance nationwide. *Page 2*

THRIFT CRISIS

THE RTC SAYS the government could save almost $4 billion by changing the tax breaks given to investors who acquired failing thrifts in 1988. *Page 2*

TECHNOLOGY

FIRSTDIRECT, a unit of Britain's Midland Bank, is luring upscale customers with its telephone-only service. *Page 3*

REAL ESTATE

SEATTLE HAS a reputation as a strong market for commercial real estate, but some analysts detect signs of weakness. *Page 8*

INTERNATIONAL

BRITISH CONSUMERS may have to pay up to a 5% premium for making purchases with credit cards as a result of the defeat of Visa International in a legal battle. *Page 16*

INDEX

Company Index 2
Weekly Index of Stories 13
Classified Advertising 20

Fannie, Freddie to Undergo Exams Like Those for Banks

By DEBRA COPE

WASHINGTON — Stung by criticism that it has failed to adequately regulate the secondary mortgage market, the Department of Housing and Urban Development is poised to initiate banklike examinations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corp.

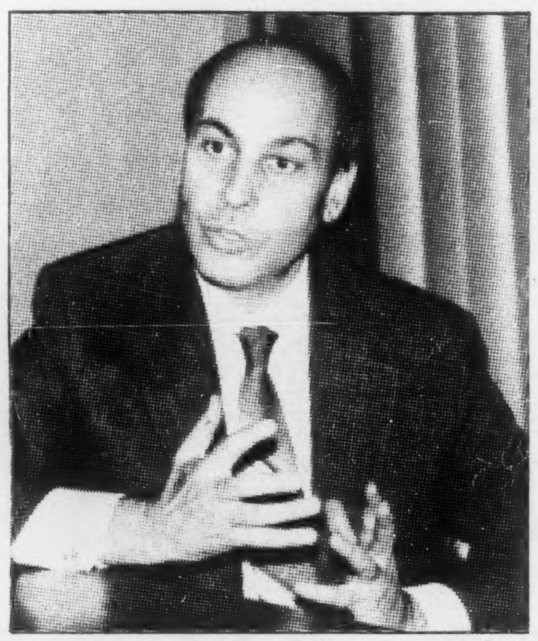
"We want to do examinations. We know that we have to do them. We're just trying to figure out how to do them," HUD Under Secretary Alfred A. DelliBovi said in an interview Friday.

Special Expertise Needed

Although HUD monitors public housing authorities, Mr. DelliBovi said the two government-sponsored mortgage institutions need examiners with a special expertise that his agency cannot muster by itself.

"If everything in banking was just hunky-dory, we would probably be able to suggest that [FDIC Chairman L. William] Seidman or [Federal Reserve Board Chairman] Alan Greenspan lend us a team of the best and the brightest that they have to do this for us," Mr. DelliBovi said. "But they are very busy at the Fed and at FDIC."

HUD traditionally has based its monitoring of Fannie Mae and Freddie Mac, as the two mortgage agencies are known, on reports and information that the agencies themselves generated, Mr. DelliBovi noted.


Peggy Turbett

Alfred A. DelliBovi
HUD under secretary

Now, Congress and the public are asking whether this type of review is sufficient.

Answering the Doubts

"It seems to me the public is entitled to ask the question of the regulator, 'How do you know?'," he said. "It is not possible for me to satisfactorily answer that question by saying, 'I know it because they told me.'"

The plan is the product of HUD's financial institutions

See **EXAMS** *page* **23**

Morgan Wins Hanover's Phone Deal In Argentina

By JAMES R. KRAUS

In what could prove to be a major coup, a syndicate led by J.P. Morgan & Co. was awarded a contract to acquire a majority stake in one of Argentina's two state-owned telephone companies.

The contract had originally been awarded to a syndicate led by Manufacturers Hanover Corp., but Hanover said it could not arrange the necessary financing.

If Morgan succeeds in arranging the financing, the deal could give Morgan an edge over other U.S. banks competing for millions of dollars in fees for arranging debt-for-equity swaps, in which banks convert their loans to foreign countries into equity in state-owned companies that are privatized. A spokesman said Morgan was confident it could arrange the financing.

Massive Privatization Plans

Argentina, Mexico, Brazil, and other Latin American countries are planning to privatize billions of dollars worth of assets in an effort to modernize obso-

See **MORGAN** *page* **16**

Stock Woes Slow Consolidation Of Bank Industry

By GORDON MATTHEWS

NEW YORK — The enormous decline in the value of bank stocks over the past year, particularly in the third quarter, has helped bring the industry consolidation movement – at least the portion without government assistance – to a virtual standstill.

The aggregate value of unassisted mergers and acquisitions involving banks and thrifts announced during the third period declined to a meager $1.1 billion. That is 80% below the $6.2 billion in the same quarter in 1989, just before the momentous slide in bank stock prices began.

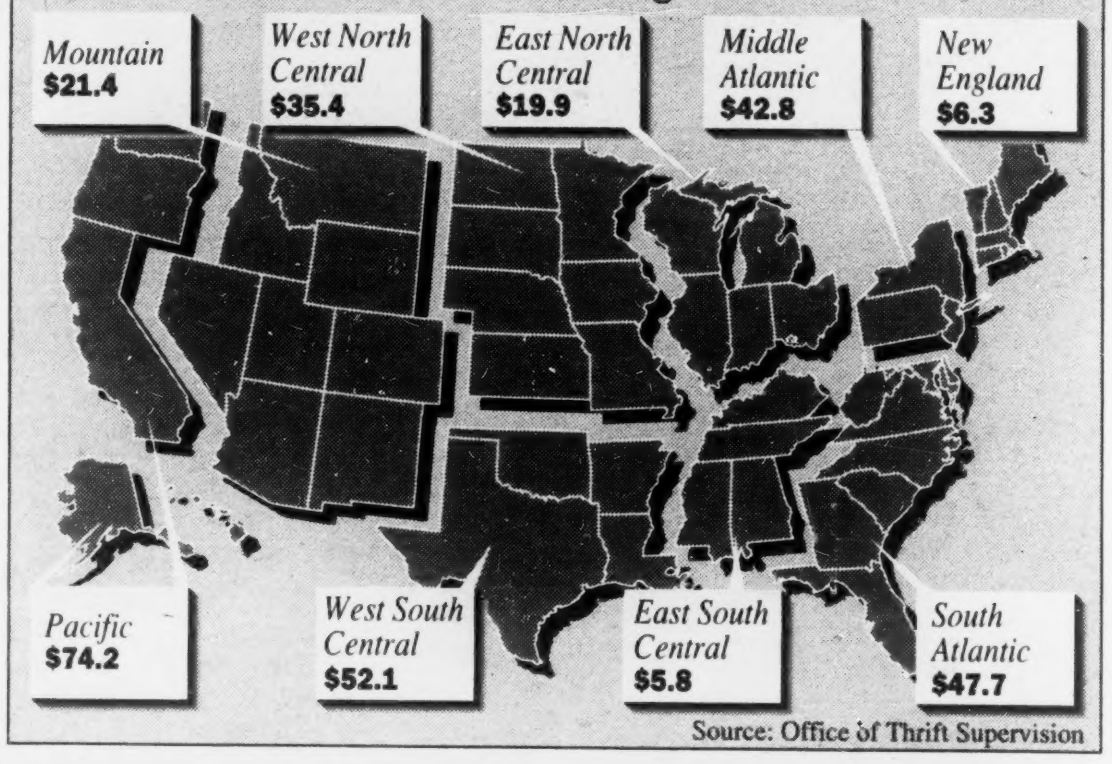
Key Index Down 40%

The *American Banker* index of the nation's 225 largest publicly traded banks peaked a year ago today and has since declined 40%. Many banks, including some viewed as potential acquirers of other banks, have suffered even larger losses in market capitalization.

With the standard avenue of

See **STEEP** *page* **23**

RTC's Expected Caseload by Region
Assets in billions of dollars, as of mid-August


Mountain $21.4
West North Central $35.4
East North Central $19.9
Middle Atlantic $42.8
New England $6.3
Pacific $74.2
West South Central $52.1
East South Central $5.8
South Atlantic $47.7

Source: Office of Thrift Supervision

Only One-Third of Thrift Rescues By U.S. Completed, Survey Finds

By STEVE KLINKERMAN

Thirty-four months after the thrift industry cleanup started in earnest, the government has completed only about a third of its rescue work, an *American Banker* survey shows.

Results in California

As of mid-August, the government was still facing the prospect of selling or liquidating $310 billion in thrift assets, according to the survey.

Forty percent of those assets are from institutions based in: California ($64.4 billion), Texas ($35 billion), and Florida ($27.4 billion). (See table on page 21.)

The government has completed about half of the cleanup in California and two-fifths of the work in Texas. But far larger percentages of the work still

See **RESCUES** *page* **21**

COMMENT / *By Paul S. Nadler*

Healthy States Footing Bill For Recovery of Profligates

As Robert M. Kossick, chief executive officer of National Community Bank, Rutherford, N.J., moves around his state speaking to business groups, he summarizes banking's current crisis and the harm to bank earnings simply:

"If a bank has lent $1 million on a property with a $1.3 million appraisal and now the property is appraised at $750,000, the bank must take a $250,000 hit to earnings even if the loan is performing."

This tells it all.

Property values soared in the 1980s as institutional and individual investors with money to burn poured more and more into real estate. And now, as values recede to more realistic levels, we are paying the price for pushing up values too fast.

The Oil Patch Example

It is like the Oil Patch. Texas did all right with $2-a-barrel oil. It did beautifully with $34 oil. But the state fell to its knees with $18 oil because it had operated as if the upward price trend would go on forever.

The irony is that the emphasis on providing money for housing in good years and bad remains alive, despite all the damage it has done to our economy and our banks.

Why, one can ask, do we still see a tax preference for interest paid on home mortgages, second mortgages, and second homes when every other sort of interest charge has been denied much or all of its former tax deductibility?

One listens to the radio ads for Citibank in the New York area and hears the pitch for its home equity loans. This stresses that, as long as the loan is collateralized by your home, you can get a loan for your daughter's wedding, for a zooming car, or for anything else you might want and – here comes the best part – "it may be tax deductible."

Shouldn't people whose loans are not tied to real estate be angered? And shouldn't this emphasis on promoting the tax advantage of using your home as the basis for loans that have nothing to do with home finance force Congress to change this inequity?

It should.

But equally bad, as we look at the legacies the 1980s housing boom has left us, is the impact on regional growth.

We well recognize that, in America today, economic weakness or strength are not uniform throughout the nation but vary by region. How ironic that the strongest area in our economy now is the Midwest – the region until recently derided as "the Rust Belt."

"Texas, California, and other states . . . are now the beneficiaries of their excesses, while the rest of the nation pays."

And when we talk about recession, we must remember that it is largely the areas that depended on home finance and the financial markets for their prosperity that are in trouble today. The areas where we produce export goods or where services such as education, medicine, and recreation are key industries have not suffered.

However, Texas, California, and the other states that relaxed laws to let thrifts finance unlimited growth are now becoming the beneficiaries of their excesses, while the rest of the nation pays.

We all recognize that overbuilding in the Southwest will be paid for in large degree by taxpayers everywhere as the government makes the fund transfers needed to protect depositors in federally insured institutions whose assets have turned sour.

Free Ride for Prodigals

Another legacy, though, is that Texas, California, and other states have unoccupied homes and commercial facilities whose prices are falling to clear the market glut. As prices fall, employers will be attracted to move to the very places where the excesses took place.

When we see companies move from the Northeast, the rationale frequently offered is: "Our employees can have a better lifestyle at lower cost because of the housing available in Texas."

In sum, these companies are saying that the taxpayers of America will subsidize their lower-cost operations in the states that neglected sound banking principles and let their thrifts do anything they wanted with federally insured deposits.

Wiser Heads Pay the Tab

The states that maintained sound financial practices will be the losers, and those that did not will get the lion's share of economic growth in the years ahead – largely at taxpayers' expense.

It all bolsters the stark reality of the price we eventually pay when we let one industry shove its way to the front of the line in the allocation of credit at the expense of free market principles that are based solely on risk, income, and liquidity preference. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

COMMENT / *By Sanford Rose*

Rethinking Mortgages

Continued from *page* **1**

ing, while the cost of funding these mortgages, again relative to Treasuries, has not been falling, or at least not by as much as the asset yield. As a result, the best evidence suggests that the marginal cost of funding is now greater than the yield on current-coupon, fixed-rate (and even variable-rate) mortgages, after, that is, this yield has been adjusted for the cost of the prepayment option and the cost of match-funding the asset.

To be sure, negative funding spreads do not prevail universally. In parts of the country where the demand for mortgage money is unusually heavy, mortgage yields may be high enough to provide good investment opportunities for financial intermediaries, especially for those which can raise money at the margin at a cost not appreciably greater than their average cost. But such instances are comparatively rare. For most banks and thrifts, mortgage funding is a losing proposition.

Adjusting the Yield

Indeed, even in so-called advantaged areas, it is questionable whether mortgages can be safely funded to term at a positive spread. For example, while some California thrifts claim to be earning a funding profit, on closer examination it turns out that this is because a number are either not match-funding or have not deflated yields adequately for the cost of the prepayment option.

Were the appropriate adjustments to be made, the rate of return on the funding business might be positive only because the institution was financing a portion of its mortgages with interest-free equity monies. But since the spread on the nonequity financing is probably negative, the overall return on equity should still be minuscule, perhaps as low as 1% or 2%.

The upshot is that banks and thrifts which lump together the returns of all three segments of the mortgage business tend to deceive themselves. In the aggregate, their mortgage activities may generate a high enough return on equity – perhaps 14% or 15% – to increase shareholder value. This fact may lead managements to conclude that the mortgage business does not need fixing. But this would be a grave error, especially since most of the equity earmarked to the mortgage business is invested in that part of the activity which tends to destroy shareholder value – the funding segment.

Most of a bank's mortgage equity is invested in a losing business.

Quite logically, managements should look at mortgage returns in an unbundled fashion. Such an analysis would reveal the need to exit the funding business, which in most cases can be done without damaging the returns from either servicing or mortgage origination. The equity freed up can then be reinvested in other businesses that are more attractive.

In truth, however, many institutions are loath to exit the mortgage funding business because they simply cannot find alternative profitable uses for deposits and equity funds. Obviously the solution is bankwide retrenchment. Managements should use core deposits to retire higher-cost purchased funds. And they should dispose of equity either by raising dividend payouts or by stock repurchase, thereby helping to raise share prices.

An Unattractive Future

It should also be noted, at least parenthetically, that while certain parts of the mortgage business seem adequately profitable in the short-run, the longer-term outlook is something less than optimistic. This is because the country is for the most part overhoused. We have increased the inventory of one- to four-family homes faster than the inventory of people eligible to occupy these homes. Population growth has slowed, and population mobility is decreasing.

As a result, the profits from both mortgage origination and servicing should come under eventual pressure. For example, the profitability of servicing tends to decline as mortgages amortize, simply because the revenue, which is a function of the size of the outstanding balance, inexorably falls while costs continue to creep up.

So, without a sufficient supply of new mortgages coming on stream, the economics of the business worsen progressively. Since population trends argue for a more restricted supply of new mortgages in the current decade, what is currently a reasonably healthy business may in the future become rather unhealthy for all but the most mammoth and cost-efficient service providers. ☐

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Senior Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A.
(ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

Top 100 Bank Holding Companies

In order of total assets on June 30, 1990, compared with June 30, 1989 (Dollar amounts in millions)

Asset Rank 6/90		Total Assets 6/30/90	Total Assets 6/30/89	Rank 6/89	Gain In Rank	Total Deposits 6/30/90	Total Deposits 6/30/89	Domestic Banks Controlled 6/30/90	Domestic Bank Branches 6/30/90	Primary Capital 6/30/90	Total Capital 6/30/90	Prim. Cap. as a % of Tot. Assets 6/30/90	Net Income First Half 1990
1	**Citicorp, New York**	227,752.0	215,351.0	1		146,253.0	128,416.0	10	438	17,511.0	24,259.0	7.69	479.0
2	**BankAmerica Corp., San Francisco**	103,960.0	98,290.0	4	+2	85,693.0	78,114.0	3	1,046	9,552.0	11,360.0	9.19	430.0[1]
3	**Chase Manhattan Corp., New York**	102,371.0	104,149.5	2		70,143.0	68,600.4	7	468	8,428.0	11,565.0	8.23	96.0
4	**Security Pacific Corp., Los Angeles**	94,510.0	85,127.0	5	+1	58,589.0	48,950.0	13	965	6,524.0	8,365.0	6.90	383.6
5	**J.P. Morgan & Co., Inc., New York**	93,102.6	99,973.0	3		41,785.9	45,878.0	2	5	7,717.0	8,625.0	8.29	375.6
6	**Chemical Banking Corp., New York**	75,216.0	75,897.0	6		50,774.0	51,064.0	23	470	7,607.0	7,919.0	10.11	264.8
7	**NCNB Corp., Charlotte, N.C.**	66,187.5	32,898.0	15	+8	48,907.9	22,049.8	7	868	3,774.9	5,060.3	5.70	277.5
8	**Manufacturers Hanover Corp., New York**	63,548.0	71,907.0	7		42,631.0	42,742.0	2	222	5,845.0	7,074.0	9.20	129.0
9	**Bankers Trust New York Corp.**	57,341.0	62,190.1	8		28,520.0	29,726.6	2	3	5,166.0	6,617.0	9.01	372.0
10	**First Interstate Bancorp., Los Angeles**	55,082.0	58,361.1	9		44,665.0	43,970.8	27	1,053	4,211.0	5,308.0	7.64	222.3
11	**Wells Fargo & Co., San Francisco**	51,712.5	47,825.3	12	+1	37,202.8	33,638.1	1	489	4,267.0	6,108.0	8.25	392.2
12	**First Chicago Corp.**	50,361.0	48,207.0	11		34,653.0	33,802.0	24	45	3,887.0	4,864.0	7.72	156.0
13	**Bank of New York Co., Inc.**	48,953.5	49,593.2	10		33,241.9	34,770.2	2	247	4,245.4	4,717.8	8.67	172.7
14	**PNC Financial Corp, Pittsburgh**	47,823.0	41,694.0	13		31,040.1	28,223.4	11	530	3,367.7	3,675.1	7.04	183.4
15	**First Union Corp., Charlotte, N.C.**	38,385.2	30,379.9	19	+4	26,208.9	20,324.0	5	779	3,113.4	3,838.0	8.11	164.5
16	**Bank of Boston Corp.**	37,297.5	36,697.0	14		28,661.8	24,017.4	5	246	3,203.3	4,066.7	8.59	47.2
17	**Fleet/Norstar Financial Group, Inc., Providence, R.I.**	34,120.2	29,223.4	21	+4	22,804.4	20,446.6	8	595	2,929.8	3,470.7	8.59	(38.0)
18	**Mellon Bank Corp., Pittsburgh**	31,670.0	31,535.0	18		24,077.0	22,105.0	7	385	2,239.0	2,602.0	7.07	133.0[2]
19	**SunTrust Banks, Inc., Atlanta**	31,256.8	29,305.0	20	+1	25,146.7	23,953.5	53	619	2,537.9	3,001.0	8.12	176.4
20	**Barnett Banks, Inc., Jacksonville, Fla.**	31,128.2	27,269.5	24	+4	27,302.0	23,577.8	32	592	2,269.7	2,281.5	7.29	74.0
21	**First Fidelity Bancorporation, Lawrenceville, N.J.**	29,848.3	28,687.3	22	+1	22,986.7	21,171.8	8	495	2,137.8	2,608.3	7.16	(129.3)
22	**Continental Bank Corp., Chicago**	29,532.0	31,776.0	17		16,562.0	17,504.5	1	0	1,911.0	2,370.0	6.47	(56.7)
23	**Republic New York Corp.**	29,198.9	25,716.2	27	+4	19,246.4	16,206.7	2	59	2,022.0	2,930.0	6.92	97.1
24	**Banc One Corp., Columbus, Ohio**	27,920.8	26,667.7	26	+2	21,077.0	19,912.6	52	716	2,984.7	3,089.8	10.69	205.8
25	**MNC Financial, Inc., Baltimore**	27,538.7	18,650.7	37	+12	19,073.8	12,252.0	4	215	2,015.0	2,171.7	7.32	(68.5)
26§	**Norwest Corp., Minneapolis**	26,769.6	23,117.4	30	+4	16,701.5	14,291.1	30	259	2,072.8	2,280.7	7.74	138.4
27	**NBD Bancorp., Inc., Detroit**	26,646.0	24,637.2	28	+1	20,780.3	19,971.2	29	362	2,022.7	2,202.9	7.59	134.6
28	**Shawmut National Corp., Hartford, Conn.**	26,577.3	27,934.2	23		19,508.7	17,838.6	12	383	2,347.6	2,848.3	8.83	70.8
29	**Sovran Financial Corp., Norfolk, Va.**	26,067.9	23,921.8	29		18,711.1	18,118.3	8	495	2,058.0	2,244.1	7.89	88.7
30	**Marine Midland Banks, Inc., Buffalo, N.Y.**	24,513.9	26,725.1	25		17,334.3	17,400.7	1	316	2,429.1	2,979.8	9.91	(19.8)
31	**First Wachovia Corp., Winston-Salem, N.C.**	24,280.1	22,981.2	31		16,653.5	17,226.6	3	372	2,039.5	2,115.2	8.40	146.5
32	**Citizens & Southern Corp., Atlanta**	24,259.2	22,822.8	32		17,874.6	16,860.3	3	517	1,776.2	2,105.1	7.32	99.3
33	**Midlantic Corp., Edison, N.J.**	24,231.3	20,843.7	35	+2	20,317.0	15,820.5	12	479	2,205.7	2,452.2	9.10	(23.4)
34	**National City Corp., Cleveland**	23,091.6	21,609.4	34		17,504.6	16,770.7	19	455	1,818.9	2,048.1	7.88	132.0
35	**Bank of New England Corp., Boston**	23,071.3	31,981.4	16		18,449.8	24,280.2	5	444	2,079.7	2,546.0	9.01	(79.9)
36	**CoreStates Financial Corp, Philadelphia**	22,764.9	16,410.1	38	+2	15,118.7	10,997.6	5	287	1,857.5	2,339.7	8.16	122.6
37	**National Westminster Bancorp, Inc., New York**	21,945.2	19,703.1	36		18,364.8	15,985.2	2	266	2,029.7	2,068.7	9.25	(90.2)
38	**First Bank System, Inc., Minneapolis**	19,425.2	22,355.2	33		15,003.3	15,968.9	29	113	1,645.2	1,911.2	8.47	58.4
39	**U.S. Bancorp., Portland, Ore.**	17,748.4	15,200.0	40	+1	12,379.9	10,800.0	2	352	1,369.0	1,384.7	7.71	89.4
40	**KeyCorp, Albany, N.Y.**	16,005.8	14,925.4	41	+1	12,988.4	11,748.1	15	593	1,272.4	1,346.2	7.95	73.5
41	**Southeast Banking Corp., Miami**	15,833.0	16,274.2	39		12,478.0	11,952.2	1	224	1,155.0	1,395.0	7.29	(77.5)
42	**Society Corp., Cleveland**	15,566.2	9,974.7	58	+16	12,527.8	7,846.4	15	391	1,131.8	1,303.9	7.27	80.3
43	**Boatmen's Bancshares, Inc., St. Louis, Mo.**	15,044.1	14,887.0	42		11,030.2	10,862.6	32	212	1,264.7	1,468.1	8.41	33.0
44	**First City Bancorporation of Texas, Inc., Houston**	13,897.0	12,912.0	43		10,526.6	10,301.6	20	55	1,023.0	1,056.9	7.36	109.9
45	**UJB Financial Corp., Princeton, N.J.**	13,280.5	11,389.0	48	+3	10,168.5	8,930.8	9	271	1,008.8	1,072.3	7.60	31.1
46	**First of America Bank Corp., Kalamazoo, Mich.**	12,965.9	10,003.9	57	+11	11,373.1	8,842.3	37	415	1,042.1	1,122.1	8.04	64.4
47	**Signet Banking Corp., Richmond**	12,654.6	11,762.9	45		8,096.3	7,487.7	3	236	897.1	1,132.2	7.09	30.1
48	**Crestar Financial Corp., Richmond**	12,215.8	10,962.9	51	+3	8,263.3	8,378.3	4	255	943.5	1,029.7	7.72	36.1
49	**Comerica, Inc., Detroit**	12,214.2	11,524.2	46		9,908.2	9,312.8	4	217	958.7	1,109.2	7.85	63.7
50	**Meridian Bancorp., Inc., Reading, Pa.**	11,771.5	9,906.0	59	+9	9,488.5	7,310.0	3	217	906.7	919.6	7.70	42.4
51	**Northern Trust Corp., Chicago**	11,736.6	10,979.3	50		7,454.0	6,671.6	9	0	832.3	1,010.0	7.09	54.4
52	**Huntington Bancshares, Inc., Columbus, Ohio**	11,684.0	10,350.6	55	+3	8,825.8	7,566.8	11	253	843.9	985.4	7.22	55.1
53	**Harris Bankcorp, Inc., Chicago**	11,644.5	12,104.3	44		8,669.2	8,538.3	13	25	865.1	965.9	7.43	26.0
54	**First American Bankshares, Inc., Washington, D.C.**	11,632.9	11,090.3	49		8,813.9	8,451.6	7	295	952.9	955.8	8.19	(22.8)
55	**Michigan National Corp., Farmington Hills**	11,631.9	11,472.9	47		9,279.4	9,039.4	2	205	945.9	947.9	8.13	37.0
56	**Manufacturers National Corp., Detroit**	11,205.0	10,372.2	54		8,366.9	8,170.3	12	128	849.0	882.4	7.58	49.1
57	**Ameritrust Corp., Cleveland**	11,097.3	10,722.4	53		8,839.6	8,315.3	6	226	949.5	1,220.8	8.56	(33.2)
58	**Valley National Corp., Phoenix, Ariz.**	10,430.3	10,891.2	52		9,336.2	9,267.4	4	272	727.1	864.6	6.97	2.6
59	**Dominion Bankshares Corp., Roanoke, Va.**	10,323.5	9,453.2	60	+1	7,766.8	7,185.0	10	291	843.3	883.2	8.17	6.4
60	**State Street Boston Corp.**	10,306.1	8,186.9	61	+1	6,625.8	4,700.8	1	6	695.7	782.3	6.75	56.1
61	**BayBanks, Inc., Boston**	10,055.6	10,057.8	56		8,992.5	8,356.3	8	225	688.2	739.7	6.84	(25.3)
62	**Bancorp Hawaii, Inc., Honolulu**	8,972.2	7,104.0	67	+5	7,663.8	5,972.8	2	67	612.8	612.8	6.83	45.5
63	**Firstar Corp., Milwaukee**	8,533.9	7,772.7	64	+1	6,817.9	6,279.7	40	132	716.3	878.4	8.39	47.6
64	**AmSouth Bancorporation, Birmingham, Ala.**	8,515.5	8,142.2	63		6,669.5	6,389.8	4	176	750.2	755.3	8.81	39.3
65	**BanCal Tri-State Corp., San Francisco**	8,427.1	6,994.9	68	+3	4,285.6	4,617.1	1	53	713.9	1,123.9	8.47	21.6
66	**SouthTrust Corp., Birmingham, Ala.**	8,259.9	7,126.0	66		6,546.2	5,676.5	41	225	633.1	740.8	7.67	31.7
67	**Old Kent Financial Corp., Grands Rapids, Mich.**	8,098.2	8,162.6	62		6,654.4	6,777.9	21	195	650.6	730.3	8.03	44.4
68	**Integra Financial Corp., Pittsburgh**	7,618.7	6,548.0	75	+7	6,502.3	5,656.6	7	226	615.4	657.3	8.08	35.0
69	**First Maryland Bancorp., Baltimore**	7,495.3	6,700.5	71	+2	5,370.0	4,610.4	2	142	714.0	856.5	9.53	25.7
70	**Hibernia Corp., New Orleans, La.**	7,365.7	6,184.0	77	+7	6,460.5	5,084.0	2	133	483.2	491.3	6.56	(7.9)
71	**Fifth Third Bancorp, Cincinnati**	7,344.1	5,487.0	85	+14	5,991.4	4,343.4	14	210	819.8	819.8	11.16	56.4
72	**First American Corp., Nashville, Tenn.**	7,081.0	6,927.0	69		5,800.6	5,571.1	2	147	554.4	569.5	7.83	(35.5)
73	**Riggs National Corp., Washington, D.C.**	7,068.8	6,666.6	72		5,714.7	5,337.7	3	57	485.6	648.5	6.87	6.7
74	**Marshall & Ilsley Corp., Milwaukee, Wis.**	7,066.7	6,836.3	70		5,514.0	5,092.4	45	133	681.8	754.5	9.65	37.9
75	**Mercantile Bancorporation Inc., St. Louis, Mo.**	6,861.3	6,627.2	73		5,467.0	5,211.3	27	112	549.7	641.4	8.01	25.5
76	**LaSalle National Corp., Chicago**	6,850.8	3,183.2	119	+43	5,412.0	2,722.3	10	0	681.8	721.4	9.95	35.5
77	**First Empire State Corp., Buffalo, N.Y.**	6,569.1	5,977.3	78	+1	5,065.7	4,806.8	3	96	478.7	478.8	7.29	26.6
78	**First Tennessee National Corp., Memphis**	6,430.3	6,363.0	76		5,093.4	4,921.3	3	160	539.8	592.2	8.39	19.7
79	**South Carolina National Corp., Columbia**	6,427.8	5,828.0	81	+2	4,791.8	4,290.0	1	156	501.8	547.7	7.81	29.1
80	**First Security Corp., Salt Lake City, Utah**	6,335.1	5,323.5	86	+6	4,538.5	3,940.7	4	182	529.1	666.3	8.35	25.2
81	**United Banks of Colorado, Inc., Denver**	6,266.6	5,682.2	83	+2	5,097.6	4,502.0	40	0	480.5	520.5	7.67	(85.1)
82	**Commerce Bancshares, Inc., Kansas City, Mo.**	6,074.5	5,307.8	87	+5	5,229.0	4,533.3	14	97	506.5	507.3	8.34	30.3
83	**Star Banc Corp., Cincinnati**	6,058.2	5,674.0	84	+1	5,008.3	4,726.2	15	158	546.1	563.6	9.01	33.8
84	**INB Financial Corp., Indianapolis**	5,987.7	5,870.2	80		4,693.3	4,347.0	4	105	490.0	540.0	8.18	16.0
85	**Merchants National Corp., Indianapolis**	5,737.6	5,180.5	91	+6	4,229.8	3,705.9	17	138	403.4	470.8	7.03	14.2
86	**Central Fidelity Banks Inc., Richmond**	5,707.2	4,789.1	94	+8	4,381.7	3,890.4	2	190	429.3	447.3	7.52	28.3
87	**European American Bancorp, New York**	5,598.0	5,975.6	79		4,426.3	4,673.1	1	89	569.7	769.7	10.18	(83.9)
88	**First Florida Banks, Inc., Tampa**	5,545.7	5,243.4	90	+2	4,647.9	4,267.7	2	154	474.4	474.9	8.55	18.3
89	**First Hawaiian, Inc., Honolulu**	5,533.9	4,490.9	96	+7	4,994.1	4,013.6	1	46	339.8	388.8	6.14	33.3
90	**Bank South Corp., Atlanta**	5,514.3	4,883.9	92	+2	3,851.2	3,715.2	9	140	434.8	445.2	7.89	3.1
91	**First Alabama Bancshares, Inc., Montgomery**	5,362.9	5,248.8	89		4,635.2	4,375.6	2	149	545.0	554.8	10.16	33.1
92	**First Virginia Banks, Inc., Falls Church**	5,210.7	4,850.9	93	+1	4,570.9	4,247.5	21	305	520.9	533.1	10.00	32.9
93	**City National Corp., Beverly Hills, Calif.**	4,885.3	4,238.8	99	+6	3,881.1	3,531.7	1	23	351.1	351.1	7.19	27.9
94	**Central Bancshares of the South, Inc., Birmingham, Ala.**	4,817.6	4,463.2	97	+3	3,302.1	3,045.2	4	89	351.4	353.3	7.30	23.6
95	**BB&T Financial Corp., Wilson, N.C.**	4,778.9	4,734.4	95		3,804.0	3,671.0	2	190	386.4	454.4	8.09	25.8
96	**Deposit Guaranty Corp., Jackson, Miss.**	4,696.6	3,610.7	109	+13	3,850.0	2,853.1	3	119	342.4	366.4	7.29	8.7
97	**Team Bancshares, Inc., Dallas**	4,646.8	577.3	...		3,927.1	519.1	1	48	300.2	300.2	6.46	10.0
98	**Puget Sound Bancorp., Tacoma, Wash.**	4,425.4	4,131.9	101	+3	3,303.7	2,952.7	4	102	352.5	355.5	7.96	23.0
99	**West One Bancorp, Boise, Idaho**	4,397.0	4,000.5	102	+3	3,346.9	3,027.4	7	132	338.6	393.6	7.70	19.0
100	**Mercantile Bankshares Corp., Baltimore**	4,317.2	3,896.1	103	+3	3,576.8	3,190.8	18	136	498.0	508.0	11.53	34.3

Data Sources: American Banker questionnaire. The 1989 data are as reported last year. For companies not reporting the number of banks and branch data, American Banker extracted these data as of March 31, from **Lotus One Source**, a data base provided by **Sheshunoff Information Services Inc.,** Austin Texas. **Primary capital** is equity capital; the allowance for loan and lease losses; mandatory convertible debt; and the minority interest in equity accounts of consolidated subsidiaries. **Total capital** is primary capital plus secondary capital. **Secondary capital** is limited life preferred stock; subordinated notes and debentures not included in primary capital; and long-term debt of the parent company and its nonbank subsidiaries with an original maturity of seven years or more. **Primary capital ratio** is primary capital on June 30 divided by total assets on June 30, expressed as a percentage. **Note:** American Banker ratio is not calculated in the same manner as the Federal Reserve Board. American Banker does not add the allowance for possible loan and lease losses to total assets, as the Fed does. For that reason, American Banker's ratio is from 5-to-15 basis points higher than the Fed ratio. **Net income:** income after taxes, loan loss provisions and minority interest, but before preferred dividends and extraordinary items. Income from discontinued operations is excluded. **( )**— A loss. **(§)**— Revised since publication on July 31. **(1)**— Excludes the extraordinary credit resulting from previously unrecognized tax benefits. Including this credit, net income was $545 million. **(2)**— Excludes the gain on sale of consumer finance company. Including this gain, net income was $207 million. **(3)**— For the top 100 on June 30, 1988.

Compiled by American Banker, Copyright 1990.

Acquisitions Fuel $54 Billion Rise in Assets at Biggest Banks

By L. MICHAEL CACACE

NEW YORK — Banks eager to shed assets are being distracted by the availability of low-cost deposits, an *American Banker* survey indicates.

In the first half of the year, the total assets of the top 100 banking companies increased by 2.4%, or $54 billion, fueled largely by acquisitions.

Twenty-eight of the companies reduced their assets by a net total of $31.2 billion. However, acquisitions increased assets among the 100 by more than $57 billion.

22 Thrifts, 18 Banks Acquired

Of the 40 acquired institutions, 22 were thrifts with combined deposits of more than $24 billion, and 18 were other banks with combined assets of more than $33 billion.

"The name of the game is asset shedding to meet risk-based capital requirements," said John Lyons, president of Lyons, Zomback, and Ostrowsky. "However, some banks have had an overwhelming opportunity to acquire liabilities. Unfortunately, when you acquire these liabilities, you acquire assets, at least in the short run."

> **"When you acquire these liabilities, you acquire assets, at least in the short run."**
>
> **John Lyons**
> *Lyons, Zomback, and Ostrowsky*

The *American Banker's* annual midyear review of the nation's top 100 banking companies found that assets on June 30 stood at $2.34 trillion.

Government-Assisted Deals

According to data from SNL Securities, Charlottesville, Va., the top 100 banks continued to acquire institutions in the third quarter – mostly through government-assisted deals.

In the quarter, 17 of the top 100 acquired $17.5 billion in deposits from 20 thrifts and one bank in government-assisted deals.

In private acquisition deals excluding the C&S/Sovran merger, 10 of the top 100 companies acquired 12 institutions with $3 billion in assets.

Among the top 100 banking companies at midyear, the three with the largest percentage gain in assets attributable to mergers were: LaSalle National Corp., Chicago; Society Corp., Cleveland, and MNC Financial Inc., Baltimore.

LaSalle's assets rose 100% after acquiring the $3.3 billion-asset Exchange Bancorp, Chicago, on Jan. 30.

Society Corp. had assets jump 43% after acquiring the $5.3 billion-asset Trustcorp Inc., Toledo, on Jan. 2.

And MNC's assets were up 36% after its acquisition of the $5.2 billion-asset Equitable Bancorp., Baltimore, on Jan. 18.

The five banking companies with the largest reduction in assets were: Bank of New England Corp., Boston, down 22.5%; Marine Midland Banks Inc., Buffalo, down 9.4%; First Interstate Bancorp, Los Angeles, and First Bank System Inc., Minneapolis, both down down 6.7%, and Bank of Boston Corp. down 4.8%.

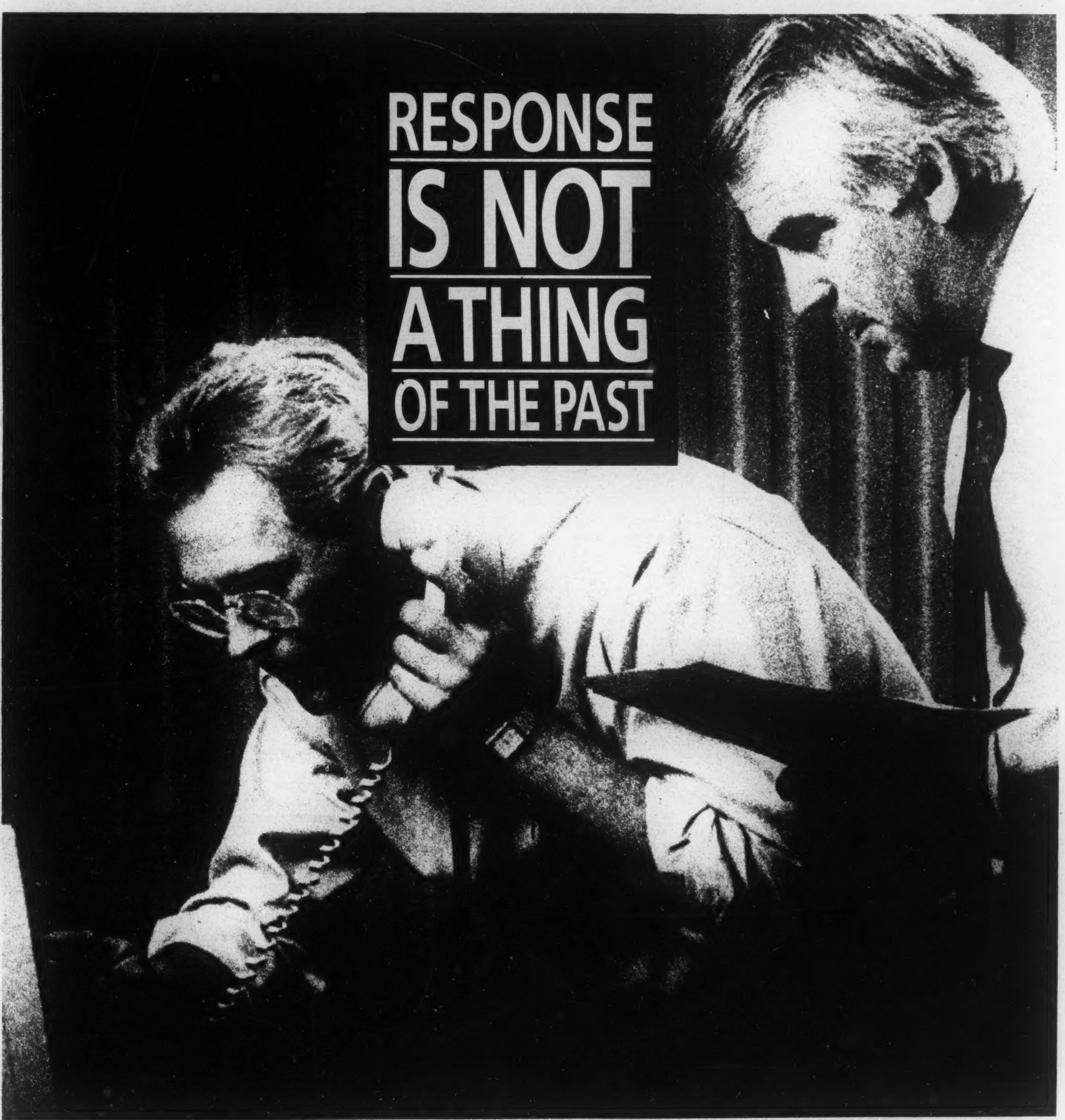
Among other findings of the survey:

- Total assets of the top 100 bank holding companies were $2.34 trillion on June 30, up 5.8% from $2.21 trillion a year earlier.
- These banks also had $1.66 trillion in deposits, up 9.4% from $1.51 trillion on June 30, 1989. They also controlled 1,097 domestic banks with 26,674 domestic branches at midyear.
- The nation's 100 largest banking companies earned $6.9 billion in the first half, down 28% from $9.6 billion earned by the top 100 companies in the 1989 period.
- The top five earners in banking in the first half of 1990 were: Citicorp, with net income of $479 million before extraordinary items; BankAmerica, with $430 million; Wells Fargo, with $392.2 million; Security Pacific Corp., with $383.6, and J.P. Morgan & Co., with $375.6 million.
- Among the 100 largest banks, 16 reported losses for the first half of the year. Banks in the Northeast accounted for half the total. The largest losses were: $129 million posted by First Fidelity Bancorp., Lawrenceville, N.J.; $90 million recorded by National Westminster Bancorp Inc., New York; $85.1 million by United Banks of Colorado Inc., Denver; $83.9 million by European American Bancorp, New York, and $79.9 million by Bank of New England Corp., Boston. ☐

Top 100 Bank Holding Cos.

Top 100 of 1990 compared with top 100 of 1988 ($ in billions)

	June 30, 1990	June 30, 1989	% Chg.
Total Assets	$2,337.3	$2,208.9	+ 5.8%
Total Deposits	$1,656.9	$1,514.9	+ 9.4
Primary Capital	$188.4	$180.0	+ 4.7
Ratio of Primary Capital to Total Assets	8.06%	8.15%	
Total Capital	$225.3	$210.1	+ 7.2
Ratio of Total Capital to Total Assets	9.64%	9.51%	
Net Income First Half of Year	$6.856	$9.578	-28.4
Domestic Banks Controlled	1,097	1,124	- 2.4
Domestic Bank Branches	26,674	24,731	+ 7.9



You can still find it at Balboa Life and Casualty.

By applying strict performance standards, we demand more of ourselves than our customers do.

Every one of over 160,000 claims we receive annually is put in process within one day. As a result, 95% of our life and disability claims are turned around within five days. And over 80% of our collateral protection claims are settled within ten days of receipt. It's response time like this that makes you more effective and keeps your customers satisfied.

At Balboa Life and Casualty, we approach business with the values of the past. We find the future looks better that way.

For more information, call David de Gorter, Marketing Director at 714-553-7692.

AVCO INSURANCE

BALBOA LIFE & CASUALTY

YOUR PARTNER IN INSURANCE

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 10-12, 21

Top 100 Bank Holding Companies

Listed geographically by order of total assets within states (dollar amounts in millions)

		Assets 6/30/90
	Alabama	
64	AmSouth Bancorporation, Birmingham	8,516
66	SouthTrust Corp., Birmingham	8,260
91	First Alabama Bancshares, Inc., Montgomery	5,363
94	Central Bancshares of the South, Inc., Birmingham	4,818
	Arizona	
58	Valley National Corp., Phoenix	10,430
	California	
2	BankAmerica Corp., San Francisco★	103,960
4	Security Pacific Corp., Los Angeles★	94,510
10	First Interstate Bancorp., Los Angeles★	55,082
11	Wells Fargo & Co., San Francisco★	51,712
65	BanCal Tri-State Corp., San Francisco	8,427
93	City National Corp., Beverly Hills	4,885
	Colorado	
81	United Banks of Colorado, Inc., Denver	6,267
	Connecticut	
28	Shawmut National Corp., Hartford★	26,577
	District of Columbia	
54	First American Bankshares, Inc., Washington, D.C.	11,633
73	Riggs National Corp., Washington, D.C.	7,069
	Florida	
20	Barnett Banks, Inc., Jacksonville★	31,128
41	Southeast Banking Corp., Miami	15,833
88	First Florida Banks, Inc., Tampa	5,546
	Georgia	
19	SunTrust Banks, Inc., Atlanta★	31,257
32	Citizens & Southern Corp., Atlanta★	24,259
90	Bank South Corp., Atlanta	5,514
	Hawaii	
62	Bancorp Hawaii, Inc., Honolulu	8,972
89	First Hawaiian, Inc., Honolulu	5,534
	Idaho	
99	West One Bancorp, Boise, Idaho	4,397
	Illinois	
12	First Chicago Corp.	50,361
22	Continental Bank Corp., Chicago	29,532
51	Northern Trust Corp., Chicago	11,737
53	Harris Bankcorp, Inc., Chicago	11,645
76	LaSalle National Corp., Chicago	6,851
	Indiana	
84	INB Financial Corp., Indianapolis	5,988
85	Merchants National Corp., Indianapolis	5,738
	Louisiana	
70	Hibernia Corp., New Orleans	7,366
	Maryland	
25	MNC Financial, Inc., Baltimore★	27,539
69	First Maryland Bancorp., Baltimore	7,495
100	Mercantile Bankshares Corp., Baltimore	4,317
	Massachusetts	
16	Bank of Boston Corp.	37,297
35	Bank of New England Corp., Boston★	23,071
60	State Street Boston Corp.	10,306
61	BayBanks, Inc., Boston	10,056
	Michigan	
27	NBD Bancorp., Inc., Detroit★	26,646
46	First of America Bank Corp., Kalamazoo	12,966
49	Comerica, Inc., Detroit	12,214
55	Michigan National Corp., Farmington Hills	11,632
56	Manufacturers National Corp., Detroit	11,205
67	Old Kent Financial Corp., Grands Rapids	8,098
	Minnesota	
26	Norwest Corp., Minneapolis★	26,770
38	First Bank System, Inc., Minneapolis	19,425
	Mississippi	
96	Deposit Guaranty Corp., Jackson	4,697
	Missouri	
43	Boatmen's Bancshares, Inc., St. Louis	15,044
75	Mercantile Bancorporation Inc., St. Louis	6,861
82	Commerce Bancshares, Inc., Kansas City	6,075
	New Jersey	
21	First Fidelity Bancorporation, Lawrenceville★	29,848
33	Midlantic Corp., Edison★	24,231
45	UJB Financial Corp., Princeton	13,281
	New York	
1	Citicorp, New York	227,752
3	Chase Manhattan Corp., New York	102,371
5	J.P. Morgan & Co., Inc., New York	93,103
6	Chemical Banking Corp., New York	75,216
8	Manufacturers Hanover Corp., New York	63,548
9	Bankers Trust New York Corp.	57,341
13	Bank of New York Co., Inc.★	48,953
23	Republic New York Corp.	29,199
30	Marine Midland Banks, Inc., Buffalo★	24,514
37	National Westminster Bancorp, Inc., New York★	21,945
40	KeyCorp, Albany, N.Y.	16,006
77	First Empire State Corp., Buffalo	6,569
87	European American Bancorp, New York	5,598
	North Carolina	
7	NCNB Corp., Charlotte★	66,188
15	First Union Corp., Charlotte★	38,385
31	First Wachovia Corp., Winston-Salem★	24,280
95	BB&T Financial Corp., Wilson	4,779
	Ohio	
24	Banc One Corp., Columbus★	27,921
34	National City Corp., Cleveland★	23,092
42	Society Corp., Cleveland	15,566
52	Huntington Bancshares, Inc., Columbus	11,684
57	Ameritrust Corp., Cleveland	11,097
71	Fifth Third Bancorp, Cincinnati	7,344
83	Star Banc Corp., Cincinnati	6,058
	Oregon	
39	U.S. Bancorp., Portland	17,748
	Pennsylvania	
14	PNC Financial Corp, Pittsburgh★	47,823
18	Mellon Bank Corp., Pittsburgh★	31,670
36	CoreStates Financial Corp, Philadelphia★	22,765
50	Meridian Bancorp., Inc., Reading	11,771
68	Integra Financial Corp., Pittsburgh	7,619
	Rhode Island	
17	Fleet/Norstar Financial Group, Inc., Providence★	34,120
	South Carolina	
79	South Carolina National Corp., Columbia	6,428
	Tennessee	
72	First American Corp., Nashville	7,081
78	First Tennessee National Corp., Memphis	6,430
	Texas	
44	First City Bancorporation of Texas, Inc., Houston	13,897
97	Team Bancshares, Inc., Dallas	4,647
	Utah	
80	First Security Corp., Salt Lake City	6,335
	Virginia	
29	Sovran Financial Corp., Norfolk★	26,068
47	Signet Banking Corp., Richmond	12,655
48	Crestar Financial Corp., Richmond	12,216
59	Dominion Bankshares Corp., Roanoke	10,323
86	Central Fidelity Banks Inc., Richmond	5,707
92	First Virginia Banks, Inc., Falls Church	5,211
	Washington	
98	Puget Sound Bancorp., Tacoma	4,425
	Wisconsin	
63	Firstar Corp., Milwaukee	8,534
74	Marshall & Ilsley Corp., Milwaukee	7,067

Data source: Data Sources: American Banker survey questionnaire and second quarter earnings releases. **(★)— A superregional banking firm,** which the American Banker defines as a nonmoney-center banking company with assets greater than $20 billion that has merged across state lines to establish a full commercial banking presence in another state.

Compiled by American Banker, Copyright 1990.

The 10 Largest Gains in Assets

Over the first half of 1990 among the top 200 banking companies

		Total Assets 6/30/90	Total Assets 12/31/89	Percent Increase	Asset Rank
1	LaSalle National Corp., Chicago	6,850,779,000	3,430,510,000	99.70	76
2	Society Corp., Cleveland	15,566,230,000	10,903,327,000	42.77	42
3	MNC Financial Inc., Baltimore	27,538,669,000	20,316,349,000	35.55	25
4	CoreStates Financial Corp., Philadelphia	22,764,876,000	16,848,649,000	35.11	36
5	First Commercial Corp., Little Rock, Ark.	2,100,984,000	1,582,885,000	32.73	155
6	Fourth Financial Corp., Wichita, Kan.	4,150,703,000	3,181,918,000	30.45	102
7	Deposit Guaranty Corp., Jackson, Miss.	4,696,555,000	3,744,939,000	25.41	96
8	Fulton Financial Corp., Lancaster, Pa.	1,732,729,000	1,399,523,000	23.81	169
9	First Union Corp., Charlotte, N.C.	38,385,160,000	32,130,558,000	19.47	15
10	Firstier Financial Inc., Omaha, Neb.	3,152,271,000	2,656,397,000	18.67	121

The Largest Losses in Assets

Over the first half of 1990 among the top 200 banking companies

		Total Assets 6/30/90	Total Assets 12/31/89	Percent Decline	Asset Rank
1	National Bancshares Corp., San Antonio	269,912,000	1,916,994,000	85.92	---
2	Bank of New England Corp., Boston	23,071,255,000	29,772,719,000	22.51	35
3	Citytrust Bancorp Inc., Bridgeport, Conn.	2,243,915,000	2,642,465,000	15.08	150
4	Washington Bancorporation, D.C. (a)	1,772,100,000	2,081,725,000	14.87	167
5	Amoskeaq Bk Shares Inc., Manchester, N.H.	1,809,667,000	2,014,127,000	10.15	165
6	Marine Midland Banks Inc., Buffalo	24,513,888,000	27,066,546,000	9.43	30
7	BancOklahoma Corp., Tulsa	1,820,881,000	1,971,763,000	7.65	164
8	First Commerce Corp., New Orleans	4,302,583,000	4,657,952,000	7.63	101
9	Equimark Corp., Pittsburgh	3,515,859,000	3,800,933,000	7.50	111
10	Cullen/ Frost Bankers Inc., San Antonio	3,251,893,000	3,505,038,000	7.22	118

(a)— Its bank subsidiary— National Bank of Washington— failed in August.

Only a Third of Thrift Rescues Completed, Survey Finds

Continued from *page* **1**

have be done in a number of other states.

The Resolution Trust Corp. and the former Federal Home Loan Bank Board at midyear had disposed of $172 billion of the minimum $500 billion in thrift assets the government must eventually resolve, an analysis of regulatory reports reveals.

What is more, as of mid-August there were at least $275 billion of U.S. thrift assets controlled by failed or failing thrifts outside of Texas – most concentrated in real estate markets that are visibly weakening.

High Costs in Texas

The Texas rescues completed by midyear were highly expensive. Though rescues in the Lone Star state accounted for roughly a third of assets resolved between 1988 and midyear 1990, they accounted for almost 60% of the resulting costs, excluding financing.

By contrast, fairly stable markets elsewhere have helped the RTC – so far. In California, for example, assets resolved by the RTC on the average were only 13% less valuable than the insured deposits with which they were funded. That compares with a 66% shortfall at Texas thrifts rescued by the RTC as of midyear.

But the danger now is that the national economy and real estate market will fall apart before the government's cleanup efforts kick into high gear.

Texas-sized downturns could devalue thrift assets across the country, provoking Texas-sized cleanup expenses. More thrifts would go broke; broke thrifts would sink deeper underwater.

"If the nation as a whole enters a recession, property values could decline significantly, and thrift cleanup costs could rise very dramatically," said Henry Peltz, a vice president at Keefe, Bruyette & Woods, New York.

OTS Summary of Assets

In response to a request by this newspaper, the Office of Thrift Supervision provided a state-by-state summary of assets held by thrifts that the agency believes will fail.

The OTS totals, when combined with assets of thrifts under RTC control as of mid-August, reveal a wide regional dispersion of thrifts requiring resolution – and enormous concentrations of assets. (The figures do not reflect a number of resolutions announced since mid-August.)

On the East Coast, there were $97 billion of thrift assets to be resolved – $48 billion in the South Atlantic states, $43 billion in the Middle Atlantic states, and $6 billion in the New England states.

In the Pacific states of California, Oregon, and Washington, the RTC as of mid-August was facing a $74 billion cleanup operation.

The East North Central and West North Central states contained a $55 billion resolution case load. And in the battered West South Central states, including Texas, Oklahoma, and Louisiana, the RTC still had a $52 billion backlog of thrifts awaiting rescue – some for the second time.

Including Texas, the total population of thrift rescue candidates as of mid-August held $310 billion of assets.

State-by-State Look at the Thrift Cleanup

-- Where the assets are
-- How much it has cost so far

(Dollar figures in billions)

	Unfinished work		RTC deals		Cost so far	Bank Board deals	
	Unresolved assets *	Unresolved assets as % of total caseload per state	Assets resolved by RTC as of 6/90	Cost as % of total assets	Cash cost of completed work**	Assets resolved by Bank Board, '88 & '89	Cost as % of total Assets
Calif.	$ 64.44	52%	$ 8.800	14%	$ 10.534	$ 49.985	21%
Texas	35.02	38	16.000	66	42.896	42.032	77
Fla.	27.36	71	9.100	29	4.062	2.332	62
N.J.	17.41	98	0.105	29	.118	0.246	33
Ariz.	15.74	79	4.158	43	1.781	—	NA
N.Y.	15.26	100	—	NA	—	—	NA
Ill.	13.42	74	1.600	20	.990	3.014	22
Kan.	11.61	81	2.800	48	1.341	—	NA
Penn.	10.17	65	4.701	22	1.053	0.710	NA
Ore.	8.67	93	0.089	10	.523	0.515	102
Neb.	7.75	86	1.070	40	.447	0.186	10
Va.	7.10	85	0.029	20	.209	1.181	17
Mo.	6.45	85	1.155	34	.387	—	NA
Mass.	6.12	00	—	NA	—	—	NA
La.	5.79	84	1.000	35	.526	0.072	NA
Ark.	5.63	94	0.220	67	.188	0.130	34
Minn.	5.59	100	—	NA	—	—	NA
Okla.	5.62	60	0.060	21	1.634	3.716	44
Md.	4.73	81	1.104	30	.333	—	NA
Ohio	8.96	67	1.196	16	.319	0.798	17
P.R.	3.63	NA	NA		NA	NA	
Ala.	3.52	88	0.408	43	.186	0.078	16
N.C.	3.27	97	0.117	37	.043	—	NA
N.M.	3.16	83	0.519	28	.224	0.150	53
Iowa	2.90	68	0.132	45	.411	1.260	28
Ga.	2.89	71	0.855	29	.257	0.342	NA
S.C.	2.24	99	0.031	7	.002	—	NA
Mich.	2.16	78	0.188	16	.096	0.437	13
Miss.	1.61	68	0.681	45	.373	0.066	102
Colo.	1.35	23	1.900	36	1.866	2.346	51
N.D.	1.14	51	—	NA	NA	1.096	NA
Wash.	1.05	28	1.398	8	.189	1.292	7
Ky.	0.53	72	—	NA	.085	0.207	41
S.D.	0.42	81	—	NA	.008	0.096	9
Utah	0.41	18	1.880	24	.451	—	NA
Wyo.	0.30	51	0.021	54	.167	0.532	29
Nev.	0.30	85	—	NA	NA	0.052	NA
Ind.	0.25	29	0.069	13	.095	0.534	16
Conn.	0.20	64	0.112	27	.030	—	NA
Tenn.	0.14	24	0.300	29	.106	0.142	13
W.Va.	0.12	100	—	NA	—	—	NA
Mont.	0.09	43	—	NA	.011	0.119	10
Wis.	0.09	30	0.207	NA	.049	—	NA
Ark.	—	0	0.243	67	.175	—	NA
R.I.	—	0	—	NA	.046	0.190	24
	$310.00	65	$ 62.600	40	$ 72.301	$109.910	43

*Assets of thrifts that regulators as of midyear believed would fail, plus assets of thrifts under RTC conservatorship or receivorship and awaiting resolution as of mid-August.

**Present value of resolution costs, which excludes cost of financing.

SOURCES: Office of Thrift Supervision, Resolution Trust Corp., Federal Deposit Insurance Corp., U.S. Dept. of Commerce, Bureau of the Census. Compiled by the American Banker.

Growing Caseload

The numbers are a snapshot of a caseload that seems to do nothing but grow. "Every time you look, the numbers get bigger," said Frank Anderson, a senior analyst with Stephens Inc., Little Rock, Ark.

What made the Texas thrift rescues so expensive, experts say, was the speculative nature of the institutions' assets, the severity of the region's economic collapse, and the many years of delay in closing the institutions.

Now that formula is at work in other markets. And the results already are showing: During the first quarter of 1990 alone, thrifts under conservatorship in the RTC's Eastern region reported a 28% increase in delinquent loans; there was a 41.3% jump in delinquencies in the RTC's Western region.

The dead wood will continue to pile up over the next few years, experts say, as deepening regional real estate recessions shake loan portfolios in the East and the West regions.

"The delinquencies come first, then you get the foreclosures," said James Barth, the former OTS chief economist who is a professor at Auburn University.

The treacherous aspect of loan defaults is the rapidity with which attendant losses can mount, Texas lenders say.

Peter Bartholow, chairman and chief executive of the bankrupt MCorp, at one time the largest bank holding company in Texas, said an institution easily can incur a 20% loss on a loan in the first year of its delinquency.

He ticked off funding costs, fees for accountants and lawyers, and management expenses as the principal factors in the loss.

Further upward pressure on cleanup costs could emerge if Congress continues to balk in giving the RTC the funds it needs to keep the pace of resolutions moving swiftly. One reason the Texas cleanup cost so much was that multitudes of thrifts were kept open years after their insolvencies because regulators lacked funds to sell or close them – substantially deepening their losses.

Voicing concerns about market deterioration, RTC chairman L. William Seidman in August put a minimum $100 billion price tag on the RTC cleanup – double the $50 billion estimate the Bush Administration relied upon in crafting the thrift reform law.

And that figure could be conservative: "We simply do not have the data to estimate accurately the potential cost of shutting down in excess of 1,000 thrifts if the economy and real estate markets around the country enter into a prolonged slump," said Mr. Seidman in testimony before the House Ways and Means Committee.

In companion testimony, the General Accounting Office took a swing at the potential cost exclusive of financing charges: $201 billion.

900 Thrifts Ailing

The huge gap between Mr. Seidman's minimum and the GAO's maximum largely springs from the uncertain fate of the roughly 900 thrifts that, while not failing, nevertheless are not in good health. Rescue work made necessary by failures among these institutions would be in addition to the work identified in the survey.

Timothy Ryan, director of the OTS, last week offered no guarantees that all of these institution would survive.

"Any further deterioration in . . . real estate markets, or volatility in the financial markets, will certainly impair the prospects for the survival of troubled (thrifts)," the regulator told a Dallas audience. ☐

Tougher Rules Urged for Banks In Underwriting

WASHINGTON — Reacting to the recent Federal Reserve Board approval to J.P. Morgan to underwrite equities, Rep. John D. Dingell, D-Mich., introduced legislation Thursday that he said would protect taxpayers and investors in the wake of recent regulatory decisions expanding bank securities powers.

The bill by Mr. Dingell, chairman of the powerful House Energy and Commerce Committee, and co-sponsored by Rep. Edward J. Markey, D-Mass., and Rep. C. Thomas McMillen, D-Md., would require banks to place securities powers in a separate affiliate registered with the Securities and Exchange Commission. It would also repeal exemptions banks now have from SEC registration and reporting requirements.

The bill is a reaction to what the three termed the Federal Reserve Board's "misconceived grant of power to J.P. Morgan to underwrite equity securities." The Fed decision, the three said in a written statement, "underscores the degree to which Congress has lost control of the reins of financial services policy." ☐

C0175-1

AMERICAN BANKER

VOL. CLV NO. 197 | Wednesday, October 10, 1990 | 155th year

NEWSPAPER
155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

UAL Financing Fell Victim to Oil Price Risks

By WILLIAM GOODWIN

After sitting on the fence for weeks, bankers finally balked at financing the union-led buyout effort of UAL Corp. because they simply couldn't gauge the risks involved in making the loans.

Although the buyout group tried to persuade lenders that the deal would work with oil prices at $40 a barrel, the continued tensions in the Middle East made the future direction of oil prices too much of a wild card.

"We're only a bullet away from $50 oil," said an official in the U.S. office of a European bank.

"I couldn't get my arms around the risk," he added, explaining why his bank decided not to lend to the buyout group, despite the lure of rich pricing on the loans.

ANALYSIS: *Follow-up on the news*

In the end, the four lead banks backing the union effort – the banking units of Manufacturers Hanover Corp., Bankers Trust New York Corp., Security PacificCorp., and First Chicago Corp. – were able to attract only two additional banks to the cause.

A Statement Tuesday

After falling just short of the $2 billion mark, the lead banks threw in the towel late last Friday night.

With the banks out of the picture, on Tuesday the union-led group was left to submit a buyout proposal to UAL's board that called for substantially less cash than the $150 a share that the banks would have helped finance. As an alternative, the unions also proposed an all-paper transaction.

In a statement early Tuesday afternoon, UAL said its board rejected the revised buyout proposal, which relied largely on uncertain financing from the airline's suppliers.

The buyout group had been seeking $2 billion in bank loans, but the lead banks were not prepared to go forward with the deal unless they were able to raise substantially more than that amount from a group of 22 potential lenders invited to participate in the bank syndicate.

At one point last week, it appeared that the momentum had turned in the lead banks' favor.

50% Oversubscription Sought

Each of the four was prepared to commit $350 million if the syndicate succeeded.

While the lead banks never

See **DEALS** *page* **22**

INSIDE NEWS

EARNINGS

SUNTRUST of Atlanta said third-quarter profits rose 6.5% from the year-earlier level, to $88.2 million. But that performance is not likely to be matched elsewhere in the Southeast. *Page 2*

TRADE GROUPS

THE BANK CAPITAL Markets Association will dissolve by the end of October and transfer its education and training programs to the American Bankers Association. *Page 2*

FINANCE

FANNIE MAE and Freddie Mac shares plummeted along with those of banks and thrifts during the third quarter, but some analysts expect a recovery soon. *Page 24*

TECHNOLOGY

STEVEN M. KATZ, a pioneer in the automation of trust accounting, has been forced out of Premier Systems, the company he founded 12 years ago. But the super salesman has a knack for bouncing back. *Page 8*

CONSUMER

FIFTH THIRD of Cincinnati and Mellon Bank of Pittsburgh plan to increase their presence in supermarkets. *Page 18*

INTERNATIONAL

THE UNITED STATES should establish a screening board to block entry of state-owned foreign companies that might be instruments of foreign policy, says Rep. Henry B. Gonzalez. *Page 13*

HOLLAND'S NMB BANK has set up a unit to trade distressed U.S. corporate loans. *Page 15*

INDEX

Company Index **2**
Executive Changes **10**
Classified Advertising **20**

U.S. Agencies Signal End Of Leniency on Antitrust

By LINDA CORMAN

WASHINGTON — In urging the Federal Reserve Board to bar the proposed merger of two Hawaiian banks, the U.S. Department of Justice is sending a message that antitrust rules could stand in the way of consolidation in at least some banking markets.

The department's statement follows an Aug. 29 ruling in which two of five Federal Reserve governors voiced similar concerns about declining competition in Minnesota.

Leniency May Be Over

The two stands appear to signal that after a period of federal leniency in the 1980s, antitrust issues may again become a consideration in bank acquisitions.

The Justice Department's statement came last week on the application by First Hawaiian Inc., parent of Hawaii's second-largest commercial bank, to acquire First Interstate of Hawaii, the market's No. 5 bank, which is to be sold by an investor group led by former Treasury Secretary William E. Simon.

Such recommendations, which the Justice Department bases on an assessment of market concentration and other competitive factors, are not binding on the Federal Reserve, which must make the final judgment. But legal experts say the Fed was unlikely to oppose the department's reasoning.

How Merger Would Affect Market Share

Domination by Hawaii's two biggest banks would grow

	First Hawaiian before merger	First Hawaiian after merger	Bank of Hawaii
Market rank	2	2	1
Offices	58	78	70
Assets ($ bil.)	$5.5	$6.3	$8.7
Share of assets	28%	32%	46%
Deposits ($ bil.)	$5.0	$5.8	$7.5
Share of deposits	29%	34%	46%

Source: Justice Department, June 1990 data

Overconcentration Found

The Justice Department said its analysis showed an overconcentration in lending to small and medium-size businesses in Hawaii. After the merger, Justice antitrust experts said, only

See **AGENCIES** *page* **13**

EPA Easing Its Stance On Lender Liability

By STEPHEN KLEEGE

Backing away from a previous position, the federal Environmental Protection Agency is circulating a draft rule that softens its stance on lender liability in environmental cases.

The fate of the draft and its enforceability if adopted, however, are being questioned by experts. Some of them claim that the draft may cause additional problems for banks that acquire contaminated properties, usually through foreclosure.

Court of Appeals Ruling

The EPA draft follows a ruling in May by the 11th U.S. Circuit Court of Appeals in Atlanta that Fleet Factors was liable for the cleanup of a defunct textile company due to the financial company's "participation in management." Fleet Factors is a subsidiary of Fleet/Norstar Financial Group Inc.

In that case, the court, broadening previous legal rulings, said

See **EPA** *page* **12**

Visa Limits Affinity Cards

In a slap at American Telephone & Telegraph Co. and other nonbank promoters of Visa cards, the board of Visa U.S.A. announced new rules Tuesday to limit nonbanks' participation in the credit card system.

The rules require affinity cards – issued by banks but carrying the names of other companies, associations, or causes – to be connected only to an account maintained by a Visa-issuing institution. Also, nonbank entities will not be allowed to finance more than 25% of a program's receivables.

With more than 5 million cards issued since its launch in March, AT&T's Universal Card is the biggest affinity product. AT&T has an agreement to purchase receivables from Synovus Financial Corp., the issuer.

The rules apply to new programs. Existing ones, such as AT&T's, will be examined. "It would be premature to complete our review" while the AT&T card is studied by the Federal Reserve Board and Federal Communications Commission, said Visa president Charles T. Russell.

For Master Chef of the Workout, New England Is a Tempting Table

By TERESA CARSON

LOS ANGELES — New England real estate may be worse than many people realized. Kenneth Leventhal & Co. has opened an office in Boston.

The nation's 11th-largest accounting firm thrives when real estate markets go bust, and Leventhal sees plenty of opportunity in New England. Comanaging partner Stan Ross expects the Boston office to employ 30 professionals fairly quickly and have 100 within three to five years.

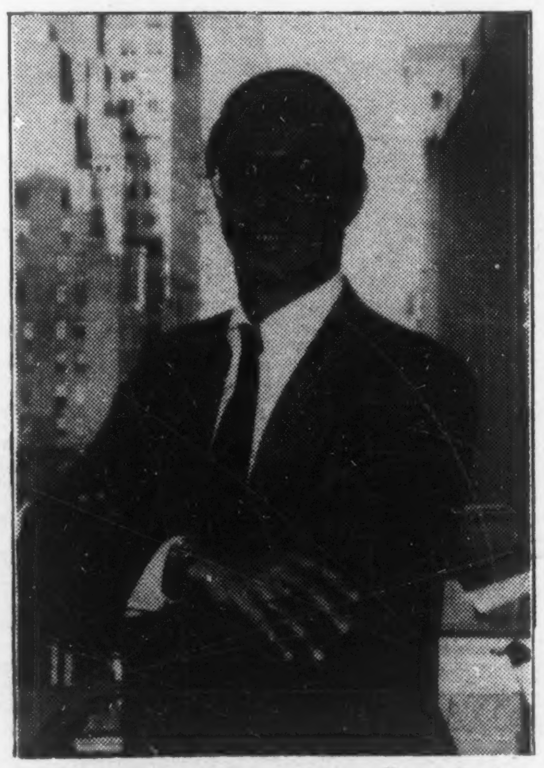
"Because of the recession in New England, we expect a faster rate of growth there" than at our 12 other offices, he said.

No Plain Vanilla Audits

Calling Leventhal an accounting firm is almost like calling Julia Child a short-order cook. Plan vanilla audits are not the Los Angeles-based firm's mainstay.

Its expertise is structuring, evaluating, and working out complex real estate deals. It also does extensive consulting work for banks and other financial services companies.

"We don't call Stan Ross in at $400 per hour to do our books," says Theodore Leary, a principal with developer Lowe Enterprises in Los Angeles.



Peggy Turbett

Stan Ross
Kenneth Leventhal & Co.

Leventhal's extensive roster of high-profile clients includes developers Donald Trump, John Portman, Trammell Crow, and Donald Bren. The federal government also is a prominent client.

The firm has completed a major study for the Resolution Trust Corp. evaluating the gov-

See **LEVENTHAL** *page* **11**

COMMENT/ *By Mark Leemon*

RTC's Branching Victory Was a Boon for Taxpayers

Recently, the U.S. Circuit Court of Appeals for the Eighth Circuit, in a split decision, filed an opinion that is good news for the American taxpayer.

In Arkansas Independent Bankers Association v. Resolution Trust Corp. (Arkansas), the court reversed the lower court in Little Rock and upheld a regulation adopted by the Resolution Trust Corp., the temporary federal agency established by Congress to handle the gargantuan task of cleaning up the savings and loan mess.

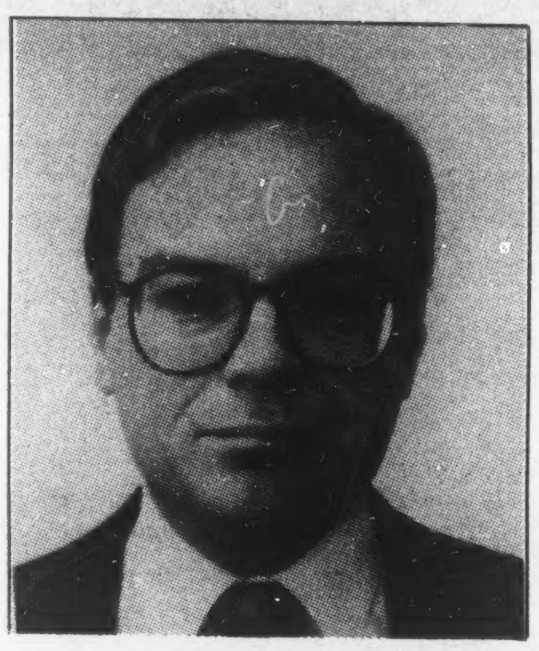
Bolsters the RTC's Arsenal

The regulation asserts that the RTC is empowered to preempt state branching statutes as it structures acquisitions of failed and failing thrifts. The eighth circuit thus adds to the RTC's arsenal for enticing private capital in its sale of thrift assets and suggests that future preemption by the RTC of other state barriers – such as prohibitions against insurance activities – will survive judicial review.

This decision marks the conclusion of the third of three court challenges to the RTC's authority to preempt state branching law. The two other cases, one in New Mexico (which the federal government won) and the other in Colorado, will be resolved by the 10th circuit. The Colorado case, which was the first case filed, was finally resolved against the federal government on Sept. 5 and will soon be on its way to the 10th circuit.

The legislative underpinning to the RTC's regulation is section 217 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which addresses federal assistance for troubled institutions.

The first paragraph of section 217 gives the RTC the power to authorize emergency transactions "notwithstanding any provision of state law," an extraordinary grant of authority that would enable, for example, the RTC to allow an out-of-state bank holding company to acquire a thrift regardless of state laws that prohibit such companies from owning financial institutions.



"Such a broad delegation of authority should have made any challenge to the RTC an easy case to defend."

Such a broad delegation of authority should have made any challenge to the RTC an easy case to defend. Unfortunately, section 217 has additional, though ultimately vague, language that addresses the issue of branching.

Paragraph (4) states that if "a merger, consolidation, transfer, or acquisition under this subsection involves a savings association eligible for assistance and a bank or bank holding company, a savings association may retain and operate any existing branch or branches or any other existing facilities." As written, the sentence is curiously redundant because savings associations already have the authority under federal regulations to branch statewide irrespective of state laws.

In its notice of proposed rulemaking, the RTC interprets the underscored phrase "savings association" to mean essentially "resulting institution." Otherwise, the RTC reasons, the terms "merger" and "consolidation" would have no meaning. The district court judges in Arkansas and Colorado read the sentence in paragraph (4) as limiting the RTC's preemptive authority in paragraph (1).

After examining the same language, the eighth circuit concluded that Congress had not directly spoken to the branching question. The eighth circuit then

See **TAXPAYERS** *next page*

Mr. Leemon is a senior associate with Skadden, Arps, Slate, Meagher & Flom in Washington. He formerly was senior trial attorney for the Office of the Comptroller of the Currency.

COMMENT/ *By Stuart C. Stock*

Market Concentration Index Slips as a Merger Yardstick

In recent years, it has appeared that merger antitrust analysis at the Federal Reserve Board – and at the other federal banking agencies – was often becoming little more than a numbers game.

With the general acceptance of the Herfindahl-Hirschmann Index as a market concentration gauge and the apparently irreversible triumph of the Reagan antitrust revolution, it seemed increasingly certain that any transaction satisfying the 1800/200 HHI standard would trigger no competitive concerns at the board and was assured of approval.

The HHI is calculated by summing the squares of each participant's market share.

If, for example, there are six competitors with market shares of 30%, 20%, 15%, 15%, 12%, and 8%, you would square each of the figures and add them, giving an index of 1,958.

Under the 1800/200 HRI standard, a transaction ordinarily is not thought to pose even a potential antitrust concern unless the post-consummation HHI would exceed 1,800 points and the HHI increase caused by the transaction would exceed 200 points.

Index Was Considered Decisive

To be sure, the board, like other regulators, occasionally did look beyond HHI data to quantitative factors, such as the potential for new entry, where a transaction did not satisfy the 1800/200 HHI standards.

But in many quarters, there was a growing assumption that any transaction in compliance with the 1800/200 HHI standard as applied by the board (which means counting local thrift deposits at 50% weight together with local bank deposits in calculating market shares) was within a safe harbor from an antitrust perspective.

Criterion No Longer Safe

After the board's recent Norwest decision, however, that assumption no longer appears entirely safe. In Norwest, the board approved by 3 to 2 a proposal by Minneapolis-based Norwest Corp. to acquire First Minnesota Savings Bank, a financially troubled Minneapolis thrift.

The focus of the board's competitive concern was the Minneapolis-St. Paul market, where Norwest already was the second largest competitor with 21.6% of the local deposits as calculated by the board while First Minnesota was the fifth largest competitor with 3.6% of such deposits.

In this context, the board determined that the proposed acquisition would increase the market's HHI by exactly 200 points to a total of 2,012 points.

Index Appeared Acceptable

The acquisition thus was apparently within the 1800/200 HHI safe harbor, albeit on the outer limits. The board in recent years has evidenced little reluctance to approve other transactions that, on their face, would seem considerably more troublesome under the board's HHI standard.

There was a growing assumption that any transaction meeting the HHI standard was safe.

For instance, only in July of this year, the board was presented with a proposed acquisition of the sixth-largest banking organization serving a local Maryland market by the second-largest organization that would have increased the market's HHI 258 points to 2,231 points (even after including local thrift deposits as weighted by the board).

The board approved this proposal without dissent and without relying on any additional factors other than simply the number of competitors that would remain in the market after consummation.

Despite such board rulings, even the three governors voting for approval in the recent Norwest decision did not suggest that the acquisition proposed there presented no competitive problem based on the HHI data.

Instead, the majority concluded that public benefits associated with the acquisition outweighed the adverse competitive effects that might result within the Minneapolis-St. Paul market.

The particular public benefits to which the majority referred were Norwest's planned infusion of sufficient capital into the resulting institution to remedy First Minnesota's negative net worth, and thus the resolution of a financially troubled thrift situation without any cost to federal deposit insurance funds.

Other Bids Noted

The two dissenting governors in the Norwest decision disagreed only with the majority's conclusion that the public benefits of Norwest's proposal were sufficient to outweigh the likely adverse competitive effects.

The dissenters noted that bids for First Minnesota requiring no federal assistance also had been submitted by several other potential acquirers that did not already hold a large share of the Minneapolis-St. Paul market's deposits.

In the dissenters' view, these other bidders clearly would have been competitively preferable acquirers, since the sale of First Minnesota to one of them would have strengthened a smaller competitor rather than further bolstering one of the market's leading organizations. Accordingly, they did not not believe that the public interest clearly favored Norwest's proposal.

Problem of Perspective

The dissenters' view arguably finds some support in the antitrust laws' "failing firm" doctrine, which generally holds that a target's troubled condition is no defense to an otherwise anticompetitive acquisition unless the acquisition is the least anticompetitive solution available.

From the dissenters' perspec-

See **FED'S INDEX** *page* **6**

Mr. Stock is a partner in Covington & Burling in Washington.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Senior Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office. Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 18

SMALL BUSINESS

Few Banks Offer Accounts With Specialized Features

By LAURYN FRANZONI
Special to the American Banker

Despite the current emphasis on small-business banking, most institutions do not offer unique demand deposit accounts for these customers, according to a survey by Trans Data Corp., an *American Banker* affiliate.

In a poll of 77 banks and thrifts, Trans Data found that only 30% offer a demand deposit account specifically for the small-business market. Less than 10% of the respondents said they were considering or planning to offer such an account.

Furthermore, the typical small-business checking account is merely a simplified version of an institution's commercial account, but with added volume and balance restrictions that result in fee discounts, the researchers concluded.

Departure from Previous Survey

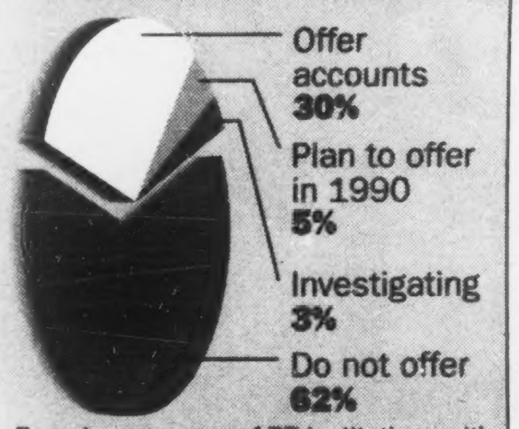
The Trans Data survey seems to indicate less dedicated activity in the small-business market than previous research had found. In a Consumer Bankers Association poll in 1989, 95% of the 66 member institutions that responded said they offered a small-business checking account with fees based on balances and activity. Fifty percent said they offered checking accounts with a single fee to small businesses.

The apparent disparity in the surveys may reflect semantics, according to bankers who track small-business banking trends.

"The checking account is the core of the relationship," said Sergio S. Ora Jr., senior vice president of small business and custom banking for Mellon Bank, Wilmington, Del. Mellon does not offer a customized account for small businesses but does group other services around its standard commercial checking account based on the small-business owners' needs.

Specialized Accounts

Percentage of banks and thrifts offering demand deposit accounts tailored to small businesses



Based on a survey of 77 institutions with at least $1 billion in deposits

Most Common Features	
Minimum balance	35%
No account analysis/ earnings credit	30%
Free processing of some items	26%
No minimum balance	26%
Unique fee schedule	13%
Overdraft line of credit	13%
Automatic investment	13%
Interest bearing account	13%
Noninterest bearing account	13%

Source: Trans Data Corp.

While some institutions may be trying to differentiate themselves by offering an account that carries a specific small-business name, Mr. Ora notes that it is likely that the "guts of the product may not be different from the guts of any other checking account."

Mr. Ora, who is a member of the Consumer Bankers Association's small-business committee, said larger institutions often find that cost and system maintenance prohibit them from offering a unique account for small businesses. Small institutions, he said, are more likely to create such accounts.

According to Trans Data, the characteristics of institutions offering small-business accounts vary as much as their small-business customers. The survey group had deposits ranging from $1 billion to $35 billion. Nearly 25% of those offering the small-business product have a deposit base of less than $2 billion, but an equal number had deposits of more than $6 billion.

More than half the survey group said their business was evenly split between retail and corporate customers. Thirty-five percent indicated they focus on the retail market, and 9% said they focus exclusively on the corporate side.

Banks generally define small-business customers by annual sales volume. Nearly four of every 10 banking respondents capped the business at $5 million. About one-third of the bankers include businesses with sales of $5 million to $10 million.

Range of Balances Is Wide

The average balance required by institutions for the small business account is $2,200, but the range is wide, from $250 to $7,500. Researchers say the accounts average 350 items each month.

Since most banks simplify their commercial checking account for the small-business customer, fees are usually lower than those on a standard commercial account, the survey found. Fees are also more likely to be based on enhanced services, such as cash management and automatic investment accounts.

The most common small-business account identified by Trans Data incorporates a minimum balance requirement, offers no account analysis or associated earnings credit, and provides processing of a limited number of deposited or paid items free of charge.

Ms. Franzoni is a freelance banking reporter in Springfield, Mo.

Supermarket Branches Gain Favor

Fifth Third and Mellon Among Those Adding Units

By ELLEN BRAITMAN

Fifth Third Bancorp said it is planning to expand its supermarket banking program by opening five to 10 new in-store facilities and placing more automated teller machines in Finast supermarkets in northeastern Ohio.

Cincinnati-based Fifth Third, which already operates 27 branches in Kroger stores in Ohio, Kentucky, and Indiana, is in the forefront of a growing movement among banks seeking to reach customers at more convenient times and places than present branches afford.

In another development reflecting the growing interest in supermarket banking, the flagship subsidiary of Mellon Bank Corp., Pittsburgh, last week opened the first of a planned 21 offices in Giant Eagle stores in western Pennsylvania.

Expansion Near Completion

Also, Union Bank, San Francisco, recently opened the 13th of 15 full-service branches that are to be in place by yearend in Southern California supermarkets.

Fifth Third's new branches will be in Finast supermarkets in the greater Cleveland area. Some of the locations had formerly been outlets of the failed Broadview Savings Bank and were closed after federal regulators seized Broadview.

Fifth Third keeps its branches open seven days a week, with extended hours on weeknights.

The $7 billion-asset Cincinnati banking company, as well as Cincinnati-based Kroger, have been pioneers in the supermarket banking business.

Mellon Bank

MELLON MOVES IN: On Oct. 1, Mellon Bank opened a branch near the dairy counter at Giant Eagle in McMurray, Pa.

A Growing Number

There are now 847 full-service branches operated by 196 banks in supermarkets across the United States, said John W. Garnett, executive vice president of International Banking Technologies, an Atlanta company that specializes in helping banks and thrifts open in-store facilities.

Mr. Garnett said placing bank branches in supermarkets is "one of the fastest-growing trends in banking today." Most of the growth has taken place in the past four years, and the number of new branches continues to rise.

A 1989 survey by Sheshunoff & Co., Austin, Tex., found that 8% of 250 banks in a nationwide sample planned to open supermarket branches this year – almost equaling the 10% that planned ATM installations.

Benefits Are Hailed

"Supermarket banking is an excellent opportunity for us to expand our one-stop shopping concept and better serve our customers, especially those who tend to shop when banks are traditionally closed," said William Holsworth, executive vice president and Ohio division president of First National Supermarkets Inc., which runs 32 Finast markets in northeast Ohio.

Broadview Savings offered limited banking services in some Finast stores until Sept.

See **BRANCHES** *next page*

BT Tymnet Is

Electronic Transaction Services

BT Tymnet offers the broadest array of Electronic Draft Capture (EDC) and other Point-of-Sales transaction services in the industry. Quality BT Tymnet services enable banks to provide merchants with innovative, highly competitive and profitable solutions. Full service capabilities include: a wide range of connectivity, state-of-the-art card and check support and reliable performance worldwide. Just call our toll-free number for complete details.

BT Tymnet is: Global Network Services,℠ Network Management System, Dialcom® Messaging Services, EDI*Net,® LAN Connectivity Services and much more.

Contact BT Tymnet: 2560 North First Street
P.O. Box 49019 ♦ San Jose, CA 95161-9019 ♦ **800-872-7654**

BT TYMNET™
A British Telecom Company

Spirited.
Solid.
Strong.
Business Communications Around The World.

800

C0135-1

AMERICAN BANKER

VOL. CLV NO. 200 Monday, October 15, 1990

NEWSPAPER
155383000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

BankAmerica's Travelers Checks Face Long Odds

By JEANNE IIDA

NEW YORK — BankAmerica Corp. and Barclays Bank face enormous obstacles in pursuing their goal of becoming No. 1 in the travelers check market.

The banks, which announced last month that they would create a joint venture to market Visa travelers check to other financial institutions, will focus on sales overseas, particularly in the Asia/Pacific region, a BankAmerica executive said last week.

But they will have to crack the U.S. market if they want to challenge industry leader American Express Co. in the near future.

ANALYSIS: *Follow-up on the news*

The United States is the single largest segment of the slow-growing market, which is expanding only about 5% to 6% a year.

Because American Express does not separate worldwide and U.S. sales, the exact size of the U.S. market is not known. Spencer Nilson, editor in chief of *The Nilson Report,* a Santa Monica, Calif.-based newsletter, estimates that the United States represents 40% of worldwide travelers check sales.

Many U.S. banks offer American Express travelers checks to satisfy their customers' preference, and persuading them to switch will be no easy task. Only about 26% of Visa's worldwide sales are in the United States.

Venture Seen 'a Contender'

"There's no way they can challenge American Express for No. 1 worldwide," Mr. Nilson said of the Barclays/BankAmerica venture. But the combined operation could be a contender for the top spot outside the United States, he said.

Barclays and BankAmerica hope to capitalize on what they say are foreign bankers' fears of retail competition from American Express and Citicorp by offering so-called private-label checks. The Visa checks will bear the name only of the selling bank and not of the issuing bank.

Foreign institutions may be inclined to switch from American Express or Citicorp checks in the interest of not promoting a potential rival for retail business, according to the banks.

Potential for 'Synergy'

"If a bank is selling a brand of travelers check not consistent with the brand of credit card they're selling, there can be great synergy for them" in switching

See **BANKAMERICA** *page* **29**

INSIDE NEWS

EARNINGS

BARNETT BANKS said real estate lending woes caused its third-quarter profits to plummet 60%, to $25.8 million. The results were a further sign of deterioration in the Florida market. *Page 2*

FINANCE

FORSTMANN LITTLE is building its war chest, hoping to take advantage of plummeting market prices for takeover targets. Commercial banks stand to benefit from any renewed activity. *Page 30*

THE FED and the Comptroller are proposing a change in risk-based capital guidelines that legal experts said could discourage growth in mortgage lending. *Page 29*

INTERNATIONAL

BANKS REJECTED Brazil's proposals for massive cuts in interest payments and demanded that the country pay at least part of its arrears before talks continue. *Page 12*

LEGISLATION

THE SENATE BANKING Committee approved $57 billion in new funding for the Resolution Trust Corp. and joined the House Banking Committee in clearing legislation that gives the Federal Deposit Insurance Corp. unlimited authority to raise premiums for banks and thrifts. *Page 2*

WASHINGTON

THE ONCE SACROSANCT tax deduction for mortgage interest is coming under fire again in the nation's budget-conscious capital. *Page 10*

CONSUMER

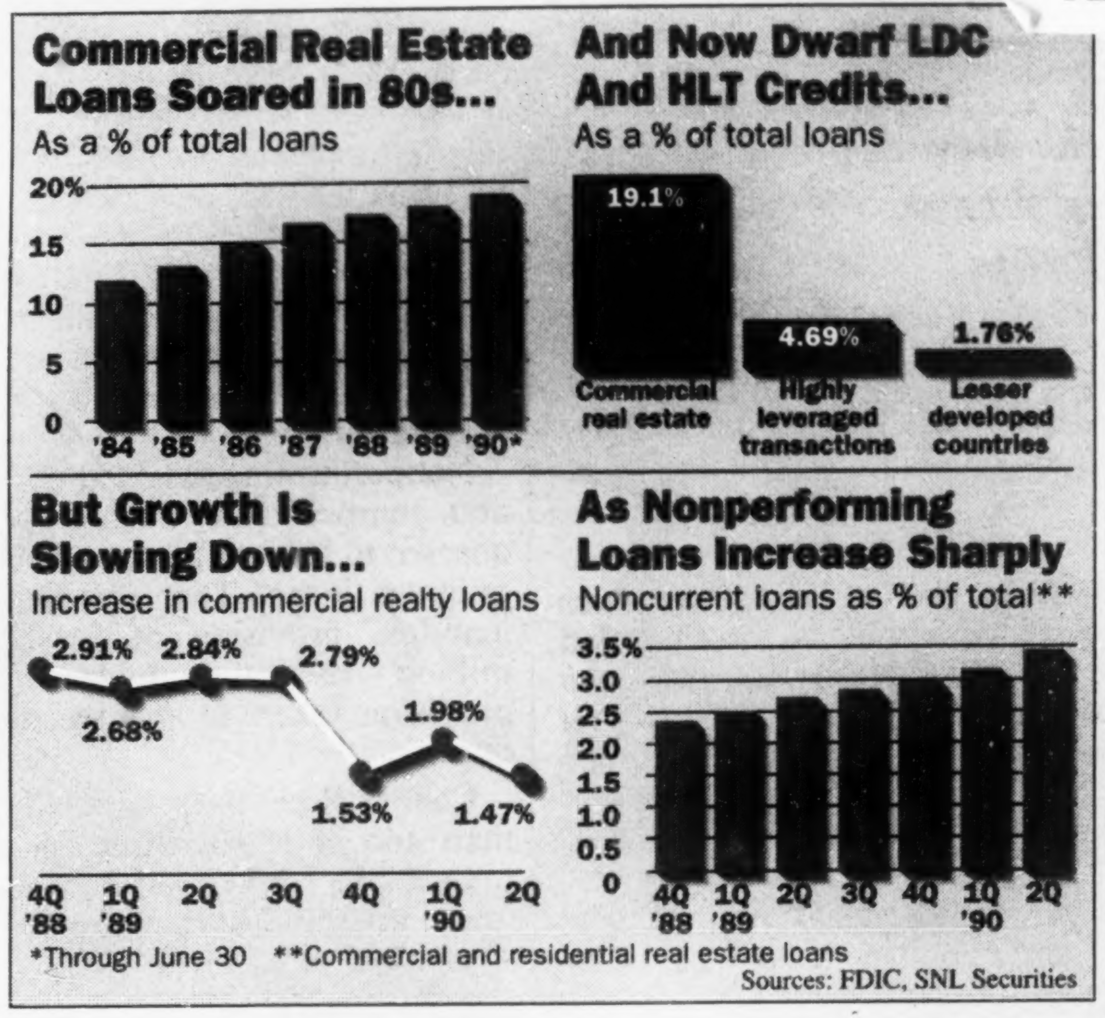
BANKAMERICA'S thrift unit in Oregon is catching flak for moving to slash interest rates on retirement accounts. *Page 6*

TECHNOLOGY

MELLON BANK will cease selling its old corporate treasury system and instead sell a more advanced one, in an effort to draw even with competitors in the cash management market. *Page 3*

INDEX

Sound Off 2
Company Index 2
Executive Changes 15
Weekly Index of Stories 19
Classified Advertising 28
Bank and Thrift Stocks 31

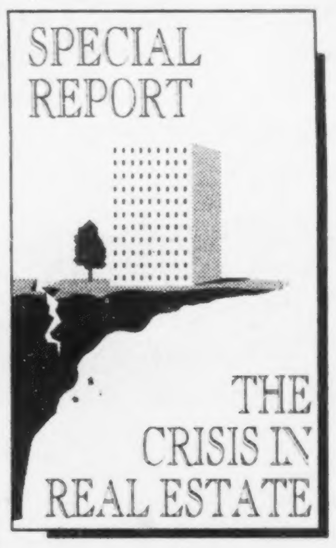


*Through June 30 **Commercial and residential real estate loans

Sources: FDIC, SNL Securities

Fate of Banking in the 1990s Hinges on Real Estate Loans

By STEPHEN KLEEGE
First of a Series


SPECIAL REPORT
THE CRISIS IN REAL ESTATE

The real estate problems that emerged a year ago have developed into a full-blown crisis that will pressure bank earnings, shape strategy, and – in some cases – threaten corporate survival for the rest of the decade.

While much has been made of loans to lesser-developed countries and the more recent phenomenon of nonperforming loans for highly leveraged transactions, banks have much more at stake in real estate.

In 1987, big banks' reserves for Third World debt dominated their earnings reports, as real estate is now beginning to do. But Third World debt amounted to just 3.7% of banks' total loan portfolios, according to figures compiled by Veribanc. Since then, the industry's exposure to lesser-developed-country loans has fallen to 1.76% of outstanding loans, SNL Securities' data indicate.

Similarly, exposure to highly-leveraged-transaction debt was only 4.69% of total loans at June 30, SNL calculations showed.

Exposure Huge, and Rising

By contrast, government data showed banks' commercial real

See **REAL** *page* **24**

RTC Weighs A Financing Plan to Woo Banks' Help

By BARBARA A. REHM

WASHINGTON — The Resolution Trust Corp. is developing a multiple-layer financing plan that would give banks a key role in the sale of $50 billion in real estate and nonperforming loans seized from failed thrifts.

The plan is the latest under consideration by the RTC to accelerate asset sales in bulk, meaning at least $500 million packages. It could end the impasse between banks and the bailout agency over the guarantees that the government must offer to coax private-sector lenders into the thrift cleanup.

The multilayered financing program – so called because it involves investor equity, junior collateralized debt, and senior bank debt – was developed by Andrew Lovegrove, an assistant to Comptroller of the Currency Robert L. Clarke, who is an RTC board member. Industry and agency sources explained its details last week to the *American Banker.*

Banks Leery of Risk

To date, banks have been unwilling to run the risk of lending against the RTC's low-quality assets. The banking industry has pressed the RTC to guarantee such loans. The bailout agency at first resisted, but its officials now recognize that the private sector needs enticements before it will help finance thrift cleanups.

The multilayer program is de-

See **RTC** *page* **26**

Tough Times Are Party-Pooper for ABA

By ROBERT TRIGAUX

WASHINGTON — Many of banking's traditional trappings have faded in recent years: weekday golf outings, free lunches in the corporate dining room – and the annual trip to the American Bankers Association convention.

Attendance at the October convention, usually held in a popular tourist city, has slipped conspicuously in recent years. For this year's meeting, which will open Saturday in Orlando, Fla., the ABA is expecting about 4,500 people, in contrast to the 10,000 to 12,000 attracted to such sites as Honolulu, New York, and New Orleans early in the high-rolling 1980s.

Behind the Slide

The 4,500 expected – down 18% from last year's attendance in Washington – include not only commercial bank executives but also their spouses and the salespeople exhibiting wares.

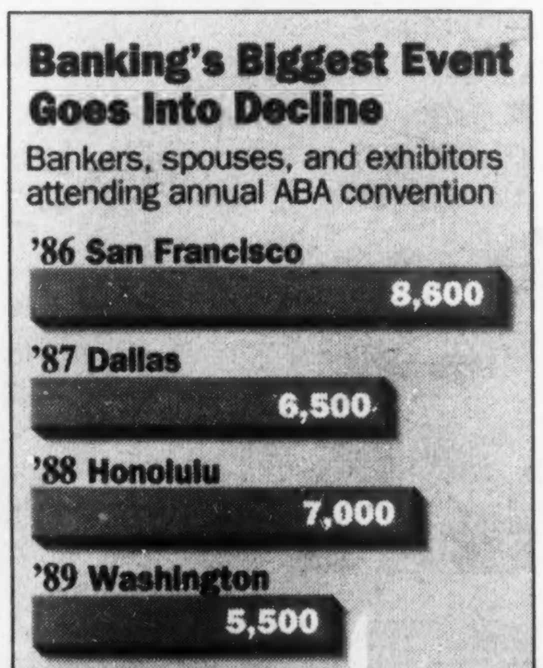
Bankers, consultants, and current and former ABA officials generally agree that the convention's decline is the result of many strong forces that work against a large, five-day gathering of the industry elite. Banks are under enormous pressure to cut costs, and trips to general conventions are often axed as superfluous.

Correspondent Business Fades

For decades, the ABA annual convention served as a showcase for big correspondent banks to entertain their downstream client banks, and for many bankers and corporate executives to enhance relationships with entertainment.

Today, the traditional correspondent business and the 'wining-and-dining surrounding it have all but evaporated, victims

See **TOUGH** *page* **8**



Source: American Bankers Association

COMMENT/*By Paul S. Nadler*

Customers Switch Banks For Many Good Reasons

I have always felt in my 40 years of teaching banking and 30 years of writing this column every week that my job is to be an informed outsider who observes what bankers don't see themselves.

Maybe my best example of the role an outsider can play took place when the West Virginia Bankers Association invited me to meet with members of that state's legislature to try to raise the usury ceiling that limited what a bank could charge on a mortgage loan.

"I don't see any trouble getting a mortgage at 5%; I just got one last month," one legislator exclaimed. I laughed and said, "That's because you are in the legislature and on the banking committee. Who would turn you down? Try it without those advantages."

I think I made the point eventually.

Customer's View

Another area where I have tried to give bankers the outsider's view is in the customer's opinion of plastic – both credit cards and ATM debit cards. And, boy, have I had a lot of experience there!

Let's take credit cards first. I never believed in them, but I took one because a friend at a New York bank was trying to help his secretary win a contest in which every card you solicited won you points. Once I used the card and saw that I could buy an airline ticket without 10 minutes of writing identification information on the back of my personal check, I was hooked.

But in the years I have been a plastic junkie, I have changed charge cards from issuer to issuer for reasons that made sense to me and should have made sense to the banks that were issuing them.

Reasons for Switching

First, I switched from the New York bank that hooked me on plastic to a Philadelphia bank because it put your picture on the card – which I thought was a practical feature to give me protection.

I found, however, that no one ever looked at the picture. I could have used the name of a famous world villain on the card, and I am sure many stores would simply have said, "Good morning, Mr. Hitler, you look different without your mustache."

I gave up that card when they misinscribed a check I sent for $800 to be a check for $80 and sent me a nasty note saying that I was violating the fraud laws and would be prosecuted if I did not send the card back in 10 days. My letter of explanation was never answered, nor was my card returned.

"Thinking of the customer too late is just as bad as not thinking of him at all."

Next I went to a bank in Worcester, Mass., that offered a 2% rebate on all purchases with its Visa card. It was wonderful. The only trouble was, it was too wonderful. They decided they didn't need New Jersey people getting this rebate, so they threw all nonlocal cardholders out of the plan.

Needing a card when the Worcester bank kicked me out, I went to my local bank, which got me a Visa card from another New York bank. But here again, I learned that what bankers think is good for the bank is not so good for the customer.

Stingy Policy Backfires

I asked for a raise in my credit limit from $3,500 to $5,000 and was denied, as the bank said it didn't offer this. Then, immediately after I switched again to the card of a bank I know well, where they would give me the $5,000 limit, the New York bank sent a congratulatory letter saying it was going to raise my limit to $5,000. Thinking of the customer too late is just as bad as not thinking of him at all.

I'll admit that I get other rebate offers among the many letters I get annually selling a credit card, but all now have a gimmick. I have to borrow money from the start at their cash advance rate to get the discount on purchases, which of course means that every usage of the card leads to an interest charge immediately. And I never get my 25 days of grace, which I cherish. (I probably would cut short a vacation to get back in time to meet my credit card payments before I lose the grace period and the bank charges interest.)

When Cash Isn't Cash

Then, along comes the Discover card with its rebate offer. I have visions of the old days with my card from the Worcester bank. But this only lasts until I get my first rebate. It is not cash but rather a Sears gift certificate, and I never shop at Sears. I feel cheated and have given up that card, too. (I keep the gift certificate as a reminder that advertising and reality often differ.)

Where do I stand now? All my bank cards charge a fee. None offers auto rental collision protection without a premium for a gold card. AT&T now offers a free card that does this. It looks good, and maybe it comes from the fact that the phone company thought more about what customers want and less about what the issuer wants. In any event, I'm switching.

And while I am at it, my local bank has announced that it will charge $12 a year for my ATM card – so that I can pay for the privilege of helping it reduce lobby traffic and cut teller costs!

I don't mind paying a fee every time I use the card at another bank's ATM. But to be charged to use a local machine and save the bank from having a teller give me my money is just plain crazy. □

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

COMMENT/*By Mark J. Riedy*

Healthy Regimen Needed For the Home Loan System

On Aug. 29, the Federal Deposit Insurance Corp. decided to postpone for 18 months a decision on allowing Wauwatosa Savings and Loan Association in Wisconsin to exit the Federal Home Loan Bank System.

That blip in the nation's financial history brings into sharp relief the need to address a crucial issue left over from last year's S&L legislation: the problems of the Home Loan system. Those problems threaten the stability of thousands of financial institutions and, if allowed to grow, could add billions to the cost of resolving the S&L crisis.

Dividends Help Earnings

For 50 years, the system has served both its voluntary (savings bank) and involuntary (S&L) members as a source of income in the form of dividends, bank services, and liquidity.

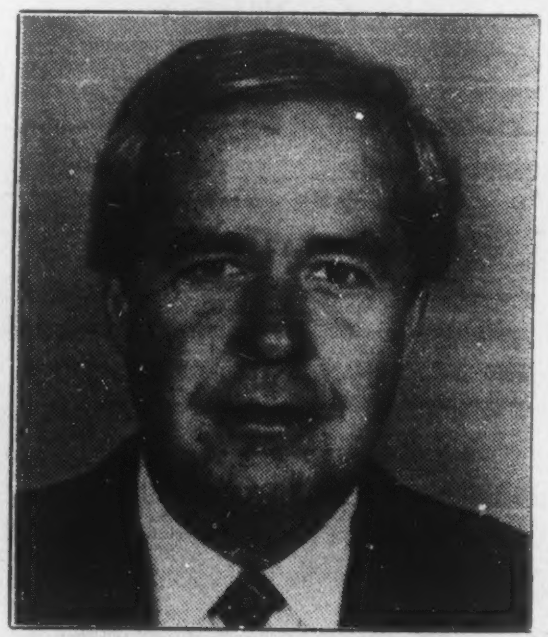
Members invest capital in the stock of one of the 12 regional banks in the system, and the historically high dividends contribute significantly to earnings. Members borrow money from their Home Loan banks to lend for housing in their communities at rates lower than those that would be available to relatively small borrowers such as Wauwatosa.

The system also assists in check-clearing, since members can maintain their own checking accounts in their regional Home Loan Bank.

Offering liquidity, services, high dividends, and attractive borrowing rates, the system has bolstered the competitive position of thousands of savings institutions across America. Today, about 25% of the savings industry's capital is invested in Home Loan Bank stock.

Reform Act Triggered Problem

So how did problems enter this picture? The triggering event was the S&L crisis, and the vehicle was the Financial Institutions Reform, Recovery, and Enforcement Act.



"About 25% of the savings industry's capital is invested in Home Loan Bank stock."

As that legislation was being considered last year, the Home Loan banks had $2.1 billion in unencumbered retained earnings. Congress, looking for every possible source of funding before going to the taxpayer, took all retained earnings through 1991 away from the Home Loan banks – just as it had taken $1 billion out of the system in 1987 – and used those funds to finance the process of resolving the insolvent thrifts.

The thrift-bailout law went further. It also required the system to contribute $380 million each year to help clean up troubled thrifts, starting in 1992. Many objected at the time that this action would result in serious long-term problems for the system. Singled out was the fact that the law called for a specific dollar contribution from the system rather than a percentage of income.

An Additional Burden

The law also required a contribution for affordable housing: at least $50 million each year through 1993, at least $75 million in 1994, and at least $100 million in 1995 and thereafter.

The significance of these contributions was clear to analysts. But the massiveness of the legislation and the speed with which it moved led lawmakers to put long-term possibilities on the back burner.

In the summer of 1989, the system was coming off of several years of record high earnings. The $300 million in continuing contributions to the program of resolutions, for instance, seemed reasonable – only 20% of annual income.

Predictions of a significant drop in Home Loan banks' income and questions about what the contribution might mean in such a case were set aside so that Congress could deal with more urgent problems.

Today, however, those predic-

See **HOME LOAN** *page* **11**

Mr. Riedy is president and chief executive officer of the National Council of Savings Institutions.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Yvette D. Kantrow, Wendy Grover, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology and Operations: Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Suzanne Christy, Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Senior Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 12

GLOBAL *dispatches...*

Basel Group to Recommend Specific Ceilings on Loans

By JOHN EVANS

LONDON — Seeking to avoid excessive concentration of lending risks, the Basel Committee of banking supervisors plans to recommend specific ceilings on how much banks can lend to customers.

These limits will be based on between 10% and 40% of a bank's total capital made in the form of loans to "private-sector nonbanks," mainly corporate clients.

This proposal emerged from a meeting of the Basel Committee in Frankfurt, Germany, this week during the sixth international conference of banking supervisors.

Huib Muller, the Dutch central banker who chairs the Basel Committee, said Friday that a 25% limit on capital was the "preferred midpoint" between the 10% and 40% bands.

Proposals Endorsed

Mr. Muller said the Frankfurt conference had provisionally endorsed the committee's proposed recommendations.

"The plans for a maximum have now been presented to the supervisors, who will get about half a year to react to them," he said. A final version of the current draft paper would be published early next year, he added.

Special consideration should also be paid to loans to groups of companies in one industry sector, Mr. Muller said. This group of loans should be subject to much stricter guidelines, a move regulators privately said underlined concern about large real estate exposures in the banking system.

No Word on Capital Rules

Mr. Muller did not say whether the committee had taken any accommodative action to ease the current Bank for International Settlements' capital adequacy guidelines, under which capital should be equal to at least 8% of total assets. The committee was scheduled to examine whether extra classes of securities could be counted as capital under the Basel accords because of pressure on Japanese and some U.S. banks.

However, he confirmed that the committee was preparing proposals for the supervision of banks and securities firms' business involving price fluctuations in the capital, money, currency, and share markets.

These proposals will be presented to banks and securities houses, as well as supervisory authorities in the leading industrial nations, for their assessment next year.

... by country

JAPAN

Mitsui Taiyo Kobe Bank is planning to disperse 20 to 30% of its headquarters staff to 620 local branches to increase its emphasis on retail banking, a bank spokesman said.

Taiyo Kobe Bank and Mitsui Bank merged on April 1 and now have three major offices in Tokyo and in Kobe with total headquarters staff of about 6,000, he said.

SOVIET UNION

The first Soviet commercial bank to be controlled by Communist Party workers has been set up in Leningrad, a communist official said Friday.

Arkady Krutikhin, general administrator of the regional Leningrad Party Committee, told reporters the bank was being established on orders from the party's central committee.

Mr. Krutikhin said he was named chairman of the new bank, to be called Bank Rossiya.

The bank will start operations with a capital base of $5.1 million at the official exchange rate, drawn from the party's dues and budget, Mr. Krutikhin said.

Bank Rossiya plans to finance restoration projects by the city of Leningrad, the country's second-largest city, whose streets and buildings are badly in need of repair.

According to Mr. Krutikhin, the bank will also finance joint ventures organized by the Communist Party.

A large number of privately owned commercial banks now operate in the Soviet Union.

THE PHILIPPINES

A leading Philippine senator has accused the International Monetary Fund of trying to keep the heavily indebted country in financial bondage.

Senator Wigberto Tanada called for the Philippines to adopt a nationalist economic policy that would build up industries behind a protective tariff wall, instead of agreeing to an IMF program dominated by debt repayment and trade liberalization.

"More and more Filipinos are beginning to see that the real intention behind these policies is to keep the country perpetually in financial bondage," Mr. Tanada told a group of financial executives in a speech.

"We need not get stuck with the IMF program of a debt-fueled, import-intensive, export-oriented, cheap labor-based, agro-industrial development," Mr. Tanada said.

He said it was imperative for the Philippines to maintain a policy of protectionism, which he said was the way South Korea and Japan built their economies.

The *by country* briefs were supplied by Reuters.

Brazil Debt Talks Near Stalemate

Session Ends with No Progress on Payment Schedule

By JAMES R. KRAUS

NEW YORK — Setting the stage for an early stalemate, U.S. and other banks rejected last week Brazil's proposals for massive cuts in interest payments and demanded that the country pay at least a portion of its arrears before talks can continue.

"Clearly, [the proposals] are not acceptable to us," said a senior banker who participated in three days of talks with Brazilian negotiators that ended Friday.

Jorio Dauster, Brazil's top negotiator, rejected last week any payment of interest arrears to banks until after an agreement is reached with banks.

Pressure on the IMF

However, senior bankers close to the negotiations said that banks would press the International Monetary Fund to withhold disbursing a $2 billion bridge loan to Brazil if the country does not begin repaying $8 billion worth of interest arrears it has accumulated since July 1989.

Fund officials said last month they would not release the $2 billion bridge loan until Brazil reaches substantial progress in talks with banks, while banks have threatened to further reduce some $11 billion in short-term trade lines to Brazil if the talks fail.

The talks were part of an initiative launched by U.S. Treasury Secretary Nicholas F. Brady in March 1989 to reduce the foreign commercial debt of troubled Third World countries.

Agreements Reached Elsewhere

Agreements have already been reached with Mexico, the Philippines, Costa Rica, Morocco, and Venezuela. A sixth debt reduction agreement is being negotiated with Uruguay.

In the past three years, Brazil has cut between $10 billion and $12 billion from some $60 billion in medium-term and long-term debts it owed foreign commercial banks by buying back the debt on secondary markets or converting it into domestic bonds or equity.

Negotiations are focusing on how to reduce the $45 billion the country still owes foreign banks and some $4 billion more acquired by Brazilian banks.

In a departure from previous debt reduction agreements, Brazil proposed Thursday to drastically slash the interest and extend the maturities on tens of billions of dollars it owes foreign commercial banks without providing banks with any guarantees for repayment.

Senior bankers in New York said Friday that two of the three options Brazil proposed call for cuts in interest payments of more than 50%.

A third proposal calls on banks to consolidate Brazil's interest arrears and principal into 45-year zero-coupon bonds.

Zero coupon bonds pay principal and interest in one lump sum when bond matures.

Bankers said Friday that they found the proposals confusing and viewed them as no more than an opening round in what promises to be extended talks.

The 22 banks on the Brazilian bank advisory committee are scheduled to meet this week to go over economic data supplied by Brazil and draw up their own proposals for a debt reduction package. □

Profit Drain

Medium- and long-term loans to Brazil

	$ in millions
Citicorp	$2,700
Chase Manhattan	1,361
BankAmerica	1,300
Manufacturers Hanover	1,026
J.P. Morgan	923
Chemical Banking	819
Bankers Trust	607*
First Chicago	209
Continental Bank	176
Bank of New York	18

*Figure represents total exposure

Source: Keefe, Bruyette & Woods Inc.

Hongkong and Midland May Delay Merger

By JOHN EVANS

LONDON — The planned combination of Midland Bank PLC and Hongkong & Shanghai Banking Corp., a linking that would form one of the world's top 10 banking companies, has reportedly been delayed because of souring lending business at both companies.

The alliance had been depicted by the two partners as creating a new global superbank, combined Hongkong Bank's Asian business and the European organization of Midland, Britain's fourth-largest bank.

In the United States, the alliance was scheduled to center largely on Marine Midland Banks Inc., Hongkong Bank's American subsidiary.

A spokesman for Midland declined to comment Friday on a report, in the *Financial Times,* that the alliance had been postponed because of difficulties facing both groups. Industry analysts expressed little surprise.

Both banks have been adversely affected by economic downturn in the United States, Europe, and Asia. In the first six months of 1990, Midland's trading earnings before bad and doubtful debts fell 20% to $707 million while Hongkong Bank's net earnings fell 20% to $197 million.

Midland's chairman, Sir Kit McMahon, has previously indicated a delay is possible, said Alison Deuchards, banking analyst at Smith New Court, a London brokerage firm. The essence of the published report was "made very clear" when the Midland officer announced the bank's second-quarter earnings, she noted.

Hongkong Bank owns 14.9% of Midland, a stake it has previously pledged not to increase until after a standstill agreement runs out Dec. 22.

The *Financial Times* said the banks would extend this agreement while at the same time reaffirming their plans for an eventual combination.

Christopher Wheeler, an analyst at Shearson Lehman Hutton, London, said a formalized standstill agreement may now be seen as unnecessary. □

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	10/12	10/11	10/5	10/12	10/11	10/5	10/12	10/11	10/5	10/12	10/11	10/5	10/12	10/11	10/5
United States	8.06	8.13	8.19	8.25	8.25	8.19	8.25	8.25	8.19	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.75	7.75	7.69	8.33	8.32	8.32	8.38	8.45	8.44	6.00	6.00	6.00	7.38	7.38	7.38
Canada	12.95	N.A.	N.A.	12.90	12.90	12.07	12.25	12.25	11.94	12.59	12.59	12.59	12.75	13.75	13.75
U.K.	13.87	13.88	13.00	13.68	13.82	13.88	13.44	13.44	13.50	N.A.	N.A.	N.A.	14.00	14.00	14.00
Germany	8.25	8.13	8.32	8.63	8.63	8.63	8.81	8.13	8.81	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	7.75	7.75	7.34	8.06	8.06	7.94	8.25	8.25	8.19	6.00	6.00	6.00	9.88	9.88	9.63
France	10.00	10.00	9.34	10.38	10.38	10.18	10.56	10.56	10.35	9.50	9.50	9.50	10.50	10.50	10.50
Italy	10.75	10.88	11.00	10.94	11.13	10.37	11.32	11.44	10.37	12.50	12.50	12.50	13.00	13.00	13.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	7.94	12.85	8.72	8.23	8.32
6 to 12 months	8.01	11.90	8.96	8.13	8.40
12 to 24 months	8.84	11.12	9.23	9.15	8.18

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York

800
C0175-1

TOP MORTGAGE SERVICING COMPANIES
Tables begin on page 18

AMERICAN

NEWSPAPER
155383000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLV NO. 201 Tuesday, October 16, 1990 155th year

Marketers Slow To See Potential Of Image Systems

By KAREN GULLO

Although many banks plan to invest millions of dollars in imaging systems, bank marketing executives remain skeptical about the technology's benefits.

Bank technologists have long touted image-based processing systems as vehicles not only for cutting back-office costs, but also for gaining market share through new products. A recent study, however, reveals their marketing brethren are not so sure.

ANALYSIS: *Follow-up on the news*

The study, which was based on a poll of 50 marketing executives from banks chosen at random by Trans Data Corp., an affiliate of the *American Banker*, indicates that marketers are either unaware of imaging's potential benefits or unconvinced that customers will want image products, such as monthly statements with miniature copies of check images.

That assertion flies in the face of previous studies, which indicate that consumers prefer monthly image-based statements to conventional ones with returned checks.

Lack of Inclination Seen

"What we see is a gap in communications," said Steven D. Matzke, document processing program manager at Trans Data. "Normally, operations and marketing go hand in hand, but this study says that the marketing side hadn't found the time or inclination to learn about consumer acceptance of image products."

Although only a couple of banks offer image-based account statements now, Fleet/Norstar Financial Group Inc., Mellon Bank Corp., Security Pacific Corp., and other large institutions are planning to do so. American Express Co. is the most well-known provider of image-based statements in the financial arena.

Widespread Skepticism

Despite such plans, half the marketers in the Trans Data survey said they believe imaging presents no significant marketing opportunities. While many respondents say imaging is cost effective for back-office operations, only 3% think the technology has the potential to increase fee income and improve customer service or convenience, the survey found.

Only 17% believe that a majority of their customers will

See **MARKETERS** *page* 3

INSIDE NEWS

EARNINGS

J.P. MORGAN reported earnings of $208 million in the third quarter, virtually flat with its results in the preceding three months. Chase Manhattan lost $623 million, largely because of a $1 billion outlay for a reorganization and potential loan losses. *Page 2*

THE RTC

REP. HENRY GONZALEZ is ready to let the Federal Savings and Loan Insurance Corp. Resolution Fund borrow directly from the Treasury to renegotiate 1988 thrift deals. *Page 2*

FINANCE

ELF ACQUITAINE, the big state-owned energy company in France, received favorable terms recently on a $1.36 billion financing to develop North Sea oil fields. *Page 30*

SOCIETY CORP., the Cleveland-based superregional banking company, came through the recent debacle in bank stocks in better shape than its local competitors. *Page 32*

INTERNATIONAL

FIVE MAJOR BRITISH banks are being blackmailed by a group of hackers who have broken into their central computer systems, according to reports from London. *Page 27*

CONSUMER

DESPITE AGGRESSIVE marketing efforts by banks and other lenders, only 13% of consumers said they have a home equity line of credit, according to the 1990 *American Banker* consumer survey. *Page 12*

TECHNOLOGY

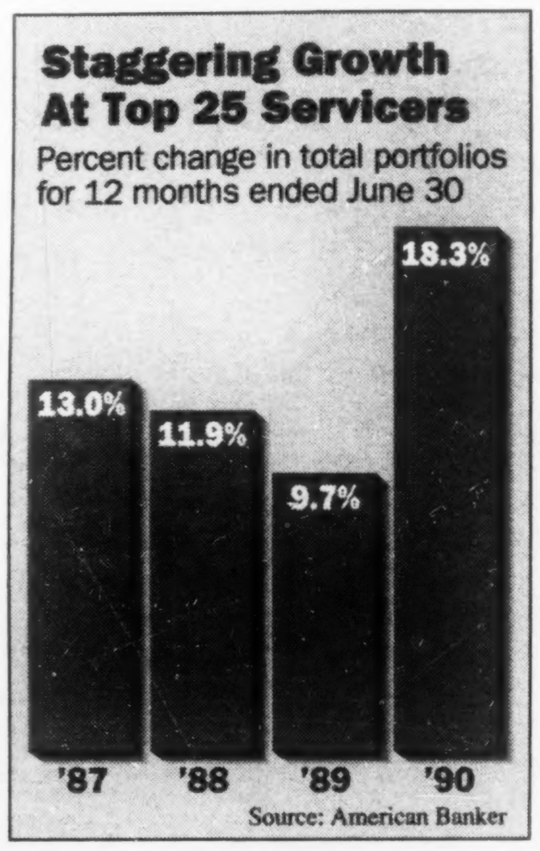
MOST LARGE U.S. banks are using branch automation technology merely to give the appearance of better service, rather than to provide real value to customers by reducing costs, according to a recent study. *Page 3*

COMMENT

FORWARD-LOOKING banks are now analyzing returns in each of their constituent businesses, writes Sanford Rose. *Page 4*

INDEX

Company Index 2
Classified Advertising 28
Bank and Thrift Stocks 31



Staggering Growth At Top 25 Servicers
Percent change in total portfolios for 12 months ended June 30

Source: American Banker

Business Booms For Top Firms in Mortgage Service

By PHIL ROOSEVELT

NEW YORK — Undaunted by a weak economy and a housing slump, the nation's top mortgage servicers have been growing at a breathtaking rate.

The 25 largest servicers – banks, thrifts, and mortgage companies – increased their portfolios by 18% in the 12 months that ended June 30, an *American Banker* survey shows. That was well ahead of both the 7.5% rise in total mortgage debt outstanding and the 9.7% growth posted by the top servicers in the previous 12 months.

Sharp Increases

Complete tables , including rankings of the top 300 mortgage companies in servicing, the top 100 banks, and the top 50 thrifts,

See **MORTGAGE** *page* 19

SecPac and First Chicago Boost Loan-Loss Reserves

By TERESA CARSON
and NANINE ALEXANDER

Security Pacific Corp. and First Chicago Corp. reported on Monday sharply higher loan-loss provisions in the third quarter, leading to lower-than-expected profits.

Los Angeles-based Security Pacific said its earnings fell 27% to $135.3 million, or $1.05 per share, after adding $240.9 million to its loan-loss reserve. Analysts had expected the banking company to earn about $150 million.

First Chicago Corp. said it earned $36.2 million, or 45 cents a share, after almost doubling its provision for loan losses to $160 million. The results were far below the $60 million analysts had projected.

Loan Woes Spurring Large Provisions

	3Q provision ($ in millions)	Increase from 2Q
Chemical	$250.0	205%
Chase	$650.0	189%
Barnett	$100.7	116%
First Chicago	$160.0	88%
Southeast Banking	$115.0	84%
Security Pacific	$240.9	50%

Source: Company reports

The stocks of both banking companies rose on the news. First Chicago Corp closed up 75

See **SECPAC** *page* 10

Funds Costlier for Japan's Banks

By JOHN EVANS

LONDON — As the flight to quality in international banking spreads, Japanese banks are being forced to pay substantial interest rate premiums for their short-term funding overseas.

The banks are paying an eighth to a quarter of a percentage point more than their U.S. and European competitors in the Eurodollar interbank market and the markets for Eurodollar certificates of deposits and commercial paper, European monetary sources say.

The rate premium will add hundreds of millions of dollars to their capital costs and could further blunt their global lending capability, the sources say.

"The Japanese banks are being squeezed as investors reduce their lines, cutting their overall exposures from the large levels in the past," said Len Harwood, money markets director for Union Bank of Switzerland in London.

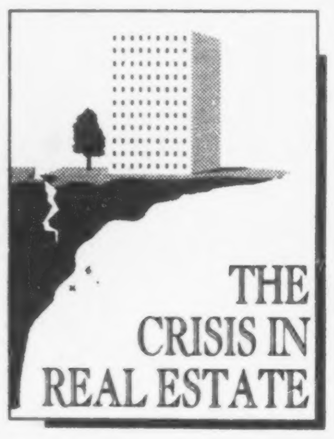
The demand for greater compensation for lending to the Japanese reflects concerns over banking stability and credit quality in Japan after the 40% plunge in the Japanese stock

See **JAPANESE** *page* 26

Shell Shock in the Realty Department

By JED HOROWITZ
Second of a Series

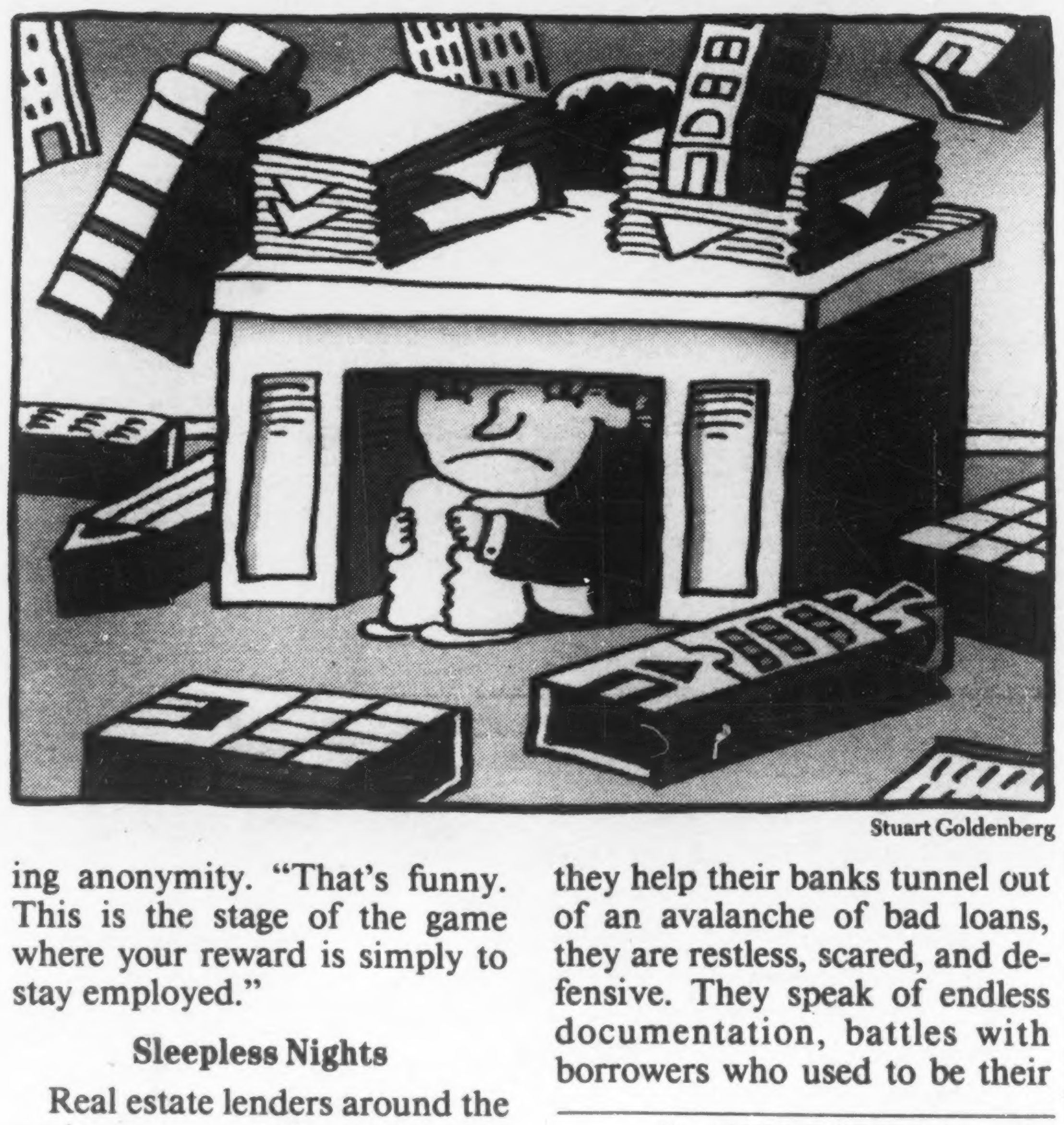
In Boston, veteran real estate banker Brian Sopp had tickets to the Red Sox-Oakland A's playoffs and no clients to share them with.


THE CRISIS IN REAL ESTATE

"There's no one I needed to or wanted to give them to," says Mr. Sopp, the head of U.S. Trust Co.'s real estate department. "We aren't looking for new business."

In New York, a lender-turned-workout specialist grouses about longer hours, extensive paper pushing, and bosses too frightened of regulators to make decisions.

"You're doing a story on the human side in real estate banking?" the banker says, demanding anonymity. "That's funny. This is the stage of the game where your reward is simply to stay employed."



Stuart Goldenberg

Sleepless Nights

Real estate lenders around the nation are not a happy lot. As they help their banks tunnel out of an avalanche of bad loans, they are restless, scared, and defensive. They speak of endless documentation, battles with borrowers who used to be their

See **REAL ESTATE** *page* 14

COMMENT / *By Sanford Rose*

The Managerial Imperative

A growing number of banks are switching from a return-on-assets to a return-on-equity measure of performance. The reason is abundantly clear: The stock market is less interested in the ROAs of banks than in their risk-adjusted ROEs. The shareholder wants to know whether his bank is making more or less on his money than can be obtained from other investments of comparable riskiness.

High ROAs may translate into low risk-adjusted ROEs if they are derived from businesses whose riskiness is such that the bank must backstop them with inordinate amounts of shareholder money.

For example, banks whose principal activity is middle-market corporate lending may earn exceedingly high ROAs and net interest margins, at least for a while. But since the amount of equity required to sustain this business, given its vicissitudes, is generally quite large, the risk-adjusted ROE may be, and in most cases is, unacceptably low – often lower, in fact, than the return the shareholder can make in comparable-risk activities.

The reason, quite simply, is that the banks do not, or cannot, price high enough to cover the risks and therefore pay for the capital needed to support the middle-market lending business. Hence, despite temporarily high nominal returns, many middle-market lending banks limp along with quite depressed stock valuations.

Identifying the Independent

As banks increasingly appreciate the need to satisfy the requirements of a forward-looking marketplace interested in sustainable equity returns, they are analyzing each of their constituent businesses on an unbundled, or stand-alone, basis. The analytic process embraces three steps: first, determining what constitutes an independent business; second, assigning an appropriate market-determined hurdle rate of return on equity to the independent business; and third, determining the amount of capital that is economically necessary to support the business.

Each of these steps involves an intense amount of cogitation and practical judgment. For example, what is an independent business? In the retail area, is deposit-taking such a business? Or should a bank's deposit-taking activities be combined with other branch-related businesses for purposes of profitability analysis?

Vanward banks are now analyzing returns in each of their constituent businesses.

Once a bank identifies its truly independent businesses, it must determine an appropriate hurdle rate for each. According to modern financial theory, the acceptable hurdle rate is equal to the riskless T-bill rate plus a "beta" or premium for the business' individual riskiness times the excess return customarily demanded by the typical investor for being in risky stocks rather than riskless bills.

Two of the three components of this hurdle-rate formula are reasonably easy to assess – the bill rate and the excess return. The problem, of course, is to figure out the beta for the business in question.

The beta of a business is a measure of its earnings volatility relative to that of the general marketplace. In an article forthcoming in the winter issue of the *Journal of Retail Banking*, Price Waterhouse offers the following commonsensical advice on calculating betas.

"To choose a beta, you first collect information on actual betas from stand-alone institutions operating in similar businesses. (For example, the betas for independent mortgage banks typically range from 0.6 to 1.1.) For other businesses, proxies can be used. In the more broadly defined retail branch businesses, we have used a proxy of 0.5 to 0.9 derived from smaller regional banks that primarily focus on retail and small commercial lending.

"For other businesses, few beta proxies exist. In these cases we recommend that the bank first analyze the returns on equity for the business over a five- to 10-year period. The standard deviation of ROE (the square root of the variance from the mean) in the business can then be compared with the standard deviation of the overall bank ROE. For example, if the standard deviation of returns in a retail business is 1% and the standard deviation of the overall bank's returns is 2%, then the beta proxy for that business is 0.5."

If the beta for the business indeed amounted to only 0.5, then the required rate of return on shareholder's equity is readily calculable. If the T-bill rates averaged 7.5% over some meaningful period of time and the excess market return averaged 8%, then the minimum after-tax rate of return on the business amounts to 11.5%. This is low for most bank businesses, but then most business betas are higher than 0.5.

Creating the Capital Cushion

Of course, in order to compare the standard deviations of returns, as suggested by this method, one first has to establish bona-fide ROEs. The bank's overall ROE is known, but the ROE of a component business depends on the amount of its allocated or imputed capital. Hence, determining the beta and therefore the hurdle rate of return for a business in many cases presupposes an analysis of its economically needed capital cushion. For many lending businesses, the capital cushion is dictated, or at least heavily influenced, by the risk-based regulatory guidelines. (As this writer tried to demonstrate in his article of Sept. 25, banks should not slavishly follow the regulatory framework.)

But what about businesses not covered by the capital rules – e.g., fee-based or deposit-based businesses? The amount of capital required should of course be related to the worst-case scenario for potential losses, which would probably require the bank to allocate enough equity to cover two standard deviations from mean earnings performance, or 95.5% of the historic negative deviation from average profits.

On the assumption that maximum losses in most fee-based or deposit-based businesses are usually no greater than one year's operating expenses, Price Waterhouse recommends that banks earmark capital equal to this amount.

Projecting Cash Flows

Having identified those businesses that qualify as stand-alone entities, the appropriate hurdle rate of return on equity for each, and the amount of economically needed capital, a bank is prepared to undertake an analysis of value-creating or value-destroying properties.

The technique to be employed is discounted cash flow. The bank must project net cash flows – interest and noninterest revenues less match-funded interest expenses, noninterest expenses, loan losses, and taxes. It must also assign a terminal value to the business.

It must then discount the net cash flows and the terminal value to their present worth, using the aforementioned hurdle rate of return. If the amount of these net flows, appropriately discounted, exceeds the amount of the economically needed capital, the business is an acceptable contributor to shareholder value. It is earning more than the shareholder's cost of equity – the return that investors can expect from other businesses of similar riskiness.

If the discounted present worth falls short of the needed capital, the business is at best a candidate for restructuring and at worst a candidate for divestiture.

Difficult as the above analysis may appear, the best-managed banks have either already done it or are considering doing it. They simply have no alternative if they wish to remain viable competitors for investment capital. ☐

COMMENT / *By Anat Bird*

Regulation Isn't the Only Problem

It is becoming increasingly apparent that American banks are having difficulties maintaining their position as major international competitors.

There is no American bank among the top 10 banks in the world, and only one is in the top 25. Our international involvement resulted in a credit disaster – lesser-developed-country loans – and other failures at profitable entry into global financial markets.

Even our leading bank, Citibank, which unlike most of its peers has not backed away from its global presence and commitment, is experiencing difficulties.

The explanation often offered these days is the lack of regulatory parity between the United States and our primary competitors in the Group of Seven industrial countries and Switzerland.

We are told that our regulatory structure is much more restrictive and burdensome than that of our competitors, leaving U.S. banks at an unfair disadvantage.

Although this is to a great extent true, I believe there are many other important reasons for our inability to successfully compete in global markets.

Two questions are at hand:

- Is there regulatory disparity that has a material impact on our ability to compete?
- Are there other, equally important reasons why U.S. banks are not doing as well as they should globally?

Weighing the Burden

The weight of relative regulatory burden across countries can be examined by looking at legal reserve requirements, regulatory structure and reporting requirements, liquidity requirements, capital requirements, and deposit insurance/safety net. Other categories worth looking into are taxes, subsidized advances, scope of powers, compliance regulations, social programs, and litigation and legal costs.

The American Bankers Association has conducted analyses of these components. It appears that the American banking system exhibits significant disadvantages relative to other developed countries' systems.

Some restrictions are obvious. For example, the Glass-Steagall Act, which separates commercial and investment banking, is uniquely American. No such separation exists in the other countries evaluated.

Foreign Banks' Advantages

Further, banks outside the United States are permitted to

See **REGULATION** *page* **29**

Ms. Bird is director of financial-institutions consulting at BDO Seidman.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Ellen Braitman, Yvette D. Kantrow, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege, Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology/Operations: Matt Barthel, Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Leslie Combemale, Rita Kay Meyer, Karen Puckerin, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Senior Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 18-22, 24, 25

Top 25 Mortgage Servicers in Combined Servicing

Based on the combined servicing for investors by a firm's bank, thrift, and mortgage company subsidiaries On June 30, 1990, compared with June 30, 1989 (dollar figures in millions)

Rank 6/90	Rank 6/89		Servicing Volume 6/30/90	Servicing Volume 6/30/89	% Chg.	Number of Subsidiaries 6/30/90	Number of Subsidiaries 6/30/89	Parent Company
1	1	Citicorp Mortgage, Inc., St. Louis	63,700	54,800	16.24	..	..	Citicorp, New York
2	**2**	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (a)**	**45,946**	**34,396**	**33.58**	**2**	**6**	
3	3	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	33,823	26,999	25.28	...	...	Fireman's Fund Corp., Novato, Calif.
4	4	GMAC Mortgage Co., Elkins Park, Pa. **(b)**	28,603	26,376	8.44	...	...	General Motors Acceptance Corp., Detroit
5	**6‡**	**Standard Federal Savings Bank, Gaithersburg, Md. (c)**	**25,603[1]**	**17,900‡[2]**	**43.04**	**3**	**...**	
6	5	Lomas Mortgage USA, Dallas	23,689	21,380	10.80	...	...	Lomas Financial Corp., Dallas
7	**8‡**	**Chase Manhattan Corp., New York (d)**	**21,389**	**16,246**	**31.66**	**3**	**4**	
8	10‡	BancBoston Mortgage Companies, Inc., Jacksonville, Fla.	19,500	13,852	40.77	...	...	Bank of Boston Corp.
9	11‡	Shearson Lehman Mortgage Corp., Tampa, Fla.	17,973	13,723	30.97	..	..	Shearson Lehman Hutton Inc., New York
10	18	First Union Mortgage Corp., Charlotte, N.C.	17,254	11,281	52.95	...	...	First Union Corp., Charlotte, N.C.
11	7‡	Metmor Financial Inc., Overland Park, Kan.	16,382	17,466	—3.63	..	..	Metropolitan Life Insurance Co., New York
12	21	Chemical Mortgage Corp., Columbus, Ohio	14,364	10,748	33.63	...	...	Chemical Banking Corp., New York
13	16	Goldome Realty Credit Corp., Buffalo, N.Y.	13,885	11,836	17.31	...	...	Goldome, Buffalo, N.Y.
14	38	Marine Midland Mortgage Corp., Buffalo, N.Y. **(e)**	13,472	7,095	89.88			Marine Midland Banks Inc., Buffalo, N.Y.
15	24	Travelers Mortgage Services, Inc., Cherry Hill, N.J. **(f)**	13,330	8,678	53.61	...	...	The Travelers Corp., Hartford, Conn.
16	13‡	Home Savings of America, FA, Irwindale, Calif. **(g)**	13,326[1]	12,414[1]	7.35	...	...	H.F. Ahmanson & Co., Los Angeles
17	**14‡**	**First Interstate Bancorp., Los Angeles (h)**	**12,974**	**12,258**	**5.84**	**4**	**4**	
18	45	Glendale Federal Savings & Loan Assn., Calif.	12,690[1]	5,939[2]	113.67	...	...	Glenfed, Inc., Glendale, Calif.
19	17	Countrywide Funding Corp., Inc., Pasadena, Calif.	12,505	11,300	10.66	...	...	Countrywide Credit Industries, Inc., Pasadena, Calif.
20	15‡	Weyerhaeuser Mortgage Co., Los Angeles	11,966	12,177	—1.73	...	...	Weyerhaeuser Co., Tacoma, Wash.
21	22	Great Western Bank, FSB, Beverly Hills	11,568	10,484	10.34	...	...	Great Western Financial Corp., Beverly Hills
22	..	Prudential Home Mortgage, Clayton, Mo.	11,400	......	.....	...	...	Prudential Insurance Company of America, Newark, N.J.
23	..	Barclays American/Mortgage Corp., Charlotte, N.C.	10,857	4,003	171.22	...	...	Barclays Bank, Plc, London, United Kingdom
24	23	Bowest Corp., La Jolla, Calif.	10,767	10,108	6.52	...	...	Bowest Holding Corp., San Diego, Calif.
25	**19**	**BancPlus Savings Assn., Pasadena, Tex. (i)**	**10,688[1]**	**11,217**	**—4.73**	**2**	**1**	
		Totals for the top 25	**$487,654**	**$412,205[3]**	**18.30%**			
		Dropping out of the Top 25						
27	9‡	City Savings Bank, FSB, Elizabeth, N.J. **(j)**	9,886	13,857	-28.66	...	...	
30	25	Independence One Mortgage Corp., Southfield, Mich.	9,217	8,580	7.42	...	...	Michigan National Corp., Farmington Hills
42	**20**	**Commonwealth Federal Savings Assn., Houston (k)**	7,485	**10,821**	**-30.83**	**2**	**1**	
47	**12‡**	**Sears, Roebuck & Co., Chicago (l)**	**6,956**	**13,308**	**—47.73**	**1**	**2**	

Data Sources: American Banker questionnaire to 700 mortgage companies and commercial banks in servicing for investors and the Thrift Financial Report submitted by S.A.I.F.-insured thrifts to the Office of Thrift Supervision. **ADP Data Services Division, New York,** provided the thrift data. (See table below for a discussion of the changes in thrift regulatory reporting.) **Description of Table:** A listing of the top 25 firms in the mortgage industry. The listing includes mortgage companies, commercial banks, and thrifts. For firms with more than one subsidiary engaged in servicing mortgages for others, a combined servicing figure for all of these subsidiaries is used, and the name of the parent company is shown in bold type. **(a)**— Consolidated data for the corporation's two mortgage company subsidiaries: (1) Fleet Real Estate Funding Corp., Florence, S.C and (2) Fleet Mortgage Corp., Milwaukee. The former now services the mortgage portfolios for the holding company's subsidiary banks. **(b)**— Excludes the $7.5 billion master servicing portfolio acquired from Residential Funding Corp., on March 6, 1990. **(c)**— The 1990 data are consolidated to include servicing done by the the thrift and its two mortgage company subsidiaries: (1) America's Mortgage Corp., Springfield, Ill. and (2) America's Mortgage Servicing, Inc., Lisle, Ill. The 1989 data are not consolidated. **(d)**— The data are for: (1) Chase Home Mortgage Corp., Tampa, Fla.; (2) Chase Lincoln First Bank NA, Rochester, N.Y.; and (3) Chase Bank of Arizona, Scottsdale. The 1989 data included the San Juan Puerto Rico branch of Chase Manhattan Bank NA, New York. **(e)**— The June 1989 data are for Marine Midland Bank NA. All servicing was transferred to the mortgage company. **(f)**— The company's parent has announced that it has reached an agreement in principal to sell the mortgage company to General Electric Mortgage Capital Corp. **(g)**— Data for both 1989 and 1990 are consolidated. **(h)**— The 1990 data are for: (1) First Interstate Mortgage Co., Pasadena, Calif.; (2) First Interstate Bank of Oregon NA, Portland; (3) First Interstate Bank of Washington NA, Seattle; and (4) First Interstate Bank of Casper NA, Wyo. The 1989 data were for the mortgage company and the banks in Oregon, Arizona and Nevada. The loans serviced by the Nevada bank are now subserviced by the mortgage co. **(i)**— In RTC (Resolution Trust Corp.) conservatorship program at midyear. The 1990 data are consolidated data for the thrift and its mortgage subsidiary, BancPlus Mortgage Corp., Pasadena, Tex. The 1989 data were for BancPlus Mortgage only. **(j)**— In RTC conservatorship program at midyear. **(k)**— In RTC conservatorship program at midyear. The 1990 data are consolidated data for the thrift and its mortgage subsidiary, Commonwealth Mortgage Corp. of America. The 1989 data were for Commonwealth Mortgage Corp. only. **(l)**— The data are for: (1) Sears Mortgage Corp., Riverwoods, Ill. Last year, it also included a former subsidiary, Coldwell Banker Real Estate Financial Services, El Segundo, Calif. **(1)**— Consolidated. **(2)**— Not consolidated. **(3)**— Total is for the top 25 firms on June 30, 1989. **(‡)**— Revised since publication on Oct. 23, 1989.

Compiled by American Banker, Copyright 1990.

Top 50 Thrifts in Mortgage Servicing

June 30, 1990 compared with June 30, 1989 (thousands of dollars)

Rank 6/30/90		Loans Serviced for Others† 6/30/90	Loans Serviced for Others† 6/30/89†	% Chg.	Rank 6/30/89	Change in Rank	Loan Servicing Fees† 1990	Loan Servicing Fees† 1989	% Chg.	Total Assets 6/30/90	Total Assets 6/30/89
1	Standard Federal Savings Bank, Gaithersburg, Md.	25,603,382	17,900,000‡	43.04	1‡		48,596	43,592	11.48	1,759,731	1,666,148
2	Home Savings of America, FA, Irwindale, Calif.	13,326,168	12,413,659[1]	7.35	3‡	+1	76,953	83,879	-8.26	41,885,089	38,006,997
3	Glendale Federal Savings & Loan Assn., Calif.	12,689,694	5,938,806	113.67	11	+ 8	14,237	1,584	798.80	24,158,589	24,478,164
4	Great Western Bank, FSB, Beverly Hills	11,567,906	10,484,019	10.34	4		39,646	40,175	-1.32	36,861,168	34,245,361
5	BancPlus Savings Assn., Pasadena, Tex.★	10,687,811	N.A.	...	...		N.A.	N.A.		481,318	633,459
6	City Savings Bank, FSB, Elizabeth, N.J.★	9,885,705	13,857,220	-28.66	2‡	-4	N.A.	41,968	...	7,655,882	10,667,548
7	First Nationwide Bank, FSB, San Francisco	9,129,143	3,150,312	189.79	24	+17	27,555	16,278	69.28	21,310,945	26,149,287
8	Home Owners Savings Bank, FSB, Boston★	9,004,000	6,646,600	35.47	8		39,686	43,583	-8.94	2,771,379	3,800,818
9	American Savings Bank, FA, Stockton, Calif.	8,558,217	8,058,606	6.20	6	- 3	33,705	15,082	123.48	16,448,095	15,684,604
10	Benjamin Franklin Federal Savings Assn., Houston★	7,809,492	N.A.	...	...		N.A.	N.A.	...	1,582,318	2,300,022
11	Cenlar Federal Savings Bank, Pennington, N.J.	7,562,765	7,389,416	2.35	7	-4	19,064	20,004	-4.70	742,414	879,215
12	Commonwealth Federal Savings Assn., Houston★	7,484,593	N.A.	...	...		41	N.A.	...	1,117,371	1,579,956
13	Transohio Savings Bank, Cleveland	7,198,709	5,596,403	28.63	14	+1	19,972	24,749	-19.30	5,015,649	6,356,976
14	Empire Federal Savings Bank of America, Buffalo, N.Y.★	7,074,449	N.A.	...	...		N.A.	N.A.	...	6,937,543	11,440,740
15	Perpetual Savings Bank, FSB, McLean, Va.	6,346,414	1,374,786	361.63	48	+33	4,472	4,001	11.77	5,707,768	6,474,057
16	HomeFed Bank, FSB, San Diego, Calif.	6,052,143	6,321,030	-4.25	9	-7	16,200	13,955	16.09	18,923,492	17,137,958
17	California Federal Bank, FSB, Los Angeles	5,453,943	6,119,201	-10.87	10	-7	N.A.	7,880	...	22,772,197	25,684,845
18	Western Federal S&L Assn., Marina Del Rey, Calif.	5,332,466	4,725,052	12.86	16	-2	16,276	15,892	2.42	4,936,529	4,557,796
19	Leader Federal Bank for Savings, Memphis, Tenn.	5,234,919	5,779,727	-9.43	12	-7	14,516	13,345	8.77	2,169,436	2,461,896
20	Colonial Savings & Loan Assn., Fort Worth, Tex.	5,030,483	4,880,353	3.08	15	-5	15,077	13,463	11.99	530,277	586,431
21	Great American Bank, FSB, San Diego, Calif.	4,660,532	4,223,468	10.35	17	-4	11,631	11,176	4.07	15,390,552	13,280,241
22	Coast Savings & Loan Assn., Los Angeles	4,651,944	4,108,680	13.22	18	-4	9,824	7,845	25.23	10,977,816	12,663,736
23	Great Financial Federal, Louisville, Ky.	4,528,455	N.A.	...	...		N.A.	N.A.	...	1,085,899	1,030,024
24	Comfed Savings Bank, Lowell, Mass.	4,400,034	4,072,411	8.04	19	-5	21,539	22,112	-2.59	1,496,774	1,679,411
25	Imperial Federal Savings Assn., San Diego, Calif.★	4,375,513	3,974,846	10.08	20	-5	N.A.	5,776	...	7,868,392	11,944,497
26	Household Bank, FSB, Newport Beach, Calif.	4,278,038	3,378,196	26.64	21	-5	14,387	8,707	65.23	7,375,780	5,776,103
27	Anchor Savings Bank, FSB, Northport, N.Y.	3,891,870	N.A.	...	...		N.A.	N.A.	...	9,213,405	8,699,608
28	El Paso Federal Savings & Loan Assn., Tex.	3,529,727	N.A.	...	...		229	433	-47.11	433,067	491,255
29	Pacific First Federal Savings Bank, Seattle	3,372,493	N.A.	...	...		6,568	4,806	36.66	6,763,806	5,932,729
30	Standard Federal Bank, Troy, Mich.	3,255,805	2,615,638	24.47	28	-2	10,024	9,110	10.03	9,751,564	10,119,889
31	Altus Bank, FSB, Mobile, Ala.	3,157,560	3,155,780	0.06	23	-8	N.A.	3	...	2,194,265	2,549,731
32	Midwest Savings Assn., FA, Minneapolis★	3,074,602	N.A.	...	...		N.A.	N.A.	...	1,869,665	2,316,865
33	Talman Home Federal Savings & Loan Assn., Chicago	3,044,395	N.A.	...	...		N.A.	N.A.	...	5,746,885	6,213,531
34	Dime Savings Bank of New York, FSB, Garden City, N.Y.	3,039,534	2,634,619	15.37	27	-7	14,971	15,265	-1.93	11,300,643	12,494,705
35	Amerifirst Bank, FSB, Miami	3,022,507	3,108,261	-2.76	25	-10	11,255	8,048	39.85	3,846,570	4,655,653
36	Metropolitan Federal Bank, FSB, Fargo, N.D.	2,874,633	N.A.	...	...		N.A.	183	...	2,577,517	2,582,298
37	Heartland Federal Savings & Loan Assn., Ponca City, Okla.	2,830,808	N.A.	...	...		N.A.	N.A.	...	898,700	1,036,701
38	Victoria Savings Assn. FSA, Tex.★	2,760,612	N.A.	...	...		N.A.	N.A.	...	535,825	782,885
39	Suncoast Savings & Loan Assn., Hollywood, Fla.	2,710,373	N.A.	...	...		N.A.	N.A.	...	273,127	280,705
40	Merabank, FSB, Phoenix★	2,709,583	2,904,925	-6.72	26	-14	N.A.	11,969	...	4,100,700	6,881,092
41	Security Savings & Loan Assn., Jackson, Miss.	2,707,472	1,734,225	56.12	40	-1	N.A.	4,826	...	355,272	446,631
42	Homestead Savings, FS & LA, San Francisco	2,668,780	3,168,456	-15.77	22	-20	N.A.	1,842	...	2,522,884	5,091,590
43	Crossland Savings, FSB, Brooklyn, New York	2,552,883	N.A.	...	...		N.A.	N.A.	...	10,489,379	12,397,623
44	United Savings Bank, Ogden, Utah	2,499,211	N.A.	...	...		2,096	1,935	8.32	290,682	272,715
45	Trust Bank Savings, FSB, Tyson Corner, Va.	2,453,791	2,128,505	15.28	33	-12	4,687	4,681	0.13	1,874,940	2,246,570
46	First Federal Savings & Loan Assn., Rochester, N.Y.	2,444,203	2,161,581	13.07	32	-14	10,545	8,444	24.88	5,588,137	5,616,411
47	Old Stone Bank, FSB, Providence, R.I.	2,345,933	N.A.	...	...		6,596	6,019	9.59	2,730,906	3,563,351
48	Hansen Savings Bank, SLA, East Brunswick, N.J.	2,305,428	N.A.	...	...		1,172	943	24.28	602,507	573,842
49	First Atlantic Savings & Loan Assn., Plainfield, N.J.	2,290,129	695,964	229.06	97	+48	N.A.	2,466	...	953,398	1,362,681
50	Commercial Federal Savings & Loan Assn., Omaha, Neb.	2,253,067	NA	...	...		N.A.	N.A.	...	5,614,832	5,953,732
	Totals for the Top 50 Thrifts‡	**275,722,317[1]**	**210,548,121[2]**	**...**			**511,520[1]**	**686,508[2]**	**...**		
	Totals for all SAIF-insured Thrifts§	**368,570,818[3]**	**377,768,000[4]**	**...**							

Data Source: Data provided by **ADP Data Services Division, New York**, from its data base of the Thrift Financial Report submitted by S.A.I.F.-insured thrifts to the Office of Thrift Supervision. **Mortgage Loans Serviced for Others** are the total of all unpaid principal balances of all whole loans and participating interests in loans serviced by an institution but owned by others at the close of the period, whether or not originated by the institution. The 1990 data are **consolidated** for the thrift and its nonfinance and finance subsidiaries. Therefore, thrifts that own mortgage companies are included here. **(†)**— The Thrift Financial Report was changed substantially this year. Basically, the data for 1990 are consolidated to include all subsidiaries and the 1989 data are not. Therefore, the 1990 data may not be comparable to the 1989 data for some institutions. **Loan Servicing Fees** are the fees earned— as a result of the servicing for others of loans or participations therein— during the 12-month periods ending on June 30, 1990, and June 30, 1989, respectively. The 12-month servicing fees are calculated by summing the fees earned in each of the four quarters of the period. **N.A.**— Not available. **(‡)**— The 1989 totals are for the top 50 thrifts in servicing in 1989. **(1)**— Consolidated. **(2)**— Unconsolidated. **(3)**— Consolidated for all 2,452 private sector SAIF-insured thrifts. **(4)**— Unconsolidated data for all thrifts— private and RTC-controlled. **(§)**— Data are from the Office of Thrift Supervision. **(★)**— In Resolution Trust Corp. conservatorship program at midyear. **(‡)**— Revised since publication on Oct. 23, 1989.

Compiled by American Banker, Copyright [illegible]

Mortgage-Servicing Leaders Surge Ahead

Continued from *page* **1**

begin on page 18.

Some megaservicers, such as second-ranked Fleet/Norstar Financial Group Inc. and seventh-ranked Chase Manhattan Corp., increased their portfolios by more than 30% in the 12 months. The mortgage unit of Marine Midland Banks Inc., ranked No. 14, pumped up its portfolio by nearly 90%.

Servicing – the backbone of home mortgage operations at many banks and thrifts – entails funneling monthly payments from borrowers to mortgage investors. Servicers, which earn fees, also handle property tax and insurance payments for borrowers and initiate foreclosure proceedings.

Sources of Rights

Some servicers, such as top-ranked Citicorp Mortgage Inc., obtain their servicing rights primarily through retail mortgage originations; Citicorp sells the loans and keeps the rights. Fleet/Norstar, in contrast, relies heavily on purchases of loans from correspondent originators.

> **Already, some servicers are rumored to be suffering from deteriorating credit quality.**

In addition, servicers can buy bulk packages of rights already separated from loans. Though this segment of the market has been hit hard in the wake of the thrift-bailout law, there are signs that it is regaining some strength.

Growth Expected to Slow

Several servicing executives said they expect their portfolio growth to moderate over the next year or so as the economy's slowdown restricts mortgage production. But the growth targets of these executives are hardly timid.

"To maintain a 90% growth rate would be unrealistic," said Charles W. Sewright, chief executive of Marine Midland Mortgage Corp. However, he said, his $13.5 billion portfolio is still likely to grow 10% to 20% in the next year.

Marine Cuts Back

He added that Marine began to intentionally curb servicing purchases earlier this year both to ensure quality service for customers and to await final action on proposed capital rules for purchased rights.

As with other areas of banking, credit quality issues loom over servicing. A slowing economy can reduce the ability of borrowers to make timely payments, and falling home prices – common in more and more markets – can reduce borrowers' incentives to repay their mortgages.

Though servicers often are not responsible for losses on loan principal, delinquencies and foreclosure still produce substantial expenses.

For example, servicers typically are required to forward monthly payments to investors even if borrowers have not paid on time.

Credit Problems

Already, some servicers are rumored to be suffering from deteriorating credit quality. But delinquencies for the industry as a whole have risen only slightly.

According to a survey by the Mortgage Bankers Association of America, 4.52% of home mortgages were at least 30 days past due in the second quarter. The rate exceeds the first quarter's 4.41% but is still low by 1980s standards; delinquencies peaked in 1985 at 6.07%.

Apparently to head off problems, many servicers are redoubling collection efforts.

"People are investing far more heavily in collections than we've seen in past years," said Linda C. Simmons, a principal in KPMG Peat Marwick, which does an annual study of large servicers.

For example, she said, seven of the 11 big servicers studied in 1989 installed "power dialing" phone systems during the year. Such systems allow servicers to contact delinquent borrowers methodically and rapidly. As soon as a collections employee completes a call, the system automatically dials the next borrower.

Servicers are also taking steps to monitor more closely the performance of their collections department, Ms. Simmons said.

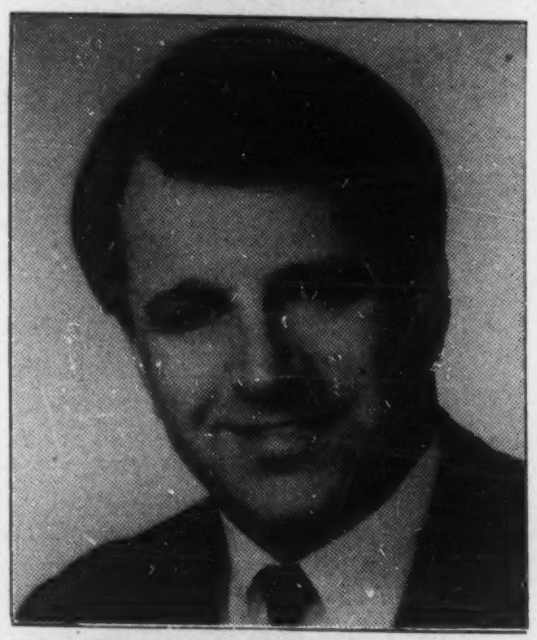
Looking on the Bright Side

But few executives view the gathering economic clouds as reason to intentionally curb portfolio growth.

"We don't really try to slow the machine down during periods like this," said Andrew Woodward, president of Fleet-/Norstar's mortgage banking division. "We do try to monitor our markets very carefully and adjust where we need to."

Fleet Soaring

Fleet/Norstar's combined portfolios, which stood at $45.9 billion at midyear, have since passed the $50 billion mark and should approach $60 billion by the end of 1991, Mr. Woodward



Charles W. Sewright
Says Marine's growth will slow

See **MORTGAGE** *page* **21**

uts Credibility of Bush
BEHIND THE SUN, STORMS
There's significant bipartisan support for a new national housing policy, but passage of comprehensive legislation faces formidable hurdles.
Bailout Cost?
Two-Thirds of $12.
Loss at 'Resolved' S
Clarke Warns About Quality Of LBO Loans
Lending by Some Banks Reviewed Quarterly
'Not Enough'
Mortgage Sales Down $20B
Thrift Losses
THE CAPITAL CONUNDRUM: WEAKER S&Ls THAT NEED IT MOST WILL HAVE THE HARDEST TIME RAISING IT
That's Why Work on a Plan Must Begin Straight Away. Here Is an Overview of Opti
FIRREA's Strict New Stan
NAHB Chief Says Housing Recession May Be Near

And now for the good news.

Difficult times do more than strengthen the spirit. They also provide opportunities for those able to look at their business with a new perspective. And no one helps you identify these opportunities like Hamilton, Carter, Smith.

Our expertise includes Loan Servicing Brokerage, Portfolio/Corporate Evaluations, Data Base Services, Mortgage Consulting, and Mergers and Acquisitions.

Plus, our unique technical ability enables us to customize our service to meet your individual needs. In fact, the U.S. government turned to us as advisers when faced with the critical S&L situation.

So remember in times like these, turn to Hamilton, Carter, Smith, the leader in identifying value in a challenging and constantly evolving marketplace.

Let us share our unique perspective and help you attain the growth, efficiency and profitability you're looking for.

Now, isn't it nice to hear some good news for a change?

HAMILTON, CARTER, SMITH & CO.

Los Angeles (213) 556-8122 Dallas (214) 637-6971 Chicago (708) 205-5335 Washington, D.C. (703) 683-4451

MORTGAGE SERVICING

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1990

		Dollar Volume of Mortgages Serviced						
		6/30/90	6/30/89	Rank 6/30/89	Gain in Rank	No. of Mortgages Serviced 6/30/90	No. of Investors Excluding GNMA Pools	6/30/88 GNMA Pools
1	Citicorp Mortgage, Inc., St. Louis	63,700,000,000	54,800,000,000	1		697,563	386	15,184
2	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	33,822,522,000	26,999,277,000	2		557,359	470	23,901
3	GMAC Mortgage Co., Elkins Park, Pa. (a)	28,602,679,092	26,375,665,203	3		398,790	1,258	6,559
4	Fleet Mortgage Corp., Milwaukee, Wis.	25,307,090,359	18,549,174,431	5	+1	527,580	583	7,434
5	Lomas Mortgage USA, Dallas	23,688,881,000	21,379,744,541	4		602,114	1,331	13,252
6	Fleet Real Estate Funding Corp., Florence, S.C. (b)	22,764,769,555	14,692,054,000	7	+1	353,858	716	10,628
7	BancBoston Mortgage Companies, Inc., Jacksonville, Fla.	19,500,000,000	13,852,090,000	9	+2	340,000	810	9,340
8	Chase Home Mortgage Corp., Tampa, Fla.	19,353,200,000	13,903,956,000	8		253,946	341	6,879
9	Shearson Lehman Hutton Mortgage Corp., Irvine, Calif.	17,972,877,312	13,723,203,210	10	+1	236,987	216	4,018
10	First Union Mortgage Corp., Charlotte, N.C.	17,254,000,000	11,280,945,000	14	+4	248,195	N.A.	2,412
11	Metmor Financial, Inc., Overland Park, Kan.	16,381,749,000	17,466,317,000	6		284,588	476	6,607
12	Chemical Mortgage Corp., Columbus, Ohio	14,363,664,000	10,798,499,000	18	+6	159,255	221	3,036
13	Goldome Realty Credit Corp., Buffalo, N.Y.	13,885,230,000	11,836,484,838	12		210,838	499	12,494
14	Marine Midland Mortgage Corp., Buffalo, N.Y. (c)	13,471,660,000	7,095,034,000	...		151,733	111	18,002
15	Travelers Mortgage Services, Inc., Cherry Hill, N.J.	13,329,767,789	8,678,273,612	22	+7	137,841	75	10,297
16	Countrywide Funding Corp., Inc., Pasadena, Calif.	12,505,100,000	11,300,000,000	13		164,576	0	5,158
17	Weyerhaeuser Mortgage Co., Los Angeles	11,965,646,000	12,177,818,000	11		160,736	344	3,215
18	Prudential Home Mortgage, Clayton, Mo.	11,400,000,000	....	...		N.A.	N.A.	N.A.
19	Barclays American/Mortgage Corp., Charlotte, N.C.	10,856,728,000	4,002,827,000	54	+ 35	171,028	89	6,050
20	Bowest Corp., La Jolla, Calif.	10,766,722,735	10,107,829,333	19		208,131	200	6,891
21	BancPlus Mortgage Corp., San Antonio, Tex.	10,563,812,000	11,217,496,000	15		194,199	187	7,153
22	Fundamental Mortgage Corp., Dallas	10,004,734,000	7,650,572,112	30	+8	163,399	500	6,223
23	USGI, Inc., Norwalk, Conn.	9,501,637,000	N.A.	...		4,090	80	94
24	Sovran Mortgage Corp., Richmond	9,422,883,753	7,656,000,000	29	+5	167,745	287	3,214
25	Empire of America Realty Corp., Buffalo, N.Y.	9,378,535,220	8,367,703,890	26	+1	147,002	133	4,869
26	Independence One Mortgage Corp., Southfield, Mich.	9,217,248,071	8,580,000,000	23		170,318	160	5,922
27	Southeast Mortgage Co., Miami	9,186,000,000	7,601,000,000	31	+4	110,822	N.A.	N.A.
28	Midland Mortgage Co., Oklahoma City	8,589,408,262	5,609,630,704	36	+8	150,603	258	4,789
29	Barnett Mortgage Company, Jacksonville, Fla.	8,542,901,123	7,318,534,697	32	+3	133,912	173	833
30	Knutson Mortgage Corp., Bloomington, Minn.	8,074,948,463	8,567,503,000	24		138,652	355	4,926
31	Foster Mortgage Corp., Fort Worth, Tex.	7,821,162,871	7,840,206,119	27		102,510	292	7,400
32	Imco Realty Services Inc., Santa Rosa, Calif.	7,629,947,000	7,726,386,813	28		105,187	867	4,053
33	National Mortgage Co., Memphis, Tenn.	7,301,494,163	3,370,771,000	62	+ 29	177,003	85	3,303
34	Waterfield Mortgage Co., Inc., Fort Wayne, Ind.	7,245,000,000	6,975,000,000	33		154,400	217	2,270
35	Sears Mortgage Corp., Riverwoods, Ill.	6,955,544,893	8,824,396,039	21		86,859	250	970
36	National City Mortgage Co., Miamisburg, Ohio	6,629,142,105	4,338,759,346	47	+ 11	130,790	281	5,942
37	Mellon Financial Services Corp., Houston	6,574,711,116	8,471,848,420	25		130,710	555	3,367
38	Meridian Mortgage Corp., St. Davids, Pa.	6,570,800,000	2,481,528,826	84	+ 46	88,272	83	51
39	U.S. Bancorp Mortgage Co., Portland, Ore.	6,541,489,345	4,199,255,717	49	+ 10	97,394	203	4,093
40	Banc One Mortgage Corp., Indianapolis	5,990,547,940	2,841,638,875	76	+ 36	117,293	367	5,433
41	First Interstate Mortgage Co., Chicago	5,669,391,525	....	...		2,795	150	86
42	ARCS Mortgage, Inc., Calabasas, Calif.	5,448,112,895	4,449,197,329	46	+4	62,525	90	4,157
43	J.I. Kislak Mortgage Service Corp., Miami	5,323,151,000	N.A.	...		132,826	0	3,751
44	Troy & Nichols, Inc., Monroe, La.	5,252,000,000	5,011,841,000	39		127,234	371	2,313
45	Associated National Mortgage Corp., Irving, Tex.	5,246,413,655	4,005,916,931	53	+8	66,759	21	7,187
46	CrossLand Mortgage Corp., Salt Lake City	5,200,000,000	5,900,000,000	35		51,700	170	6,867
47	Paine Webber Mortgage Finance, Inc., Columbia, Md.	5,054,652,966	4,473,552,790	45		37,038	61	1,403
48	Dorman & Wilson, Inc., White Plains, N.Y.	5,007,308,000	4,316,737,000	48		670	11	0
49	First Interstate Mortgage Co., Pasadena, Calif.	4,948,000,000	10,801,383,612	17		79,167	0	0
50	Anchor Mortgage Services, Inc., Wayne, N.J.	4,937,220,000	6,666,243,563	34		78,660	250	817
51	Shawmut Mortgage Co., West Hartford, Conn.	4,932,044,000	4,579,601,129	43		64,306	280	2,986
52	Sunbelt National Mortgage Corp., Dallas	4,920,886,933	4,167,889,181	51		96,806	252	76,987
53	Talman Home Mortgage Corp., Chicago	4,754,630,000	4,875,500,000	41		110,240	168	2,071
54	SunTrust Mortgage, Inc., Atlanta	4,645,105,000	3,945,265,929	56	+2	76,685	260	2,638
55	Reilly Mortgage Group, Inc., Vienna, Va.	4,628,342,287	4,669,749,174	42		1,199	85	141
56	Lincoln Service Corp., Owensboro, Ky.	4,557,799,316	4,192,012,510	50		64,071	122	1,420
57	Coldwell Banker Mtge Bkg Services, El Segundo, Calif.	4,520,972,095	4,483,933,216	44		3,827	16	0
58	Dominion Bankshares Mortgage Corp., McLean, Va.	4,475,724,000	2,835,495,000	77	+ 19	62,101	53	3,639
59	Alliance Mortgage Co., Jacksonville, Fla.	4,418,116,009	4,996,660,035	40		86,907	185	3,816
60	Meritor Mortgage Corp.-East, Philadelphia	4,404,978,756	5,420,369,863	37		87,851	205	2,736
61	Commonwealth Mortgage Co., Wellesley Hills, Mass.	4,299,850,532	3,246,976,075	65	+4	48,740	84	2,011
62	Metropolitan Financial Mortgage Corp., St. Paul, Minn.	4,205,107,612	4,107,560,479	52		78,093	265	845
63	America's Mortgage Co., Springfield, Ill.	4,028,973,217	1,560,595,106	118	+ 55	64,319	25	1,604
64	C&S Real Estate Services, Inc., Tucker, Ga.	3,900,000,000	3,540,837,700	58		71,208	364	1,086
65	First Wachovia Mortgage Co., Winston-Salem, N.C.	3,865,015,232	3,052,171,617	70	+5	71,516	120	1,270
66	America's Mortgage Servicing, Inc., Lisle, Ill.	3,857,475,000	3,874,591,000	57		80,664	131	3,398
67	Huntington Mortgage Co., Columbus, Ohio	3,781,100,000	1,055,403,398	154	+ 87	49,327	80	841
68	NBD Mortgage Co., Troy, Mich.	3,776,913,638	2,880,709,426	74	+6	86,906	132	1,888
69	PHH US Mortgage Corp., Cherry Hill, N.J.	3,772,223,000	1,680,087,000	112	+ 43	35,585	0	318
70	Commercial Federal Mortgage Corp., Omaha, Neb.	3,602,035,779	3,130,914,771	69		76,071	150	1,732
71	Real Estate Financing, Inc., Montgomery	3,538,584,457	2,682,662,230	80	+ 9	80,893	218	1,505
72	NVR Mortgage, L.P., Pittsburgh	3,417,568,644	2,688,662,033	79	+7	44,006	85	1,691
73	FBS Mortgage Corp., St. Paul, Minn.	3,410,822,000	2,580,155,000	81	+8	36,554	209	1,406
74	Murray Mortgage Co., Dallas	3,388,568,777	3,500,000,000	59		50,876	255	2,857
75	AmSouth Mortgage Co., Inc., Birmingham, Ala.	3,321,093,388	3,253,014,373	64		94,978	216	1,670
76	First California Mortgage Co., San Rafael, Calif.	3,204,320,797	2,251,000,000	89	+ 13	30,815	110	783
77	Altus Mortgage Corp., Mobile, Ala.	3,200,000,000	N.A.	...		60,713	120	4,668
78	American Home Funding, Inc., Richmond	3,183,690,000	3,440,714,000	61		62,819	81	2,813
79	M-West Mortgage Corp., Orange, Calif.	3,101,705,594	3,310,383,843	63		42,707	N.A.	2,502
80	United Mortgage Corp., Minneapolis	3,074,601,799	2,989,812,758	72		51,492	62	1,380
81	Lumbermen's Investment Corp., Austin, Tex.	3,072,500,441	3,031,160,962	71		80,316	252	1,561
82	Latimer & Buck, Inc., Philadelphia	3,072,078,559	2,821,769,724	78		835	35	0
83	Maryland National Mortgage Corp., Baltimore	3,039,375,496	N.A.	...		38,090	95	1,924
84	BancNewEngland Mortgage Co., Inc., East Providence, R.I.	3,031,700,000	3,970,000,000	55		50,000	245	1,260
85	Heitman Financial Services Ltd., Chicago	3,014,628,089	2,900,000,000	73		820	5	0
86	York Associates, Inc., Bethesda, Md.	2,991,167,106	3,216,551,789	66		509	0	509
87	Crestar Mortgage Corp., Richmond	2,862,952,816	2,375,054,408	86		57,026	285	2,991
88	Mical Mortgage, Inc., San Diego, Calif.	2,831,613,000	1,137,000,000	144	+ 56	26	0	0
89	Old Stone Mortgage Corp., Bellevue, Wash.	2,807,471,780	2,183,334,000	91	+2	53,115	168	2,502
90	Victoria Mortgage Co., San Antonio, Tex.	2,752,432,221	2,862,924,675	75		53,231	181	2,356
91	Bailey Mortgage Co., Jackson, Miss.	2,698,053,158	1,841,583,616	104	+ 13	65,800	300	1,193
92	NCNB Mortgage Corp., Charlotte, N.C.	2,604,000,000	1,666,021,051	114	+ 22	34,339	76	406
93	Loan America Financial Corp., Miami Lakes, Fla.	2,600,000,000	2,400,000,000	85		25,920	77	1,308
94	Interwest Mortgage Corp., Ponca City, Okla.	2,539,123,000	2,570,886,534	82		29,186	25	5,924
95	Margaretten & Company, Inc., Perth Amboy, N.J.	2,494,036,983	2,370,566,670	87		40,530	59	1,015
96	TCF Mortgage Corp., Minneapolis	2,489,641,426	1,831,120,701	105	+ 9	56,876	30	865
97	Comerica Mortgage Corp., Detroit	2,428,005,000	....	...		57,151	30	156
98	Ryland Mortgage Co., Columbia, Md.	2,409,407,000	1,708,895,000	110	+ 12	27,275	53	2,345
99	WeSav Mortgage Corp., Gilbert, Ariz.	2,384,326,117	N.A.	...		47,333	84	1,964
100	Directors Mortgage Loan Corp., Riverside, Calif.	2,308,621,000	2,103,328,000	94		24,616	28	2,241

Data Source: American Banker questionnaire to the top 450 mortgage companies in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1990. The table identifies the 300 largest mortgage companies responding to the survey. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools.

(a)— Excludes $7.5 billion master servicing portfolio acquired from Residential Funding Corp. on March 6. **(b)**— Includes mortgages serviced for the bank subsidiaries of its holding company, Fleet/Norstar Financial Group, Inc., Providence, R.I. **(c)**— In 1989, servicing was performed by Marine Midland Bank NA. All servicing was transferred to the mortgage company. **N.A.**— Not available. **Compiled by American Banker, Copyright 1990.**

Signs of Life Appearing in Secondary Market for Rights

By PHIL ROOSEVELT

NEW YORK — The secondary market for mortgage servicing rights, hammered by the thrift-bailout effort, may be regaining some strength.

A key indicator of trading volume showed a sharp rise in each of the past two months. And some buyers that have been standing back from the market are now giving it another look.

Citicorp Mortgage Inc., the nation's largest servicer, says its is buying bulk packages of rights from other lenders for the first time in about 18 months.

"We think prices have adjusted, and it's a reasonable time to be a buyer," Kim Rosenberg, vice chairman of the Citicorp unit, said in an interview.

For the past year of so, the market has been weakened by an expected torrent of sales by the Resolution Trust Corp. and capital-short thrifts. At the same time, a number of potential buyers moved to the sidelines.

Some have been concerned about pending restrictions on purchased servicing as a component of capital, while others have simply been awaiting further price declines.

Servicing, which historically has sold for about 2% of the related loan amount, has dropped to about 1.5% or lower, many experts say. And earlier this year, trading volume slowed to a trickle.

But sales of servicing rights on loans backing Government National Mortgage Association securities have picked up sharply. Such sales – widely used as a proxy for the broader market – affected more than $4 billion of loans in both August and September, up from less than $1 billion in April.

"Supply and demand are still significantly out of balance, but we're now seeing a stabilization of prices," said David Sambol, president of Countrywide Servicing Exchange, Pasadena, Calif. "I think we've hit bottom."

Citicorp, which was publicly bearish on the secondary market earlier this year, recently signed a letter of intent to buy one package and is now on the prowl for more, Mr. Rosenberg said. He declined to describe the first deal in any detail.

"A good number of others are getting back into the market, along with new entrants," said Mr. Sambol.

All the same, some experts say the market still has a long way to go before it is fully back on its feet.

Hunter Wolcott, president of Reserve Financial Management, Miami, said that action on the proposed capital rule is needed before strong buying can resume. That action is expected by yearend.

"The regulatory uncertainty is still chilling the market," he said. □

> **"Supply and demand are still significantly out of balance, but we're now seeing a stabilization of prices."**
>
> **David Sambol**
> *Countrywide Servicing Exchange*

Mortgage Service Leaders Surging

Continued from *page* **19**

said.

That would put Fleet/Norstar near the $63.7 billion serviced by Citicorp Mortgage in the middle of this year.

But the Citicorp unit – the hub of the banking giant's mortgage operations – is not exactly standing still.

Full Speed Ahead

Despite the weakening economy, Citicorp is "absolutely not" slowing down its originations, said Kim Rosenberg, vice chairman of Citicorp Mortgage. "What we have done, as always, is respond to specific geographic conditions and revise our credit parameters accordingly."

Even with such steps, Citicorp's home loan originations are running at "about the same" level as last year, Mr. Rosenberg said. That was put at $13.7 billion by SMR Research, Budd Lake, N.J. □

Florida Banker Faces Removal

TALLAHASSEE, Fla. — Florida Comptroller Gerald Lewis has taken legal action to remove Roy Talmo from the board of two financial institutions and bar him from ever again serving in any state-chartered bank, thrift, or credit union.

Mr. Talmo, who was chairman of First American Bank and Trust of North Palm Beach until shortly before it was seized by state regulators last December, allegedly engaged in "unsafe and unsound" banking practices and "hazardous lending and lax collection practices," maintained an "excessive volume of poor quality loans," and operated with inadequate capital and "excessive interest-rate exposure."

Mr. Lewis said that Mr. Talmo is also a board member of First American Bank of Charlotte County and First American Bank of Indian River County and has a financial interest in First Marine Bank of Florida.

The banker has 21 days to challenge the removal and prohibition order or face the automatic imposition of the sanctions. □

Satisfied Customers.

The Principal Reason
Fireman's Fund
Is Moving Forward.

In fact, we now have 557,359 Satisfied Customers, an impressive 9 percent increase from 512,314 at the end of 1989.

Our servicing portfolio increased as well, moving us from $29.7 billion on December 31, 1989, to $33.8 billion on June 30, 1990. That's a 14 percent increase in just six months.

Our goal for 1990 is to grow our servicing portfolio even more. We are on target and we expect to get even stronger.

Our customers tell us they're very happy.

Our investors tell us they continue to enjoy substantial rewards, thanks to our constant attention to detail.

Our Wholesale and Retail Divisions continue to provide quality originations and unparalleled service.

Our people keep doing a better job.

All these factors have helped us to grow to one of the largest mortgage bankers in the country.

If you're interested in dealing with a mortgage banker dedicated to helping customers, we'd be privileged to have you as our next satisfied customer.

For additional information, please call Gene Lavigne, Vice President, at Fireman's Fund Mortgage Corporation, 1-313-488-7000.

EQUAL OPPORTUNITY LENDER

Fireman's Fund

Financing the Future for America's Homeowners

Fireman's Fund
Mortgage Corporation

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1990

		Dollar Volume of Mortgages Serviced		Rank	Gain in	No. of Mortgages Serviced	No. of investors Excluding	6/30/88 GNMA
		6/30/90	6/30/89	6/30/89	Rank	6/30/90	GNMA Pools	Pools
101	Charles F. Curry & Co., Kansas City, Mo.	2,306,021,000	N.A.	...		51,853	200	1,600
102	Platte Valley Mortgage Corp., Scottsbluff, Neb.	2,286,391,664	....	...		30,615	47	1,327
103	CitFed Mortgage Corp. of America, Dayton, Ohio	2,249,244,570	3,205,628,548	68		44,255	48	3,395
104	CenTrust Mortgage Corp., Deerfield Beach, Fla.	2,243,646,000	2,499,421,000	83		26,472	121	3,374
105	Colonial Mortgage Co., Montgomery, Ala.	2,242,474,762	2,356,007,112	88		53,344	75	1,171
106	W. Lyman Case & Co., Columbus, Ohio	2,196,618,901	1,678,295,807	113	+7	573	26	0
107	Embanque Capital Corp., Carle Place, N.Y.	2,118,738,273	2,160,187,268	93		34,431	64	2,497
108	Globe Mortgage Co., Hackensack, N.J.	2,082,978,083	1,803,444,228	106		19,460	73	1,578
109	Guild Mortgage Co., San Diego, Calif.	2,076,800,669	1,934,756,923	98		27,433	93	1,042
110	Wallace Moir Co., Beverly Hills, Calif.	2,066,681,121	1,934,112,348	99		851	11	0
111	NCNB Texas Mortgage Corp., Dallas	2,063,800,676	1,150,470,327	141	+ 30	30,900	149	472
112	Continental, Inc., Seattle	2,058,123,891	1,755,580,773	109		27,514	58	1,196
113	Leader Mortgage Co., Cleveland	2,045,105,000	1,516,000,000	120	+7	54,932	69	502
114	Merchants Mortgage Corp., Indianapolis	2,044,761,460	1,458,103,274	122	+ 8	18,904	90	1,668
115	L.J. Melody & Co., Houston	2,037,330,364	2,063,000,000	95		124	6	0
116	B.F. Saul Co., Chevy Chase, Md.	2,019,076,803	1,700,085,893	111		252	4	0
117	Atlantic Mortgage & Investment Corp., Jacksonville, Fla.	2,004,038,110	N.A.	...		44,161	150	9,845
118	Draper & Kramer, Inc., Chicago	1,939,787,520	1,874,384,100	102		9,513	52	498
119	Wells Fargo Realty Finance, San Francisco	1,918,576,577	1,795,235,000	108		475	40	4
120	MeritBanc Mortgage Corp., Houston	1,878,582,604	1,966,808,758	97		28,430	12	1,204
121	American Residential Mortgage Corp., La Jolla, Calif.	1,875,786,614	N.A.	...		13,752	12	1,196
122	Fidelity Bond & Mortgage Co., Blue Bell, Pa.	1,845,877,810	1,545,149,362	119		40,224	104	1,714
123	Dovenmuehle Mortgage Inc., Schaumburg, Ill.	1,828,702,597	2,182,978,000	92		47,650	291	627
124	SouthTrust Mortgage Corp., Birmingham, Ala.	1,796,970,000	1,356,032,813	127	+3	31,474	46	884
125	Unified Mortgage Company, Houston	1,774,848,083	N.A.	...		19,402	50	391
126	Inland Mortgage Corp., Indianapolis	1,772,276,886	1,121,270,529	146	+ 20	26,827	65	730
127	First Advantage Mortgage Corp., Columbia, Md.	1,707,453,885	....	...		17,485	73	925
128	Society Mortgage Corp., Wethersfield, Conn.	1,691,645,177	1,914,002,237	100		23,216	32	532
129	Walker & Dunlop, Inc., Washington, D.C.	1,681,917,036	1,445,006,794	123		383	21	1
130	Commonwealth Mortgage Corp. of America, Houston	1,677,435,000	10,820,964,000	16		170,597	504	3,930
131	Society Mortgage Corp., Cleveland	1,669,351,115	1,566,221,935	117		36,445	71	857
132	Centerbank Mortgage Co., Waterbury, Conn.	1,625,097,518	1,997,116,293	96		20,285	50	2,739
133	Cowger & Miller Mortgage Co. Inc., Louisville, Ky.	1,562,495,883	1,219,434,897	134	+1	29,551	62	729
134	Greentree Mortgage Corp., Marlton, N.J.	1,506,425,894	1,592,397,244	116		24,011	67	3,491
135	INB Mortgage Corp., Indianapolis	1,506,311,000	1,501,528,000	121		23,154	130	1,311
136	Mercantile Mortgage Corp., Houston	1,476,941,000	960,034,174	162	+ 26	25,716	13	623
137	Sibley Mortgage Corp., Rochester, N.Y.	1,475,987,000	1,306,400,000	129		28,434	45	904
138	First NH Mortgage Corp., Hooksett	1,468,106,014	934,743,839	166	+ 28	18,193	100	1,818
139	First Commercial Mortgage Co., Little Rock, Ark.	1,453,890,200	892,186,300	168	+ 29	38,893	210	417
140	New York Urban Servicing Co., Inc.	1,430,360,029	1,236,934,233	133		184	4	6
141	Valley National Mortgage Co., Phoenix, Ariz.	1,378,267,000	1,136,953,190	145	+4	28,850	79	248
142	Boston Mortgage Co., Inc., Burlington, Mass.	1,374,303,167	1,307,691,043	128		245	14	0
143	Standard Mortgage Corp., New Orleans, La.	1,373,300,000	1,290,000,000	130		24,240	80	195
144	Market Street Mortgage Corp., Tampa, Fla.	1,370,736,163	1,115,810,019	147	+3	21,658	11	465
145	Mid-North Financial Services, Inc., Chicago	1,331,549,400	1,195,000,000	138		1,054	0	0
146	GN Mortgage Co., Canoga Park, Calif.	1,322,193,000	1,068,546,000	152	+6	10,475	41	311
147	Deposit Guaranty Mortgage Co, Jackson, Miss.	1,303,533,586	1,283,211,217	131		31,539	90	1,840
148	United Mortgage Co., Denver	1,301,069,000	1,214,946,637	136		16,903	300	476
149	Shoptaw-James, Inc., Atlanta	1,293,381,736	1,006,748,000	158	+9	548	12	0
150	R&G Mortgage Corp., Hato Rey, P.R.	1,280,706,539	1,073,775,965	151	+1	30,737	31	724
151	Molton, Allen & Williams, Inc., Birmingham, Ala.	1,269,946,351	1,017,609,680	156	+5	29,193	144	555
152	Fidelity Investment Co., Wichita, Kan.	1,267,704,023	N.A.	...		31,188	76	325
153	Mason-McDuffie Financial Corp., Moraga, Calif.	1,262,239,203	1,243,191,478	132		420	22	0
154	W. Ross Campbell Co., Los Angeles	1,243,064,812	1,217,424,282	135		132	2	0
155	First Franklin Financial Corp., San Jose, Calif.	1,240,856,372	796,849,545	180	+ 25	9,692	7	3,334
156	Gulf States Mortgage Co., Inc., Atlanta	1,233,787,940	1,099,000,000	149		18,504	33	638
157	Security Savings Mortgage Corp., Canton, Ohio	1,224,155,378	1,137,886,122	143		32,877	100	667
158	First Denver Mortgage Co.	1,218,593,850	825,000,000	178	+ 20	14,706	190	1,400
159	Gershman Investment Corp., St. Louis, Mo.	1,213,487,934	1,207,520,846	137		25,263	77	1,079
160	Norwest Mortgage, Inc., Des Moines, Iowa	1,170,722,890	N.A.	...		28,088	150	712
161	Ameristar Financial Corp., San Diego, Calif.	1,170,129,000	1,362,273,000	126		10,412	23	1,021
162	Dale Mortgage Bankers Corp., Garden City, N.Y.	1,149,708,372	970,766,256	161		18,200	31	1,217
163	ComNet Mortgage Services, Inc., Valley Forge, Pa.	1,137,458,000	867,956,302	171	+8	21,497	27	823
164	Seafirst Mortgage Corp., Seattle	1,100,000,000	2,217,309,282	90		11,740	106	389
165	California Mortgage Co., Santa Ana	1,092,227,838	1,163,373,852	140		27,828	60	20,721
166	Republic Capital Mortgage Corp., Milwaukee, Wis.	1,073,180,800	....	...		22,244	50	931
167	First American Mortgage Corp., Greensboro, N.C.	1,066,200,000	832,900,000	177	+ 10	20,342	39	1,907
168	Baird & Warner, Inc., Chicago	1,043,227,565	705,000,000	190	+ 22	655	74	3
169	Mercantile Mortgage Corp., Baltimore	1,041,090,005	N.A.	...		7,907	31	318
170	Universal Mortgage Corp., Milwaukee, Wis.	1,032,420,885	953,837,640	164		25,545	55	1,665
171	Oak Tree Mortgage Corp., Oklahoma City	1,028,895,760	865,167,000	172	+1	17,775	51	424
172	Liberty Mortgage Co., Oklahoma City	1,009,610,935	1,082,854,380	150		16,734	78	939
173	CUNA Mortgage Corp., Madison, Wis.	1,006,265,410	N.A.	...		18,390	92	700
174	West One Financial Services, Inc., Boise, Idaho	996,992,954	838,716,552	175	+1	23,637	104	776
175	First Virginia Mortgage Co., Falls Church	983,535,089	851,794,187	173		15,964	89	185
176	American Mortgage Co., Sugar Land, Tex.	935,906,047	982,581,879	159		14,569	164	108
177	Boatmen's Mortgage Corp., St. Louis	934,868,600	894,392,141	167		16,181	15	9
178	H.S. Pickrell Co., Phoenix, Ariz.	933,776,000	980,882,494	160		13,023	61	499
179	PW Funding, Inc., New York	908,755,086	....	...		126	1	115
180	Investors Residential Mortgage Corp., Austin, Tex.	903,807,037	N.A.	...		17,453	52	486
181	Detroit Mortgage & Realty Co.	895,397,063	874,171,701	170		12,028	36	432
182	Collateral Mortgage, Ltd., Birmingham, Ala.	873,578,048	1,012,221,327	157		17,893	104	247
183	First Fidelity Mortgage Corp., Atlanta	841,229,523	576,523,000	208	+ 25	173	10	0
184	Kirk Mortgage Co., Upper Darby, Pa.	839,181,300	840,000,000	174		16,700	40	457
185	Bank South Mortgage Corp., Atlanta	836,029,500	N.A.	...		13,017	52	505
186	Seattle Mortgage Co.	824,800,053	743,074,948	188	+2	11,178	34	443
187	Honolulu Mortgage Co., Inc.	822,300,000	887,200,000	169		7,415	56	254
188	ICM Mortgage Corp., Englewood, Colo.	809,750,442	1,181,000,000	139		11,782	17	1,270
189	Robert C. Wilson Co., Houston	809,725,139	764,136,396	183		473	12	0
190	NCB Mortgage Corp., Washington, D.C.	809,600,000	684,160,870	194	+4	852	42	2
191	Trustcorp Mortgage Co., South Bend, Ind.	807,344,528	622,983,673	202	+ 11	16,122	60	435
192	D&N Mortgage Corp., Troy, Mich.	802,740,000	666,090,922	198	+6	11,597	7	122
193	James B. Nutter & Co., Kansas City, Mo.	802,450,300	661,086,500	199	+6	16,725	39	394
194	Dickinson, Logan, Todd & Barber, Inc., Raleigh, N.C.	794,341,873	812,492,668	179		335	0	0
195	Medallion Mortgage Co., San Jose, Calif.	780,000,000	671,854,622	196	+1	8,800	14	265
196	Sheahan Financial Co., Clayton, Mo.	777,000,000	757,000,000	185		N.A.	N.A.	N.A.
197	Security Mortgage Corp., Columbia, S.C.	758,503,797	696,655,166	193		17,771	40	1,300
198	Cypress Financial Corp., Pasadena, Calif.	751,942,996	538,428,886	216	+ 18	5,993	30	185
199	Allied Group Mortgage Co., West Des Moines, Iowa	750,000,000	425,538,158	228	+ 29	15,000	8	771
200	Premier Mortgage Co., Baton Rouge, La.	738,289,443	697,286,248	192		13,570	89	229

Data Source: American Banker questionnaire to the top 450 mortgage companies in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1990. The table identifies the 300 largest mortgage companies **responding to the survey**. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1990

		Dollar Volume of Mortgages Serviced		Rank 6/30/89	Gain in Rank	No. of Mortgages Serviced 6/30/90	No. of Investors 6/30/90	
		6/30/90	6/30/89				Excluding GNMA Pools	GNMA Pools
201	Guardian Mortgage Co., Inc., Dallas	736,000,000	669,420,289	197		11,000	50	460
202	M&I Mortgage Corp., Milwaukee, Wis.	716,243,204	N.A.	...		17,982	47	1,193
203	David Cronheim Mortgage Corp., Chatham, N.J.	711,822,400	N.A.	...		177	14	0
204	Signet Mortgage Corp., Baltimore	694,156,816	N.A.	...		12,848	56	972
205	Ned Eichler Associates, Inc., San Francisco	683,000,000	N.A.	...		229	7	0
206	Alliance Funding Co., Montvale, N.J.	664,690,384	N.A.	...		17,541	23	0
207	National Pacific Mortgage Corp., Cerritos, Calif.	661,085,783	542,464,811	215	+8	5,362	8	55
208	Lumbermens Mortgage Corp., Union, N.J.	656,271,553	581,587,089	206		8,813	15	910
209	Standard Mortgage Corp. of Georgia, Atlanta	651,340,239	N.A.	...		12,064	39	1,047
210	Corinthian Mortgage Corp., Shawnee Mission, Kan.	650,515,840	N.A.	...		11,374	48	559
211	Pan American Mortgage Corp., Miami	649,358,564	425,483,000	229	+ 18	19,141	145	141
212	Hartger & Willard Mortgage Assoc., Inc., Grand Rapids, Mich.	634,341,600	573,960,100	210		395	17	9
213	First Mortgage Corp., Diamond Bar, Calif.	631,754,172	N.A.	...		8,894	14	233
214	Security Financial & Mortgage Corp., St. Louis, Mo.	626,292,610	555,852,002	212		13,795	7	629
215	Home Mortgage Co. of El Paso, Tex.	622,142,447	N.A.	...		14,846	35	364
216	American Mortgage & Investment Co., Oklahoma City	619,580,000	596,977,704	203		22,600	80	423
217	Columbia Equities, Ltd., Scarsdale, N.Y.	616,789,190	580,487,883	207		4,657	13	1,553
218	Colorado National Mortgage Co., Denver	613,810,017	647,410,212	201		10,239	211	292
219	Housing Mortgage Corp., Pittsburgh	607,828,000	576,198,099	209		17,100	99	425
220	First Mortgage Corp., Waco, Tex.	604,881,646	325,422,048	248	+ 28	13,382	8	1,158
221	BancOklahoma Mortgage Corp., Tulsa	600,542,548	548,365,344	214		9,265	10	269
222	Harbor Financial Mortgage Corp., Houston	598,886,124	573,524,085	211		10,771	41	666
223	Mission Hills Mortgage Corp., Santa Ana, Calif.	590,881,952	493,146,099	219		6,111	11	753
224	Proctor & Associates of Michigan, Inc., Bloomfield Hills	584,605,553	355,187,780	239	+ 15	248	13	1
225	Banc One Mortgage Co., Dallas	568,756,044	465,723,182	223		7,615	43	451
226	Corstan, Inc., Las Vegas, Nev.	562,431,016	478,190,541	221		6,550	61	765
227	Hammond Co., Newport Beach, Calif.	555,332,903	595,479,454	204		5,420	31	715
228	American Mortgage Banking, Ltd., Westbury, N.Y.	554,635,000	N.A.	...		5,454	12	723
229	Bettes Co., San Diego, Calif.	549,967,107	N.A.	...		4,893	10	187
230	John Burnham & Co., San Diego, Calif.	540,781,842	460,118,871	224		244	12	0
231	First Town Mortgage Corp., Marietta, Ga.	529,521,278	234,408,423	...		7,836	46	0
232	Shelter Mortgage Corp., Milwaukee, Wis.	523,701,000	N.A.	...		8,349	18	140
233	National Mortgage Co., Inc., Bedford, N.H.	522,000,000	433,540,877	226		9,884	39	832
234	McCaughan Mortgage Co., Inc., Coral Gables, Fla.	518,877,635	515,321,743	217		23,505	70	159
235	Carey, Kramer, Silvester, Rex, Simigran & Associates, Miami	510,543,523	....	...		114	9	0
236	Camp & Co., Birmingham, Ala.	507,455,132	408,862,049	231		210	19	0
237	Commodore Financial Services Corp., Dallas	506,978,549	N.A.	...		14,989	84	41
238	Washington Mortgage Group, Inc., Vienna, Va.	504,433,633	355,807,799	238		2,765	15	91
239	Lowell, Smith & Evers, Inc., Van Nuys, Calif.	495,282,000	257,800,000	...		13,007	45	255
240	Mortgage Company of Indiana, Inc., Indianapolis	477,374,478	365,305,185	237		188	22	0
241	Plus Financial, Inc., Walnut Creek, Calif.	477,000,000	347,957,172	242	+1	3,575	10	780
242	USLife Real Estate Services Corp., Dallas	466,991,295	N.A.	...		803	25	0
243	Comprehensive Marketing Systems, Inc., Washington, D.C.	447,605,903	400,000,000	232		19,231	4	17
244	Eberhardt Co., Minneapolis	441,689,407	367,000,000	236		324	18	1
245	Julian Toft & Downey, Inc., Chicago	417,000,000	340,000,000	244		61	4	0
246	Vermont Mortgage Group, Inc., W. Brattleboro	414,645,283	374,912,337	234		7,368	24	588
247	Barry S. Slatt Mortgage Co., San Francisco	410,000,000	350,000,000	241		540	0	0
248	First Colonial Mortgage Corp., Chicago	407,000,000	N.A.	...		5,795	1	0
249	Central Mortgage Bancshares, Inc., Springfield, Mo.	405,670,927	335,301,037	245		10,283	40	591
250	Calumet Securities Corp., Schererville, Ind.	401,173,370	N.A.	...		11,320	33	109
251	Key Pacific Mortgage, Inc., Anchorage, Alaska	398,800,000	N.A.	...		5,159	117	0
252	E.S. Merriman & Sons, San Francisco	356,342,432	293,505,035	...		185	0	0
253	Mercury Mortgage Co., Inc., Tulsa, Okla.	351,783,693	354,834,052	240		10,049	0	300
254	Colonial Mortgage, Inc., Amherst, N.H.	329,232,000	N.A.	...		3,924	56	174
255	Housing Corporation of Connecticut, Wethersfield	320,531,000	293,341,073	...		5,038	12	87
256	Associated Mortgage, Inc., Green Bay, Wis.	319,023,381	226,135,443	...		5,596	25	48
257	VNB Mortgage Services, Inc., Wayne, N.J.	316,213,572	N.A.	...		3,722	61	0
258	Commerce Mortgage Corp., Kansas City, Mo.	316,058,436	....	...		6,125	25	1
259	All Pacific Mortgage Co., Concord, Calif.	312,887,109	200,115,058	...		4,375	5	0
260	Occidental Mortgage Corp., Covina, Calif.	308,000,000	311,411,929	250		4,219	5	44
261	Colonial Mortgage Co., St. Louis, Mo.	306,000,000	340,918,277	243		4,340	0	0
262	First of America Mortgage Co., Kalamazoo, Mich.	304,776,326	1,845,907,324	103		7,822	79	0
263	Carold Corp., New York	304,309,786	....	...		11,263	14	440
264	Holland Mortgage & Investment Corp., Houston	301,495,836	329,217,378	246		6,295	144	22
265	Cal-Bay Mortgage Group, San Rafael, Calif.	299,657,326	N.A.	...		2,944	0	348
266	Mortgage Access Corp., Morris Plains, N.J.	280,000,000	223,000,000	264		2,790	10	100
267	Sunshine Mortgage Corp., Marietta, Ga.	277,098,524	N.A.	...		3,942	1	175
268	Mortgage Capital Group, Beverly Hills, Calif.	274,831,411	294,088,999	...		954	7	12
269	Bancorp Mortgage Co., Inc., Acton, Mass.	267,244,394	N.A.	...		2,306	45	45
270	Mortgage Connection, Inc., Farmington Hills, Mich.	262,373,843	183,783,359	...		4,147	13	422
271	Turner Young Investment Co., Fort Worth, Tex.	255,000,000	N.A.	...		7,000	36	111
272	Pioneer Mortgage Corp., Shreveport, La.	252,125,588	247,309,121	...		7,276	35	0
273	Ramapo Financial Corp., Wayne, N.J.	250,000,000	N.A.	...		2,500	25	0
274	Bankers Guarantee Title & Trust Co., Akron, Ohio	248,265,566	N.A.	...		5,656	23	211
275	Charter Mortgage & Investments, Inc., North Little Rock, Ark.	246,333,000	236,782,444	...		3,976	24	116
276	Ross Mortgage Corp., Oak Park, Mich.	244,000,000	N.A.	...		7,484	35	66
277	Integon Corp., Winston-Salem, N.C.	243,815,881	140,425,648	...		380	2	6
278	Merchants Mortgage Co., Waltham, Mass.	242,328,420	833,370,420	176		3,219	0	87
279	East Bay Mortgage Corp., Erie, Pa.	239,424,357	117,130,937	...		5,498	2	296
280	Mercury Mortgage Service Corp., Hayward, Calif.	228,000,000	N.A.	...		2,426	9	39
281	Worthen First Mortgage Co., Little Rock, Ark.	225,634,423	N.A.	...		6,131	41	188
282	James Madison Mortgage Co., Fairfax, Va.	222,734,339	247,949,899	...		2,750	10	253
283	United Missouri Mortgage Co., Kansas City, Mo.	222,000,000	223,000,000	...		4,628	25	76
284	Republic Bancorp Mortgage, Inc., Farmington Hills, Mich.	221,847,060	....	...		3,059	0	622
285	Richards-Woodbury Mortgage Corp., Salt Lake City	221,791,274	172,000,000	...		3,647	57	19
286	Hunter Co., Nashville, Tenn.	221,000,000	N.A.	...		50	6	0
287	Fullerton Mortgage & Escrow Co., Oceanside, Calif.	218,800,000	N.A.	...		3,684	22	149
288	Wallick & Volk, Inc., Cheyenne, Wyo.	214,038,194	....	...		4,145	19	15
289	Western Sunrise Mortgage Corp., Rancho Cordova, Calif.	212,357,875	....	...		2,264	12	831
290	Genstar Mortgage Corp., Glendale, Calif.	209,873,000	N.A.	...		13,222	93	27
291	Greater Suburban Mortgage Group, Inc., Alameda, Calif.	201,771,992	296,295,435	...		1,937	2	23
292	Capital Pacific Mortgage Co., Modesto, Calif.	199,422,350	199,698,896	...		2,929	0	166
293	Entry Mortgage Corp., Riverside, Calif.	197,500,000	....	...		2,418	2	154
294	First Mortgage Trust Corp., Omaha, Neb.	195,000,000	....	...		4,215	9	81
295	Kadilac Mortgage Bankers, Ltd., Great Neck, N.Y.	188,802,410	N.A.	...		2,052	13	312
296	UDC Mortgage Corp., Tempe, Ariz.	184,898,000	....	...		1,908	8	61
297	Concord Mortgage Co., Bethesda, Md.	184,337,586	N.A.	...		91	0	2
298	National Mortgage Co., Portland, Ore.	170,000,000	N.A.	...		208	110	0
299	First Sun Mortgage Corp., Columbia, S.C.	168,838,000	185,000,000	...		3,174	3	256
300	Singleton Mortgage Corp., Memphis, Tenn.	167,965,909	220,000,000	...		5,628	23	5

Data Source: American Banker questionnaire to the top 450 mortgage companies in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1990. The table identifies the 300 largest mortgage companies **responding to the survey**. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools. **N.A.**— Not available.

Compiled by American Banker, Copyright 1990.

Top 100 Banks in Mortgage Servicing

Based on Volume of Permanent Mortgages Serviced on June 30, 1990

Servicing Rank 6/30/90		Mortgages Serviced for Investors		No. of Investors 6/30/90		Servicing Rank 6/30/89	Gain in Rank	Total Mortgages Serviced 6/30/90	Mortgages Owned by Bank 6/30/90
		Dollar Volume 6/30/90	Number of Mortgages 6/30/90	Excluding Pools	No. of Pools				
1	**Bank of America NT&SA, San Francisco**	6,100,000,000	119,574	324	1713	2	+1	20,900,000,000	14,800,000,000
2	**Security Pacific National Bank, Los Angeles**	4,321,884,276	52,169	157	438	3	+1	11,843,971,650	7,522,087,374
3	**Citizens Fidelity Bank & Trust Co., Louisville, Ky. (a)**	3,383,629,000	58,200	78	2969	4	+1	3,514,857,000	131,228,000
4	**National State Bank, Elizabeth, N.J.**	2,562,784,000	39,160	72	4739	5	+1	2,795,832,021	233,047,989
5	**National Bank of Alaska, Anchorage**	1,842,053,862	21,118	68	35	6	+1	1,928,420,826	86,366,964
6	**Chase Lincoln First Bank NA, Rochester, N.Y.**	1,629,000,000	26,633	41	413	9	+3	2,460,000,000	831,000,000
7	**First Interstate Bank of Oregon NA, Portland**	1,374,036,529	35,517	92	807	19	+12	1,767,457,614	393,421,085
8	**First Wisconsin National Bank, Milwaukee**	1,117,252,826	21,538	125	237	11	+3	1,263,761,960	160,226,180
9	**First Tennessee Bank NA, Memphis**	1,090,634,681	21,827	40	476	14	+5	1,177,883,799	87,249,118
10	**Hibernia National Bank, New Orleans, La.**	1,040,311,951	22,604	72	317	12	+2	1,151,610,256	111,298,305
11	**South Carolina National Bank, Columbia (b)**	1,033,834,676	21,723	105	761	...		1,240,993,427	1,867,620,000
12	**Western Bank, Los Angeles**	973,083,337	7,331	29	345	20	+8	1,039,219,729	69,144,841
13	**Ameritrust Co. NA, Cleveland**	895,766,138	16,200	10	851	...		1,611,529,128	535,782,001
14	**Union National Bank, Little Rock, Ark.**	863,487,173	23,993	200	737	13		1,062,346,955	198,859,782
15	**Simmons First National Bank, Pine Bluff, Ark.**	856,077,570	23,568	52	998	8		892,243,006	36,165,436
16	**Bank of Baltimore**	852,299,870	15,912	29	300	25	+9	1,007,919,252	155,619,382
17	**Central Trust Co. NA, Cincinnati**	843,795,356	18,390	39	364	18	+1	1,151,579,105	307,783,749
18	**First National Bank, Gainesville, Ga. (c)**	812,924,217	8,922	3	134	29	+11	898,057,464	85,133,247
19	**Branch Banking & Trust Co., Wilson, N.C.**	809,509,653	12,976	33	1040	26	+7	966,288,415	156,778,762
20	**First Fidelity Bank NA, Newark, N.J.**	735,712,000	12,032	39	987	...		2,682,716,000	2,020,957,000
21	**Equibank, Pittsburgh**	709,582,069	14,332	127	434	...		1,073,008,655	353,511,061
22	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	688,443,000	14,970	0	0	45	+23	981,110,000	292,667,000
23	**Citytrust, Bridgeport, Conn.**	683,637,214	8,257	32	1266	24	+1	826,291,626	147,489,202
24	**First National Bank, Anchorage, Alaska**	657,746,564	8,631	39	0	16		799,213,909	141,467,344
25	**First Interstate Bank of Casper NA, Wyo.**	653,767,417	13,123	186	233	17		38,678,421	38,338,615
26	**United Carolina Bank, Wilmington, N.C.**	573,000,000	9,891	12	579	...		607,000,000	34,000,000
27	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	538,864,535	11,965	17	332	...		1,335,998,401	823,536,929
28	**Union Bank, San Francisco**	509,861,531	6,926	0	94	...		1,857,425,458	1,347,563,926
29	**Wilmington Trust Co., Del.**	502,660,635	3,503	44	127	21		1,600,052,357	1,080,998,929
30	**Bank of Hawaii, Honolulu**	492,883,150	11,555	107	13	23		1,245,404,625	752,521,475
31	**First National Bank of Maryland, Baltimore**	484,348,052	6,748	31	336	27		1,133,982,382	577,650,160
32	**Commercial Center Bank, Santa Ana, Calif.**	475,237,298	5,040	4	107	...		433,355,961	41,881,337
33	**Banco Popular de Puerto Rico, Santurce**	451,111,300	20,510	0	247	36	+3	736,796,600	290,174,300
34	**Trustmark National Bank, Jackson, Miss.**	412,497,759	7,249	7	201	31		491,902,941	179,405,182
35	**Chase Bank of Arizona, Scottsdale**	406,431,626	7,389	60	93	44	+9	621,585,011	215,153,385
36	**Bank IV Wichita NA, Kan.**	358,371,887	6,863	74	0	47	+11	488,751,974	130,380,087
37	**First Interstate Bank of Washington NA, Seattle**	329,120,285	9,865	52	446	...		453,216,157	468,738,362
38	**Star Bank NA, Cincinnati**	316,852,961	5,326	70	109	28		934,636,688	638,868,913
39	**Liberty National Bank & Trust Co., Louisville, Ky.**	294,100,000	5,004	26	215	32		487,500,000	193,400,000
40	**Provident Bank, Baltimore**	276,714,982	4,695	2	244	58	+18	540,553,421	263,838,439
41	**First Hawaiian Bank, Honolulu**	267,375,271	5,734	66	0	34		873,219,578	590,861,690
42	**Bank of Mississippi, Tupelo**	244,208,679	4,910	5	223	40		281,291,213	37,082,535
43	**Manufacturers National Bank, Detroit**	240,937,564	5,249	43	6	35		1,211,484,330	1,047,622,242
44	**Fremont Bank, Calif.**	220,969,511	2,048	9	553	41		363,378,842	142,409,331
45	**First Florida Bank NA, Tampa**	220,258,418	4,404	3	1084	...		490,902,400	270,643,983
46	**AmSouth Bank of Florida, Pensacola**	216,678,512	5,247	12	161	...		657,033,571	444,611,800
47	**Security Pacific Bank Alaska NA, Anchorage**	215,721,385	2,509	0	0	68	+21	223,071,241	7,349,856
48	**Summit Bank, Fort Wayne, Ind.**	211,840,874	4,205	12	13	38		335,346,604	123,505,730
49	**Banco de Ponce, Hato Rey, P.R.**	206,158,000	11,005	37	138	37		534,190,000	229,527,000
50	**One Valley Bank NA, Charleston, W. Va.**	195,207,018	5,228	23	36	39		330,564,931	135,357,913
51	**Sunwest Bank of Albuquerque NA, N.M.**	188,443,602	5,233	0	74	42		544,733,004	356,289,402
52	**First National Bank, Omaha, Neb.**	183,567,000	2,079	15	13	46		245,075,000	61,508,000
53	**North American Bank & Trust Co., Wolcott, Conn.**	171,840,000	3,202	35	6	48		4,927,000	4,927,000
54	**First National Bank & Trust Co., Rockford, Ill.**	170,320,428	3,040	6	120	...		65,000,000	65,000,000
55	**Suffield Bank, Conn.**	159,792,231	2,403	33	51	57	+2	213,156,400	53,364,169
56	**Maryland National Bank, Baltimore**	151,529,963	5,308	25	103	53		445,615,477	310,270,662
57	**Key Bank of Maine, Augusta**	148,840,450	2,519	12	273	63	+6	231,389,476	82,549,026
58	**First Northern Co-operative Bank, Keene, N.H.**	143,665,000	1,853	8	620	51		202,609,000	58,944,000
59	**Frankford Trust Co., Horsham, Pa.**	139,340,446	3,221	28	118	59		265,703,204	126,362,758
60	**Planters National Bank & Trust Co., Rocky Mount, N.C.**	124,000,000	2,468	5	47	65	+5	135,000,000	10,000,000
61	**Citizens Commercial & Savings Bank, Flint, Mich.**	122,047,000	5,641	28	15	60		395,668,000	273,621,000
62	**Sanwa Bank California, San Francisco**	115,947,268	1,878	18	22	64	+2	426,311,020	310,363,752
63	**Security Bank & Trust Co., Southgate, Mich.**	115,327,262	2,735	20	2,030	...		242,911,408	127,584,147
64	**Mid State Bank, Arroyo Grande, Calif.**	113,894,373	1,161	0	886	66	+2	185,499,618	71,605,245
65	**First National Bank, Albuquerque, N.M.**	112,440,569	2,264	11	0	...		204,289,517	91,848,948
66	**Bank of California NA, San Francisco**	109,923,597	1,676	22	4	50		1,610,372,000	1,488,438,000
67	**Novato National Bank, Calif.**	103,000,000	885	3	0	...		103,000,000	4,600,000
68	**First Interstate Bank of Hawaii, Honolulu**	101,134,870	2,105	36	0	56		327,312,137	226,177,267
69	**Valley Fidelity Bank & Trust Co., Knoxville, Tenn.**	79,990,078	1,947	4	0	...		113,384,917	33,394,839
70	**First Security Bank of Idaho, Boise**	78,862,358	1,915	34	7	67		527,677,169	448,814,811
71	**Sunburst Bank, Baton Rouge, La.**	78,714,813	1,620	26	7	...		96,465,691	17,750,878
72	**Bank of Newport, R.I.**	78,095,978	992	8	211	74	+2	204,439,014	126,343,036
73	**American Security Bank NA, Washington, D.C.**	75,852,183	1,211	0	88	...		223,585,011	147,732,828
74	**Proctor Bank, Rutland, Vt.**	72,000,000	1,100	7	150	...		175,000,000	103,000,000
75	**Piedmont Trust Bank, Martinsville, Va.**	70,104,758	1,885	21	2	73		95,391,917	23,520,659
76	**Stillwater National Bank & Trust Co., Okla.**	66,069,749	1,076	10	N.A.	...		66,069,749	N.A.
77	**Union National Bank, Pittsburgh**	59,865,937	2,368	3	61	70		411,100,108	351,234,171
78	**First American National Bank, Nashville, Tenn.**	59,249,324	1,306	17	0	...		157,662,828	98,413,503
79	**First National Bank & Trust Co., Columbia, Mo.**	57,404,749	1,366	40	157	...		102,769,089	45,364,340
80	**Union Trust Co., Stamford, Conn.**	56,611,678	1,122	43	N.A.	...		509,401,884	452,790,206
81	**Marble Bank, Rutland, Vt.**	56,580,403	1,096	28	87	...		231,859,855	177,675,277
82	**Hawaii National Bank, Honolulu**	55,618,043	1,726	41	0	72		116,873,573	61,255,530
83	**American National Bank & Trust Co., Chattanooga, Tenn.**	55,323,808	994	1	18	...		163,521,420	108,197,612
84	**Lincoln National Bank & Trust Co., Fort Wayne, Ind.**	55,214,811	1,710	3	128	...		147,587,590	92,372,778
85	**United New Mexico Bank, Albuquerque**	54,400,000	980	13	0	...		86,300,000	31,900,000
86	**First Bank NA, Milwaukee**	54,064,110	25	0	17	...		54,064,110	0
87	**Ohio Citizens Bank, Toledo**	51,070,559	970	11	1	...		243,557,756	188,536,054
88	**Norwest Bank Nebraska NA, Omaha**	50,716,032	N.A.	1757	0	...		143,013,197	92,297,164
89	**Alameda First National Bank, Calif.**	45,258,468	820	2	4	...		85,468,962	40,210,495
90	**City Bank, Honolulu**	40,128,000	737	20	3	75		177,057,000	136,929,000
91	**Central National Bank & Trust Co., Enid, Okla.**	37,304,029	933	10	232	...		43,897,484	N.A.
92	**Trust Company of New Jersey, Jersey City**	36,324,000	500	1	0	...		N.A.	306,883,000
93	**First Olympic Bank, Olympia, Wash.**	35,000,000	789	10	18	...		41,000,000	6,000,000
94	**Riggs National Bank, Washington, D.C.**	31,580,350	4	1	0	...		992,589,068	979,868,815
95	**Amarillo National Bank, Tex.**	30,985,021	964	5	16	...		89,440,382	58,455,361
96	**Old National Bank, Evansville, Ind.**	30,700,000	443	39	2	...		238,000,000	207,300,000
97	**National Bank of Commerce Tr. & Svgs Assn, Lincoln, Neb.**	18,158,436	141	30	0	...		74,983,261	56,824,825
98	**First Huntington National Bank, W. Va.**	17,528,208	672	0	0	...		17,528,208	64,211,941
99	**American National Bank, Lawton, Okla.**	13,883,353	656	5	3	...		18,673,220	4,789,867
100	**First Interstate Bank of Billings NA, Mont.**	12,830,144	166	23	0	...		47,602,526	34,772,382

Data Source: American Banker questionnaire to the top 200 commercial banks in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1990. The table identifies the 100 largest commercial banks responding to the survey. **Mortgages Serviced for Investors:** The dollar volume of permanent commercial and residential real estate mortgages serviced for investors. Excludes home improvement loans and all temporary financing, such as construction and development loans. Also excludes mortgages serviced for itself and for all accounts of the bank's trust department. **Number of Mortgages**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools. **Total Mortgages Serviced by Bank:** Total dollar volume of permanent mortgages serviced by the bank: for itself, for its trust department, and for investors. **Mortgages Owned by the Bank:** The dollar volume of permanent mortgages which are assets of the bank. **(a)**— Servicing is done by *Citizens Fidelity Mortgage Co.*, a division of the bank. **(b)**— On Dec. 31, 1989, its subsidiary— *SCN Mortgage Corp.*— was dissolved, and the bank took over the servicing function. **(c)**— Doing bussiness as *The Mortgage Source.* **N.A.**— Not Available.

Compiled by American Banker, Copyright 1990

800
C0175-1

AMERICAN BANKER

VOL. CLV NO. 202 Wednesday, October 17, 1990 55th year

NEWSPAPER
155383000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Leverage Rules Worry Banks on Global Standing

By KELLEY HOLLAND

The new minimum leverage requirements for banks will take effect in less than three months with many concerns still swirling about them.

Some bankers say the new requirements are stiffer than those imposed on foreign banks. The result, say the critics, is that the rules will force U.S. banks to maintain higher capital ratios than their competitors overseas.

A second concern is that the new leverage requirements, rather than creating a level playing field, give regulators discretionary authority over banks' capital management.

ANALYSIS: *Follow-up on the news*

"The minimum leverage ratio will become the subjective thing the regulators use as their policy tool," said one investment banker.

These worries arise as Federal Reserve Board Chairman Alan Greenspan has raised the possibility of still another set of capital requirements. When risk-based capital requirements are factored in, it's little wonder that bankers are puzzled. Indeed, in some cases, the information to make reasonable judgments isn't yet available.

3 Agencies' Agreement

The newest regulations resulted from an agreement last month by officials of the Federal Reserve Bank, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corp. on a minimum leverage ratio to be required of all banks – and, implicitly, of all thrifts.

As of the end of 1990, banks must to have a specified leverage ratio – a percentage of Tier 1 capital, mostly common-stock equity – relative to their assets.

Top-quality banks, those with a "1" Camel rating (capital, assets, management, earnings, and liquidity), will be required to maintain a leverage ratio of 3%. Banks with lower Camel ratings must maintain higher ratios.

4% Effective Minimums

In effect, most banks will have minimum leverage requirements of at least 4%, industry observers said.

The leverage requirement sets a floor for U.S. banks' capital levels.

Under risk-based rules, a bank could actually have no capital at all, provided its assets were entirely composed of U.S. Treasury securities. But under minimum leverage requirements, even that bank would have to

See **LEVERAGE** *back page*

INSIDE NEWS

THE LAVORO CASE

WILLIAM TAYLOR of the Fed defended its handling of the Banca Nazionale del Lavoro scandal but pledged to ensure that foreign-owned institutions cannot hide transactions from U.S. regulators in the future. *Page 2*

FINANCE

SOUTHLAND CORP. is raising $400 million in new loans that would ease a potential cash squeeze if it files for restructuring under Chapter 11. *Page 22*

CONSUMER

NEW YORK CASH Exchange, a major electronic banking network, has launched a sweepstakes to raise its profile among consumers in Upstate New York. *Page 8*

STAR SYSTEM, the San Diego-based ATM network, has surpassed the New York Cash Exchange in number of machines, if not in transaction volume. *Page 8*

INTERNATIONAL

J.P. MORGAN plans to offer a menu of options to potential participants in a multibillion-dollar Argentine debt-for-equity swap. *Page 10*

TECHNOLOGY

IBM IS PREPARING to market its Officers Workbench software, a comprehensive support system for commercial lending. *Page 3*

COMMENT

THE RTC needs to restructure its franchise sales efforts by opening them up to a broader and more competitive arena, writes Kenneth H. Thomas. *Page 4*

INDEX

Grapevine 2
Company Index 2
Mergers 21
Bank and Thrift Stocks 23

PNC, CoreStates, Mellon Boost Loss Provisions

By TOM LEANDER

PNC Financial Corp. on Tuesday announced that third-quarter profits fell 56%, to $56 million, as weakness in its commercial loan portfolio spurred a $147 million provision for possible loan losses.

Two other big Pennsylvania banks, Mellon Bank Corp. and CoreStates Financial Corp., posted flat earnings of $66 million and $62 million, respectively, after taking hefty provisions against real estate loan losses.

"The downturn in Northeast banking came into full bloom in third quarter in Pennsylvania," said Dennis Shea, an analyst for Morgan Stanley & Co. in New York.

Meanwhile, Wells Fargo & Co. and Banc One Corp. managed to post increased earnings. Wells Fargo's net income rose 7%, to $162.6 million, while profits at Banc One jumped 19%, to $109.1 million.

In its first quarterly report as a combined company, C&S/Sovran Corp. reported earnings of $30.2 million, down 76% from the $126.9 million the company would have earned a year ago

See **PNC** *page* **13**

Citicorp, Hanover Profits Far Short of Expectations

By JED HOROWITZ

NEW YORK — Citicorp and Manufacturers Hanover Corp. on Tuesday reported third-quarter earnings that were well below expectations after heavy additions to loan-loss reserves.

Citicorp said its profits fell 38% to $221 million, or 56 cents a share, from the level in last year's third quarter and 10% below the lackluster $248 million reported in this year's second quarter. Analysts had expected the nation's largest bank to earn 74 cents a share in the latest quarter.

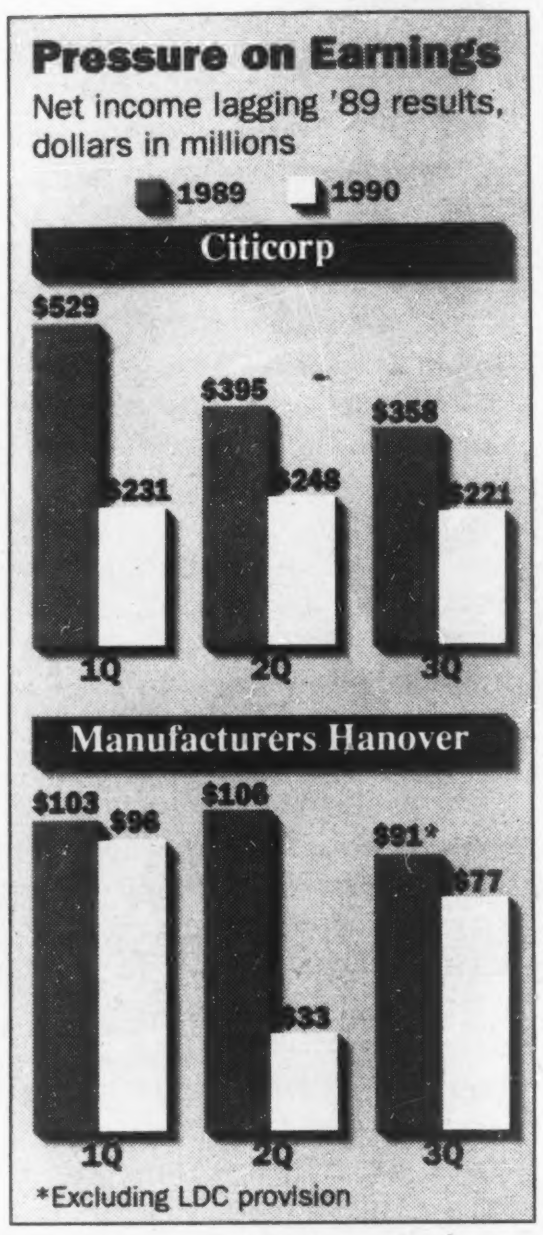
Manufacturers Hanover Corp. said it earned $77 million, or 89 cents a share, in contrast to a $789 million loss in the year-ago quarter.

Analysts had expected the nation's eighth-largest banking company to earn about $1.22 a share.

Revenues Worrisome

Citicorp's apparent inability to generate strong revenues weighed more heavily on investors' minds after yesterday's report than the sluggish earnings.

The company topped the list of most active stocks on the New York Stock Exchange, closing at $12.875, down $1.25 a share.



*Excluding LDC provision

Citicorp did not cut its annual dividend rate of $1.78 a share. Though the company's stock price is now yielding more than 13%, the company is earning

See **CITICORP** *page* **12**

The Spigot's Not Completely Closed

Recent commercial real estate developments

Project	Lender*	Amount ($ in millions)	Date
International Place II Boston	**Bank of Boston**	**$220**	**June**
Towson Town Center Towson, Md.	**Bank of California**	**$170**	**July**
Curtis Center Philadelphia	**Sumitomo Trust & Banking**	**$95**	**July**
3 Park Plaza Costa Mesa, Calif.	**Citicorp**	**$50**	**Aug.**
Stamford Towers Stamford, Conn.	**People's Bank** Bridgeport, Conn.	**$25**	**Aug.**

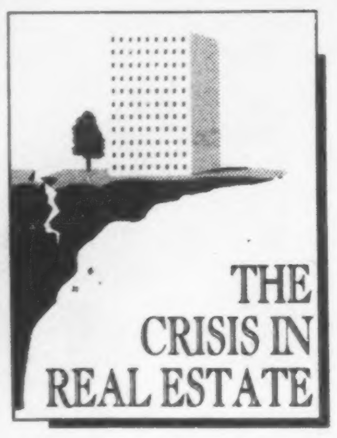
*Lead lender in some cases

Sources: Jones Lang Wootton; American Banker

Strong Builders Still Getting Bank Credits – on Tougher Terms

By SAM ZUCKERMAN

SAN FRANCISCO — Even during a famine, some always manage to get enough to eat. Likewise, in the midst of a real estate credit crunch, some builders can still get financing for new projects.


THE CRISIS IN REAL ESTATE

Take the Hahn Co., a San Diego-based shopping mall developer.

In July, the Bank of California and its parent company, Mitsubishi Trust & Banking Corp., announced a $170 million loan to Hahn and its partner, Santa Anita Realty Enterprises, for a major expansion of Towson Town Center, a regional retail complex near Baltimore.

San Francisco-based Bank of California was not the only lender willing to provide financing. Both Citicorp and Canadian Imperial Bank of Commerce were interested in the project,

See **STRONG** *page* **15**

Other Industries Pirating Banks' Tech Employees

By KAREN GULLO

NEW YORK — When a large telecommunications concern moved its operations center to Kansas City a couple of years ago, it lured technology employees away from area banks by offering higher salaries.

The company hired programmers and support staff for on-line transaction processing computers – the type of systems that had been used by its banking counterparts for years.

"We became an attractive, steady source of employees for them," said a personnel administrator at Commerce Bancshares Inc., one of the banks that readily acknowledges it was raided.

Widespread Problem

Such scenes are becoming common across the country. Bankers and recruiters complain that it is harder to find and keep talented programmers and managers for on-line and other computer systems – especially in small and medium-size cities.

Technical people have always been in short supply, they con-

See **TECH** *page* **18**

COMMENT / *By Kenneth H. Thomas*

RTC Can Greatly Improve Accelerated Resolution Plan

The Resolution Trust Corp.'s pilot Accelerated Resolution Program, which seeks to expedite sales of troubled thrifts by avoiding government conservatorships, is likely to be a success because some of the thrifts involved were presold prior to the program.

But even if the ARP meets its stated goal of resolving the 10 problem thrifts in the program by November, the experiment indicates the need for the RTC to restructure its franchise sales efforts by opening them up to a broader and more competitive arena. This can best be done by allowing investment bankers and other private sector branch sales specialists to market franchises.

The basic concept of the ARP is a sound one, but the program can be improved. This is particularly important now with the increasing number of quasi conservatorships where greatly troubled thrifts that in the past might have been seized by the government, are being operated by government-approved management.

ARP Objective

The ARP was approved as a three-month pilot program for 10 thrifts by the RTC board on July 10, 1990. It is a joint program with the Office of Thrift Supervision, and both agencies are involved in the selection of participants for it and the management and evaluation of the program.

The purpose of the ARP is to lower the costs of resolving selected troubled thrifts by accelerating their marketing and sale to avoid RTC conservatorship. One rationale cited by the RTC is that such an expedited resolution reduces the loss of substantial franchise value, which their research has shown can be as high as 20%.

The Basic Concept

The ARP is quite similar to the straightforward approach used by the FDIC in dealing with troubled banks, namely an expeditious involvement and resolution. Preference in the ARP will be given to whole bank bids over clean bank ones. There will be no yield or loss coverage in the ARP, and any assistance will be of a closed bank versus open bank type. That is, any assistance must be accompanied by a non-RTC capital infusion that first brings the thrift into capital compliance.

The basic concept of the ARP is a common sense one: why incur the direct and indirect costs of government conservatorship when the subject thrift has acceptable management and stable operations? Regulators will clearly be looking over management's shoulder in most areas anyway, as the subject thrift is likely operating under various formal or informal regulatory agreements.

Managers at these troubled thrifts in effect are approved as indirect agents of the regulators rather than direct conservatorship managing agents. In fact, a number of thrifts today are being operated in this way as quasi conservatorships in which the government is making the major decisions, rather than caretaker managers.

This approach is less costly and disruptive than outside management consignment operations or the repopulating of the board and/or senior management with government-appointed public interest representatives. In addition to direct cost savings, the RTC is not burdened with new conservatorships that could be interpreted as signaling a worsening of the thrift crisis.

Eligible ARP participants are those that are in danger of failing and likely to be placed into RTC conservatorship within one year. ARP thrifts, however, must have an "acceptable management structure, stable operations, and franchise value" as determined by the OTS.

Approximately 60% to 70% of the nearly 250 institutions as of June 30, 1990, which will probably need federal assistance (i.e., Group IV thrifts) may be eligible for ARP. Thus, about 160 thrifts representing roughly $100 billion in assets may be affected. Ineligible thrifts will be processed under the RTC's conservatorship procedures.

A particularly noteworthy eli-

See **RTC** *page* **6**

Mr. Thomas is president of K.H. Thomas Associates, a Miami-based consulting firm, and a part-time lecturer in finance at The Wharton School of the University of Pennsylvania.

COMMENT / *By Warren W. Traiger*

Advertising CRA Programs Can Build Public Support

Banking is in desperate need of a public pick-me-up. Unending bad news about the savings and loan debacle and the ubiquitous warnings about the health of commercial banks and their insurer have resulted in a serious image problem for the industry.

Unfortunately, to a great extent the perception matches the reality. U.S. banks were once preeminent among world financial institutions, but now only two of them rank among the world's top 50. Profitability has diminished, and the major credit rating agencies have generally downgraded the debt of banks. The value of bank stocks has plummeted.

Given the importance of reversing these trends, public opinion about banking is of more than passing interest. Congress will soon be considering proposals for fundamental deposit insurance reform, and banks are hopeful that this will provide a context in which new products and services can also be considered. The outcome of this debate will significantly affect the future direction of American banking.

Sounding Out the Public

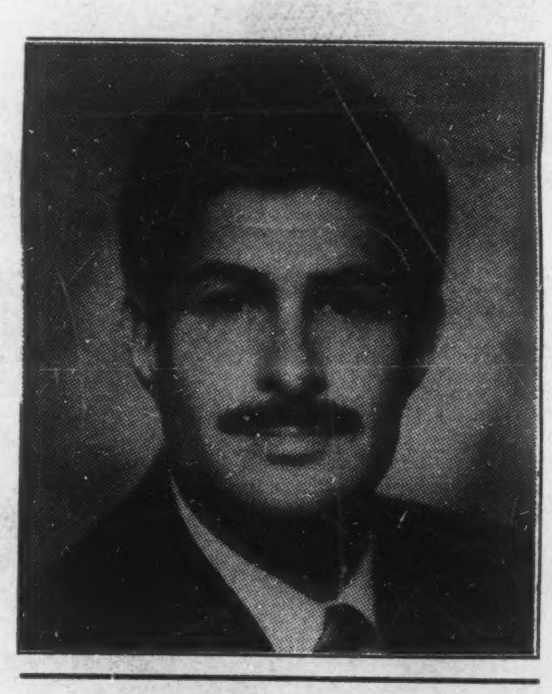
With these deliberations sure to receive considerable attention, Congress will want to make certain that the electorate is comfortable with product and service diversification. Public support will not be forthcoming unless the industry can overcome the notion that because deregulation contributed to the insolvency of the Federal Savings and Loan Insurance Corp., it would similarly threaten the Federal Deposit Insurance Corp.

It is beside the point that most industry experts and regulators do not draw this parallel or that Fed Chairman Alan Greenspan views the ability to engage in new securities activities, accompanied by appropriate safeguards, as essential to the future of American banking. The perception that deregulation will undermine commercial banks will not be overcome solely by expert opinion.

The challenge for banking will be to garner public support for new powers by removing itself from the long shadow of the FSLIC. Banks need to earn the public trust to lend credence to their argument for new powers. This will not be easy for an industry that has never been the people's choice and seems naturally wary of self-promotion.

The Good News

Banks, however, have an unprecedented opportunity to enhance their image by trumpeting their compliance with the recently strengthened Community Reinvestment Act. While most regulatory issues generate public interest only when someone alleges noncompliance, the CRA is different.



"The CRA is 'sexy,' a term not generally associated with regulatory issues."

Its mandate that banks ascertain and serve the credit needs of their communities, especially those of less affluent residents, has generated considerable attention because of its potential for addressing certain social ills.

The CRA is "sexy," a term not generally associated with regulatory issues. The media seem primed to follow up with stories of the law's success or failure, and the industry is uniquely positioned to turn this situation to its advantage.

Whether because of altruism, fear of negative publicity, or the threat of denial of regulatory applications due to poor performance, banks are paying careful attention to CRA compliance. Many institutions are being creative and generous in their quest for positive evaluations. They now need to make their activities known.

Active and widespread promotion of CRA activities can be an invaluable part of banking's efforts to win public support for product expansion. Americans will be more likely to heed the arguments of an industry they know is actively engaged in serving the credit needs of low- and moderate-income neighborhoods.

This promotion will be most effective if done at the grassroots level, that is, by individual institutions through their local media. National advertising does not have the same immediacy or relevance as reports about projects undertaken on a familiar street by a neighborhood institution.

CRA projects will often generate hard news, but banks should also consider paid advertisements that tout these activities. Indeed, federal regulations specifically authorize the advertising and marketing of CRA evaluations and ratings.

Failure to promote CRA activities could cause the media and public to focus on those few institutions that regulators call on the carpet for failing to adequately serve their communities or focus on those that comply only in response to a protest. An unfortunate result like this would further damage the industry's public standing.

Heavy Burden of Proof

Americans no doubt support the notion that it is in the national interest for domestic banks to be profitable and competitive. Yet even the best scholarly demonstrations that new products and services will help accomplish this goal are unlikely to outweigh the perceived lessons of the FSLIC.

Commercial banking has an extraordinary opportunity to add a human dimension to its contention about the importance of deregulation. ☐

Mr. Traiger is a New York-based lawyer who advises financial institutions on regulatory issues.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace

Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Ellen Braitman, Yvette D. Kantrow, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology/Operations: Matt Barthel, Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Leslie Combemale, Rita Kay Meyer, Karen Puckerin, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Senior Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 18

Tech Employees Pirated Away

Continued from *page* **1**

cede, but the problem has gotten worse in the past two years as more nonbank companies adopted on-line computers. That is driving up pay the pay for a small, specialized group of programmers, the experts say.

The exodus reduces productivity in technology operations, bankers say. Key programming positions are hard to fill and remain open for weeks or months.

Promoting from Within

Many banks are responding by promoting from within, but training can be time-consuming.

"It's a very tough thing to manage," said Robert J. Buskas, executive vice present and cashier at American National Bank and Trust Co., Chicago. "It's not only the specialists in on-line systems that are scarce, but specialists for installing operating systems on the mainframe, maintaining networks that connecting mainframes, and personal computer maintenance staff."

Many bankers fear the problem will get worse. "Workforce 2000," a report compiled for the Labor Department by the Hudson Institute, warns that the U.S. work force will grow more slowly in the 1990s than at any time since the 1930s. A shortage in technically skilled workers is predicted.

Education System Faulted

Mr. Buskas said that at a recent meeting of an American Bankers Association panel, bankers from all over the country expressed concern over the shortage. The panel, the executive committee of the ABA operations and automation division, will address the subject at a planning meeting in Washington next month.

"They're worried that the educational system is not producing people with the skills sets for technical jobs," said Mr. Buskas, designated chairman of the committee.

"Bankers are saying, "If my operation grows the way I think it will, where am I going to get the people to staff it?' "

Many banks, especially outside big urban centers, say they can't keep up with rising salaries for computer programmers during these lean times for banking.

"The banks can't afford to keep their people," said one Midwest-based recruiter who places people trained on Tandem computers, popular in the banking industry. "Private industry can wipe them out."

Where Problem Is Worst

Banks in theeSouth, Midwest, and West report the most trouble. Even new technology employees are hard to keep. Many banks report defections to telecommunications, airline, and manufacturing companies, where pay and perks are often better.

The problem is less acute for money-center banks in areas like New York and Los Angeles. These areas generally have a large pool of technically skilled workers, and large banks known as technology leaders typically find it easier to attract staff.

Comparative Pay

Salaries for technical people in banks have traditionally been on par with or above other industries' standards.

Bank technology chiefs are among the highest-paid technology executives in any industry. And average salaries for most systems and programming staff are slightly higher in the banking industry than in other industries, according to a survey by *Computerworld*, a trade journal.

But salaries for programmers and senior and middle-level members of the technical staff are actually declining at banks, according to the *Computerworld* survey. The average declined in 1990 for senior programmers, senior operating systems managers, program managers, and data center managers at banks, the survey found. Lean times in the industry could keep such pay flat in the near term.

Money Is the Lure

Bankers, especially in smaller cities, say staff is being lured away by big bucks. One officer at a midsize Midwest bank said that over the past two years it has lost two to three staff members every six months. Some went to work for a telecommunications company with a large on-line computer operation.

"Money was the issue," said the banker, who spoke on the condition he not be identified.

Average Salaries Dip for Certain Bank Jobs

Job title	1990 salary	1989 salary	Percent decrease
Technical services manager	$57,955	$60,941	4.9%
Program manager	50,594	53,425	5.3
Senior operating system programmer	47,552	49,783	4.5
Senior data center manager	45,100	47,359	4.8
Data base analyst	44,231	47,600	7.1
Senior programmer	33,342	38,289	12.9

Source: Computerworld annual salary survey

"They got a 25% pay raise from another company, and we wouldn't match it."

To cope with the exodus, the bank says, it is raising salaries selectively and promoting from within to fill vacancies.

Fighting Back

American National, which employs 25 people for programming and support, lost its senior technical manager as well as several other programmers to an airline company two years ago.

"The pay and the travel benefits you can get from the airlines is something you can't find in the banking industry," Mr. Buskas said. The bank promoted another employee to the post, but Mr. Buskas noted that training takes 18 months to two years.

In attempts to retain staff, the bank has raised programmer salaries 7% in the past two years and upgraded some technology positions to officer status, Mr. Buskas said. This and the uncertain economy seem to have halted the rapid turnover, he said.

Commerce Bancshares also says it is aggressively hiring people from within. A few years ago, the bank added flextime schedules to compete with other big employers in Kansas City.

The Outsourcing Alternative

Other banks are turning to outsourcing, in which a vendor manages computer operations – and inherits the hiring problem.

Recruiting problems were one reason First City Bancorp. of Texas, Houston, signed an outsourcing contract with EDS Corp. in 1988, said J.W. Pieper, senior vice president of operations at First City Bancorp. "Hiring is EDS' problem," he said. "They're a big company and can attract and retain people better than a bank can."

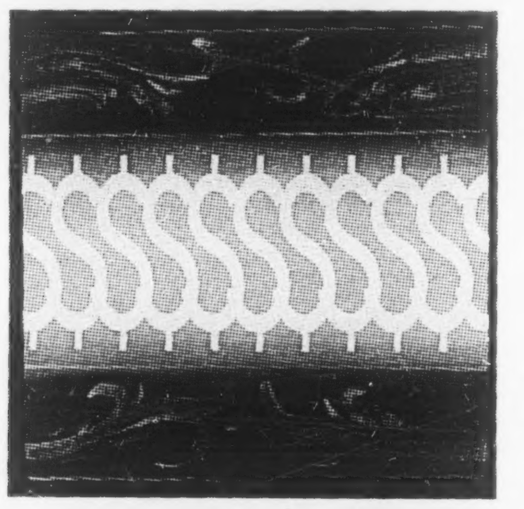
Moving Out of Town

A few institutions are moving some operations to cities where the cost of living is lower. Security Pacific Corp. has shifted some systems development to Seattle from Los Angeles.

But bankers say their recruiting problems are not going to go away. Amid talk of a recession, they think things may get worse before they get better.

"The worse the economy gets, the harder it is to find people," said Mr. Pieper of First City. □

BT Tymnet Is



Electronic Transaction Services

BT Tymnet offers the broadest array of Electronic Draft Capture (EDC) and other Point-of-Sales transaction services in the industry. Quality BT Tymnet services enable banks to provide merchants with innovative, highly competitive and profitable solutions. Full service capabilities include: a wide range of connectivity, state-of-the-art card and check support and reliable performance worldwide. Just call our toll-free number for complete details.

BT Tymnet is: Global Network Services,℠ Network Management System, Dialcom® Messaging Services, EDI∗Net,® LAN Connectivity Services and much more.

Contact BT Tymnet: 2560 North First Street
P.O. Box 49019 ♦ San Jose, CA 95161-9019 ♦ **800-872-7654**

BT TYMNET™
A British Telecom Company

Spirited.
Solid.
Strong.
Business Communications Around The World.

STRATEGIES

Banc One to License EDI Software For Clients from General Electric

By MATT BARTHEL

In an effort to streamline electronic data interchange for its corporate customers, Banc One Corp. has agreed to license software from GE Information Systems.

Electronic data interchange allows companies to exchange invoices and reams of accompanying information electronically. A few companies are beginning to expand EDI to include payments, and many bankers view it as the hot banking product of the 1990s.

The GE software, known as BPS Central, will allow Banc One to easily place EDI payment processing information into any of six Automated Clearing House payment formats. Under the banking company's old system, those formats were often handled on a case-by-case basis.

Formatting Is Automated

"In the past, we had to do much of our formatting manually, which was costly and time-consuming," said John Russell, director of corporate communications at Columbus, Ohio-based Banc One. "With this automation, we can format more quickly, and do it at a lower cost."

Under the recently announced agreement, Banc One will also act as a referral agent for GE's EDI software and services. By acting as a go-between for GE and corporate customers, Banc One can offer clients a full range of EDI services.

Such customer service is considered crucial in satisfying the needs of Banc One's middle-market clients.

Such customer service is considered crucial in satisfying middle-market clients.

"The corporate customers of banks are almost demanding the complete cycle of services related to EDI," said Mary Burchette, product marketing manager at GE Information Services. "The banks have to give their customers what they want or risk losing their business." □

C0175-1

AMERICAN BANKER

VOL. CLV NO. 206 Monday, October 22, 1990 155th year

NEWSPAPER 1553389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

Housing Agency Trying to Prove It Can Say 'No'

By DEBRA COPE

The Department of Housing and Urban Development is out to prove that it can be a safety and soundness regulator for the secondary mortgage market.

Better late than never. Although it has intensified its scrutiny over the past year, senior HUD officials admit the agency's track record has been one of weak oversight, not vigilant supervision.

Now, as the Treasury Department presses to centralize safety and soundness regulation of all government-sponsored enterprises in a single body, HUD is trying to shed its image as the agency that couldn't say no.

ANALYSIS
Follow-up on the news

The agency is hastening to put some muscle behind its pledge to strengthen regulation of the secondary mortgage market. In recent weeks, HUD has assembled a team of executives to oversee its financial regulatory responsibilities and announced plans to initiate banklike examinations of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp.

Fannie Mae's Plan Vetoed

But HUD executed its boldest stroke Oct. 12, when it vetoed a proposal by the Federal National Mortgage Association to help thrifts and banks squeeze cash from below-market mortgage portfolios.

"To my knowledge, this is the first time they've turned anyone down on safety and soundness grounds," said Thomas H. Stanton, a proponent of tougher secondary market regulation and a partner with Olwine, Connelly, Chase, O'Donnell & Weyher in Washington.

Fannie Mae's plan to make loans on the security of mortgages was too broad, too risky, and could have increased the company's need for capital, HUD said in denying the proposal.

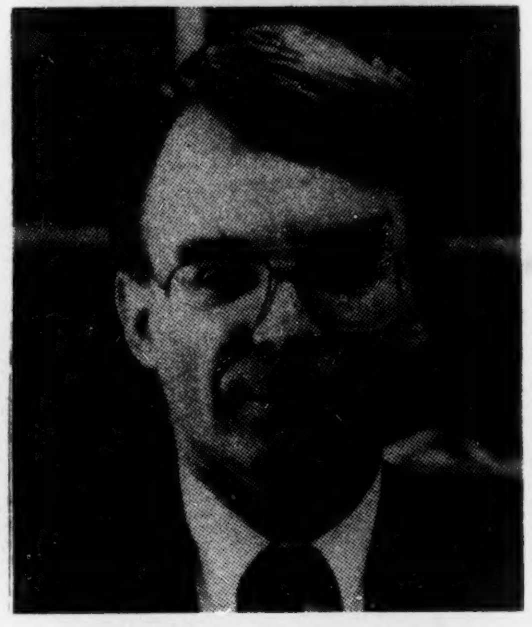
Under the proposal, thrifts, banks, insurance companies, and other portfolio lenders could liquify their below-market-rate mortgages by issuing debt to Fannie Mae. The debt instruments would be backed by an over-collateralized pool of these mortgages. By structuring the transaction as a financing, the financial institutions would avoid recognition of losses that would occur if they sold the loans outright.

"For banks and thrifts, this is a very valuable program, because it is an opportunity to ar-

See **HUD** *page* **18**

INSIDE NEWS

WASHINGTON



H. RODGIN COHEN says the job description of banking lawyers has changed. Instead of pushing for new powers, they are now called upon to help lenders deal with problems like loan losses and capital requirements. *Page 14*

EARNINGS

NORWEST CORP. reported that third-quarter earnings rose 37% to $71.5 million, or 70 cents a share, making it one of the top performers in the industry. *Page 2*

FINANCE

FOREIGN BANKS are demonstrating a reluctance to enter into rate swap agreements, particularly longer-term contracts, with their U.S. counterparts. *Page 24*

INTERNATIONAL

SAITAMA PACIFIC Bancorp, an offshore banking organization apparently operating out of Hong Kong, has caught the attention of international regulatory agencies and is the target of lawsuits. *Page 16*

CONSUMER

RETAIL BANKERS may have found a good marketing tool in the buyer-protection insurance and extended warranties they are tying to checking accounts, the *American Banker* consumer survey indicates. *Page 8*

TECHNOLOGY

WELLS FARGO Bank, in an effort to deter fraud, has developed a system based on artificial intelligence to scan requests for wire transfers. *Page 3*

INDEX

Sound Off 2
Executive Changes 7
Classified Advertising 20
Deals 22
Bank and Thrift Stocks 23

California Bank Rates Poorest on CRA Lending

SAM ZUCKERMAN

SAN FRANCISCO — Farmers and Merchants Bank of Long Beach, Calif., has received the lowest possible community reinvestment rating, apparently the first given to a U.S. financial institution since a public disclosure rule took effect July 1.

The Federal Reserve Bank of San Francisco rated Farmers in "substantial noncompliance" after an examination in August, officials confirmed. Federal regulators said they believed no other bank or thrift has received the lowest rating since the disclosure rule took effect.

Farmers and Merchants was formally notified of its CRA grade earlier this month. The bank has 30 business days before it must make its CRA rating public.

'Technicalities' Blamed

"We think they're completely wrong," Farmers and Merchants president Kenneth G. Walker said of the rating. "They have come down on us on technicalities. We constantly do what we can to accommodate the citizens of the community."

He added that the bank considers strength and stability as the most important things it can offer the community it serves.

See **CALIFORNIA** *page* **10**

Bank of New England Loses $123 Million

By TOM LEANDER

Bank of New England Corp.'s already razor-thin equity capital ratio fell further at the end of the third quarter after the Boston-based company posted a $123 million loss.

The loss stemmed from a $100 million provision for bad loans and an operating loss of $48 million.

The results reduced Bank of New England's ratio of equity to assets to 1.1%, from 1.64% at the end of the second quarter.

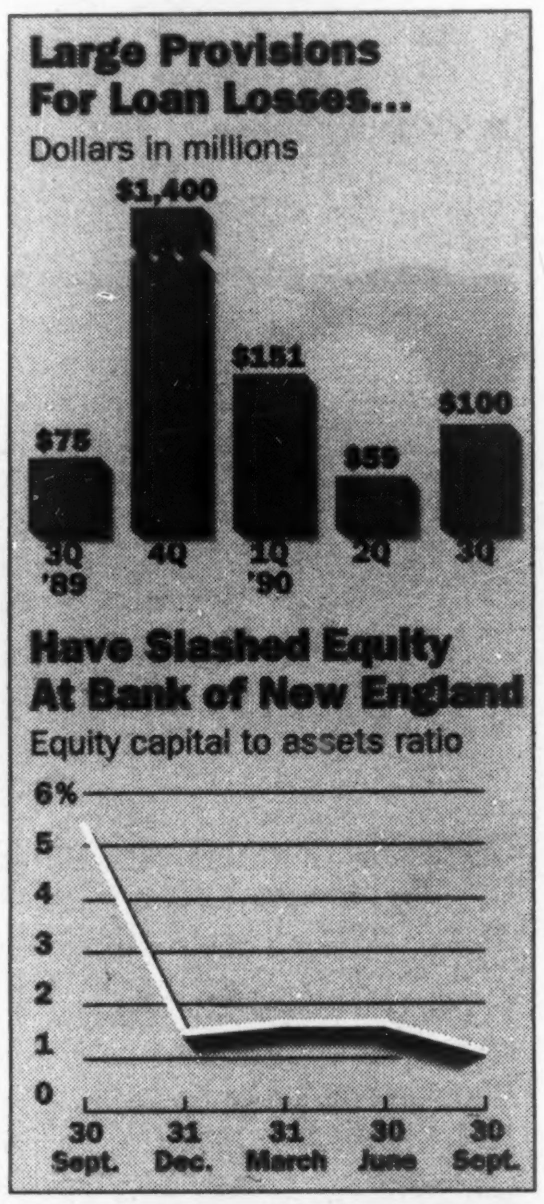
Under a cease-and-desist order, the banking company was required to have a 3% ratio by June 30, but regulators have not yet penalized the bank for failing to comply.

Speculation on Intervention

The third-quarter loss, announced Friday, renewed speculation that some form of federal assistance or intervention would soon be required.

"For all all practical purposes, BNE has been run by the regulators for the last year, and it has not been in compliance for a long time," said Raphael Soifer, an analyst for Brown Brothers Harriman in New York. "The next voice you hear will be theirs."

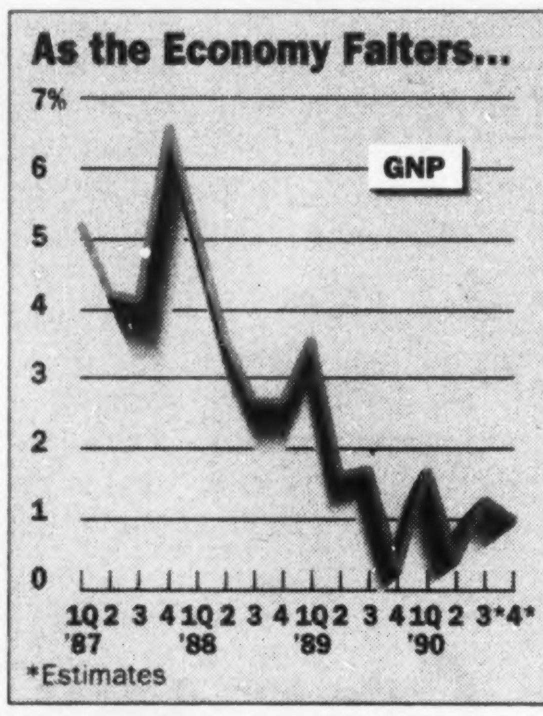
Senior company officials declined to comment on whether



regulatory action was imminent but acknowledged that they faced an uphill battle. "We're swimming against the tide," said one official.

The size of the provision and the loss were greater than analysts expected. The stock closed

See **BANK** *page* **15**



Here's What Banks Can Do

Consultants' recommendations:

- Reallocate capital to high ROE business
- Prune employee ranks by up to 15%
- Counsel customers in order to preserve relationships
- Have vendors handle data processing and other back-office services
- Scrutinize younger managers less familiar with pitfalls in downturns
- Review regional economies for strengths, weaknesses; diversify business

A Silver Lining Seen in Recession: It Will Force Needed Restructurings

By ROBERT M. GARSSON

WASHINGTON — Will the banking industry, which finds itself mired in crisis at the end of the longest peacetime expansion on record, find salvation in recession?

Some analysts say a sour economy could be just the tonic for an industry that has long been reluctant to trim overhead and reallocate capital away from businesses with low returns.

Opportunity Detected

"The downturn gives banks a good excuse to do what they should have been doing all along," said Ed Furash, president of Furash & Co., a Washington-based bank consulting firm. Bankers are optimists by nature, he said, and in good times they are reluctant to take tough action to bring their own house in order.

A prolonged recession could prove bitter medicine for an industry that has already seen its earnings base eroded by mounting loan losses, rising deposit insurance premiums, and new demands from regulators to raise

See **WILL** *page* **17**

Freddie Mac Stock Drops On Loan Losses

By FRED VOGELSTEIN

Spooked by any sign of financial vulnerability, investors took aim at Federal Home Loan Mortgage Corp. Friday after it disclosed losses in its mortgage portfolio.

Heavy selling drove Freddie Mac's stock down 18% to $31 by 2:30 p.m. as nearly three million shares were traded by midafternoon.

Sparking the selloff was the company's announcement Thursday that it was writing off $81 million in apartment loans and had suspended a portion of its apartment-loan purchase program.

Pressure Building Up

Aside from the immediate impact on earnings, analysts and investors are concerned that the disclosure will increase Congressional pressure to raise the capital ratios at both Freddie Mac and its competitor, the Federal National Mortgage Association (Fannie Mae).

Analysts responded on Friday

See **STOCKS** *page* **24**

COMMENT/ *By Paul Nadler*

Colleges Stress Research To Detriment of Students

When a bank sponsors a business conference, the usual topics are matters of concern to customers: interest rates, the outlook for business activity, and tax policy. After all, a bank's relationships with its customers basically concern pocketbook issues.

At a recent Business Trends Luncheon sponsored by Norwest Bank of Cedar Rapids, Iowa, the main topic was a major expense in most Americans' budgets: the cost of their children's college education.

The featured speaker was Hunter R. Rawlings 3d, president of the University of Iowa, who minced no words in telling Norwest's guests that our colleges are failing our students and that drastic change is needed.

Shift to Research

One hundred years ago, Mr. Rawlings pointed out, American colleges switched from the English model of emphasizing aristocratic education to the German model of stressing research. Mr. Chipps was retired, and the schools developed a professionalism dominated by the sciences.

In this regard, we have also seen the efforts to make the social sciences into exact sciences, too, which helps explain why the quantitative economics our kids are taught differs so much from the "real world" economics we need in banking.

In any event, the United States became the best at developing the research university. Whereas the best students from around the world used to go to schools like Oxford and Cambridge, now the vast majority are attracted to America's research universities, with the result that we train the world's future leaders and also attract talent that stays and helps advance our own nation.

A Stiff Price

But, as Mr. Rawlings stressed, the price we pay for becoming a nation whose universities stress research has become too high. This price is being paid by undergraduates and their parents as our universities have built wide gulfs between faculty and students and between disciplines.

As a result, our undergraduates are getting short shrift, which is adversely affecting their ability to write, speak, and read. Bankers who have interviewed recent graduates for jobs would certainly say "Amen" to this.

What must we do? Mr. Rawlings had some suggestions:

- Schools should stop trying to be alike. All schools cannot be involved in all fields, except at the price of mediocrity.
- The "multiversity" must be reintegrated with a sense of common purpose, a stress on the human environment, and increased social concern about the problems of our cities, our minorities, and the day-to-day challenges of living – which abstract research neglects.

- Finally, colleges must again concern themselves with their customers, the students, so that they get value for their tuition, which is continuing to rise more rapidly than the inflation rate.

In sum, Mr. Rawlings stresses that we must reinvent the university – concerned with all – and turn away from the multiversity, in which each discipline concerns itself only with its own special issues.

The fact that so many colleges today cannot attract the student bodies they need provides stark evidence that higher education is in trouble.

Elementary Step

But Mr. Rawlings goes further and suggests that we must also look deeper and provide the prestige and rewards at the elementary level, even if it means stressing this over higher education. The raw material the colleges get has been sadly neglected in much of our precollege educational structure.

Companies, and especially banks, spend so much of their resources on educating employees because they must make up for the failures of our educational structure.

One has to conclude that Norwest stressed a top pocketbook issue in having Mr. Rawlings as a speaker. But naturally, an Iowa bank meeting must also discuss agriculture. And ironically, Mr. Neil Harl of Iowa State University stressed the same issue of meeting customer needs and downgrading traditional practice that Mr. Rawlings addressed.

The Subsidy Quandary

Government aid has provided as much as 83% of total net income for farmers in some states, Mr. Harl revealed, making one wonder whether our job is to produce food to be eaten or to be stored in government warehouses until it rots, as has been the case with dairy products in some years.

"Why do we idle some of our most fertile land and subsidize production on some of the most barren land?" he asked, stressing that free-market agricultural policies in production and marketing are desperately needed, both at home and abroad.

Both speakers cried out for common sense. Listen to the customers and let the market work, something that Eastern Europe is finally being forced to learn just as we seem to be turning more and more away from these principles.

While one might, at first, question why Norwest should invite community leaders to discuss these issues instead of financial ones, after hearing what these two authorities had to say one might question how a bank interested in its customers and community could stress anything else in 1990. ☐

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at the Rutgers University Graduate School of Management.

COMMENT/ *By James B. Watt*

Paradox: New Leverage Rule Reduces Capital Standards

Determining the "right" level of capital has divided regulators and bankers for years. All agree that banks need strong capital, but everyone has a different perspective on how much capital a bank should hold.

In the context of the S&L crisis, the current discussion of capital standards could not be more important.

It's an old argument – and a sound one – that the capital requirement for a bank should reflect the riskiness of the assets it holds.

Some would argue that the bank examination process takes care of this by classifying credits as substandard, doubtful, and loss and by adjusting the required capital ratio accordingly.

In the savings and loan industry, that examination process broke down. With that example, responsible regulators began the search for objective, risk-based standards.

In 1988, the Basel Committee on Banking Regulations and Supervisory Practices met to develop cooperative capital standards for international money-center banks.

The committee members wanted to develop a system that would consider off-balance-sheet liabilities, encourage Japanese banks to revise their capital accounting, and create an international "level playing field" on capital.

The committee's agreement on a capital formula for international money-center banks was a major achievement. With the new standards, multinational businesses would be assured that the capital standards of the financial institutions they dealt with would be consistent. This consistency is vital for successful worldwide commerce.

Bandwagon Effect

Once the international agreement had been struck, federal regulators reasoned that if the risk-based formula was good for international money-center banks, it ought to be good for all American banks.

In the name of international parity, the three federal agencies quickly issued regulations that extended the international risk-based capital standards to all American banks.

It doesn't follow that the risk-based formula developed for international banks should be applied to all U.S. banks.

The Problem

Almost everyone supports the concept of risk-based capital standards, but it doesn't follow that the risk-based formula developed for money-center and international banks should be applied to all U.S. banks.

A blanket extension of international standards to local American banking units disregards these facts:

- The U.S. banking structure is unique. Through a system of dual chartering, the United States maintains a strong community-based banking structure. While most other developed countries have highly centralized banking structures, much of American banking is still a local or regional business.
- Money-center banks disperse risk worldwide and engage in very sophisticated financial activity. The risk for community and regional bank is less geographically diffuse, more local, and more dependent on variations in local economic activity.
- The assets of money-center and international banks differ substantially from those of community or regional banks.

One could go on with a long list of differences between money center/international banks and community/regional banks. No one could deny that these businesses are different; capital regulations should take account of these distinctions.

Minimum Leverage Ratio

The debate over a minimum leverage ratio brought into sharp focus the differences between money center/international banks and the vast majority of U.S. banks.

For many American banking organizations, a bonanza might have resulted from the interna-

See **LEVERAGE** *page* **6**

Mr. Watt is president and chief executive of the Conference of State Bank Supervisors, the professional association of regulators of state-chartered banks.

AMERICAN BANKER

Established 1836
One State Street Plaza, New York, N.Y. 10004
212-943-6700

Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
Washington Bureau Chief: Robert Trigaux
News Editors: Winnie O'Kelley, Eric M. Starkman
Features Editor: Patricia Stundza
Copy Desk Chief: John Fulton
Art Director: Pamela Budz Moriarty
Statistics Editor: L. Michael Cacace
Senior Columnist: Sanford Rose

STAFF WRITERS
Consumer Financial Services: Ellen Braitman, Yvette D. Kantrow, Phil Roosevelt
Finance: William Goodwin, Kelley Holland, Stephen Kleege Steven Lipin, Gordon Matthews, Fred Vogelstein
International: James R. Kraus
Technology/Operations: Matt Barthel, Karen Gullo, Jeanne Iida, Richard Layne

BUREAUS
Washington: Bill Atkinson, Debra Cope, Linda Corman, Robert M. Garsson, Barbara A. Rehm. 202-347-5529
Atlanta: Kenneth Cline (bureau chief). 404-364-6572
Chicago: Nanine Alexander (bureau chief). 312-663-6380
Dallas: Steve Klinkerman (bureau chief). 214-748-5666
Los Angeles: Teresa Carson (bureau chief). 213-627-0953
Northeast: Jed Horowitz (bureau chief), Tom Leander, Franklin Smith. 212-943-6700
San Francisco: Sam Zuckerman (bureau chief). 415-986-8705
London: John Evans (bureau chief). 011-4471-538-5959

COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, John Hackett, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
Dylan Kreuzer (assistant director), Peggy Turbett, Carl Zeichner

FEATURES
Joseph L. McCarthy, Beth Piskora (assistant editors)

STATISTICS
Harvey Glassman, John Ferring
Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Leslie Combemale, Rita Kay Meyer, Karen Puckerin, Lou Schwartz

President: George W. Landgrebe
Executive Vice President, General Manager - Banking - Allan Priaulx
Executive Vice President Business Services - Con A. Rusling
Senior Vice President, Advertising - Christopher B. Edman
Senior Vice President, Circulation - Madeline Krakowsky
Production Manager - Erwin W. Hambright

ADVERTISING
New York: 212-943-5280
Chicago: 312-663-6390
Charlotte, N.C.: 704-522-7181
Los Angeles: 213-462-2700
San Francisco: 415-421-7950
Portland: 503-246-5505
Seattle: 206-285-1214
Classified: 800-221-1910
International: 212-943-4250
Telex: 421768 ABKR

The American Banker is published daily, except weekends and holidays.

©1990 by American Banker • Bond Buyer, a division of Thomson Publishing Corporation. All rights reserved.

"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in the U.S. Patent and Trademark Office.

Second Class Postage Paid at new York, N.Y., and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)

Postmaster: Send address changes to American Banker, One State Street Plaza, New York, N.Y. 10004

Subscription Rates: U.S. $635 a year, Canada $815. Canada Airmail and Foreign $1,120. Single copies: $5.75. Special issues: $25 or $55. Back-issue prices based on date of publication.

Telecopier: 212-943-2984

Photocopy and Reprint Permission

Those registered with the Copyright Clearance Center (21 Congress St., Salem, Mass., 01970) have permission to photocopy any article owned by American Banker • Bond Buyer. The fee is $5 per copy of each article.

Copying for other than personal use or internal reference is prohibited without express permission of the copyright owner. Copying of article or columns not owned by the American Banker • Bond Buyer is also prohibited.

Address requests for reprints or back issues to American Banker • Bond Buyer, One State Street Plaza, New York, N.Y. 10004, or call 212-943-4845.

Customer Service

For subscription orders, changes in address, help with late delivery, or to report unsatisfactory service, call 800-221-1809 (in New York State, call 212-943-9589 collect).

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 4, 28A, 29A

Congress Plucks PACs as Fed Acts on Bank Powers

By KEVIN METZ

Political action committees representing banks and insurance companies have poured millions into congressional campaigns this year, but Congress's stalling on key banking issues has prompted the Federal Reserve Board to begin deregulation on its own.

In the past four years, banking and insurance PACs have spent more than $18 million combined on hundreds of congressional races, but the only significant deregulation bill this session died before reaching the floor of the House after being approved by the Senate 94-2.

Which PACs Gave the Most

ABA dominates industry's political contributions

	1988	1990*
American Bankers Association	$1,345,083	$754,709
Barnett Banks of Florida	375,700	186,750
Citicorp	401,223	172,513
J.P. Morgan and Co.	445,900	133,450
Independent Bankers Association	177,290	67,575
NCNB	131,560	53,500
BankAmerica	111,573	49,577
First Chicago	119,483	41,100
Bankers Trust	170,450	41,000
Manufacturers Hanover	95,875	40,500
Chemical Bank	190,640	34,350
Chase Manhattan	154,320	32,072
Suntrust Banks	124,940	30,100

*Top banking PACs by contribution during current election cycle (Dec. 1989 through June 1990). Total for previous cycle ending Dec. 1988.

Source: Federal Election Commission records and report published by Center for Responsive Politics

A Money-Making Scam?

"There's a sense that this has become a money-making scam for the Congress and the substantive issues never get resolved," said Michael Lovendusky, a lawyer for the American Insurance Association, which opposes bank deregulation.

"In a way, it's become counterproductive because, year after year, Congress makes motions as if they're going to make some progress and then it goes away – and gives Congress another money-making opportunity," he said.

Counterproductive or not, the campaign money continues to flow.

By July, the banking and insurance industries had distributed $4 million to Democrats and Republicans alike but mainly to incumbents.

At stake is banks' hotly opposed desire to expand into insurance and securities underwriting, real estate, and other areas. All the affected industries oppose banks' intrusion into their markets, but banks argue that restrictions on their powers make them uncompetitive in the global economy.

Generous Donations

Banking PACs, led by the American Bankers Association, have already given more than $1.7 million for 282 House and Senate races in 1990, according to the most recent Federal Election Commission records.

When candidates file their next disclosure reports with the FEC later this month, the totals are expected to be much higher.

"Money buys power, and money buys access, and there's simply no more powerful lobby in the United States than the ABA," said onetime bank president Edward Mrkvicka Jr., who is now a banking consultant.

Meanwhile, insurance industry PACs, led by the National Association of Life Underwriters, have already contributed more than $2.2 million to 228 candidates in the 1990 elections, records showed.

Knowing Your Place

"We feel the law that was passed during the Depression was designed to protect individuals, and we feel banks should continue to concentrate on banking and insurance should concentrate on insurance," said Jay Morris, spokesman for the insurance group.

Most people in the insurance industry agree that Congress and the Federal Reserve Board should leave intact the 1933 Glass-Steagall Act, which forbids banks to enter many financial fields.

While much of the PAC money is directed at key members of the House and Senate banking and commerce committees, many incumbents share in the windfall. Some challengers have also received contributions, as PACs try to hedge their bets. Republicans, as befits their minority status, got about 42% of bank PACs' contributions and 45% of those from insurance PACs.

During the 1988 congressional campaigns, Senate Banking Committee members alone got $855,106 from commercial-bank PACs, $701,235 from insurance PACs, and $483,912 from securities-industry PACs, according to a report by the Center for Responsive Politics.

House Banking Committee members got $1,591,288 from bank PACs, $631,990 from insurance PACs, and $462,125 from securities PACs, the report said.

Sen. Donald W. Riegle, D-Mich., then chairman of the securities subcommittee and now chairman of the Senate Banking Committee, led all congressional candidates, reaping almost $144,000 from commercial banks and another $129,000 from insurance PACs in his 1988 reelection race.

"There are better ways to do this, [but] this is the way it's done now," said Kenneth Guenther, executive vice president of the Independent Bankers Association of America. PACs are a necessity, he said, because "you've got to be a player."

Fed Acts on Own

While Congress continues to reap campaign contributions sown by financial industry warfare, the Federal Reserve Board has moved on its own toward deregulation.

Most recently, the Fed moved to allow the banking firm of J.P. Morgan & Co. to begin limited equity underwriting, reigniting the debate over banking reform

See next page

Mr. Metz writes for the *Medill News Service.*

Outsourcing That Outperforms.

We invite you

to visit with us.

ABA Booth 1116

or

1-800-872-7882.

Fiserv INC.
THE FINANCIAL DATA SERVICES COMPANY

Duff & Phelps Inc.
CERTIFICATES OF DEPOSIT
Short Term Ratings

Banco de Ponce (Puerto Rico)	Duff 1
Banco Popular de Puerto Rico	Duff 1+
Banco Santander-Puerto Rico	Duff 1+
Bank of America Nat'l. Tr. & Svgs. Assn.	Duff 1
Bank of Hawaii	Duff 1+
Bankers Trust Co.	Duff 1
Chase Manhattan Bank (N.A.)	Duff 1-
Chemical Bank	Duff 1
Citibank, N.A.	Duff 1+
Citizens & Southern Nat'l. Bank-Georgia	Duff 1+
Continental Bank, N.A.	Duff 1-
Fidelity Federal Bank, FSB	Duff 2
First Bank National Association	Duff 2
First Interstate Bank of California	Duff 1
First National Bank of Boston	Duff 2
Frost Nat'l. Bank of San Antonio	Duff 2
Glendale Federal Bank, FSB	Duff 2
Manufacturers & Traders Trust Co.	Duff 1
Manufacturers National Bank of Detroit	Duff 1
Mellon Bank, N.A.	Duff 1-
Morgan Guaranty Trust Co. of N.Y.	Duff 1+
NCNB Texas National Bank	Duff 1+
Security Pacific National Bank	Duff 1+
Southeast Bank, N.A.	Duff 2
Union Federal Savings Bank	Duff 1-
U.S. National Bank of Oregon	Duff 1+
Wachovia Bank & Trust Co., N.A.	Duff 1+
Wells Fargo Bank, N.A.	Duff 1+

Long Term Ratings

Banco Popular de Puerto Rico—Senior Debt	A+
Banco Popular de Puerto Rico—Sub. Debt	A
Banco Santander-Puerto Rico—Senior Debt	A+
Banco Santander-Puerto Rico—Sub. Debt	A
Bank of New England, N.A.	B-
Citizens & Southern National Bank-Georgia	AA-
Continental Bank, N.A.	A-
Franklin Savings Association—Senior Debt	B
Franklin Savings Association—Sub. Debt	CCC
Manufacturers & Traders Trust Co.	A
Manufacturers National Bank of Detroit	A+
NCNB Texas National Bank—Senior Debt	AA-
NCNB Texas National Bank—Sub. Debt	A+
Union Federal Savings Bank	BBB+

Reliability • Integrity • Independence
Our CD reports are issued quarterly to over 1,200 investors.

For more information, contact: G. Lawrence Bliss, Group VP
Duff & Phelps Inc., 55 E. Monroe, Chicago, IL 60603
Phone: (312) 368-3192

at a time when the industry itself seems to be in peril.

"When you have an industry, which for the first time is in danger of collapsing, why would they expand into new markets?" asked Mr. Mrkvicka, the banking consultant. "Bankers of today are no more astute at what they do than they were in the 1920s. This is not the time to expand."

"It's not quite as bad as the S&Ls," he said, "but in a very short time and unless something's done, it could make the S&L crisis look like a minor inconvenience."

A Fragile Industry

Since 1985, 844 commercial banks have failed, almost five times as many as in the first half of the 1980s, according to the Federal Deposit Insurance Corp.

Comparisons to the savings and loan crisis remain premature, according to most industry experts, but some contend that expansion could seriously jeopardize an already fragile industry. Because of this, some have asked whether banks should be trying to extend their capital into riskier financial arenas.

> *"Any modification of Glass-Steagall [must] include efficient, functioning regulations and firewalls to protect depositors."*
>
> **Dennis Fitzgibbons**
> Congressional Aide

"The money-center banks are suffering directly because of their venturing into nontraditional areas," said Mr. Lovendusky of the American Insurance Association. "Regional banks tend to be in a much stronger position, and we would argue that those successful banks are successful because they don't venture into these nontraditional banking interests."

Mr. Guenther disagreed, arguing that Fed Chairman Alan Greenspan's slow, cautious approach to expansion was in the best interest of well-capitalized banks.

"I don't consider it dangerous at all because the Fed has been moving very carefully," he said. "We think this type of controlled expansion is very wise. We would be 100% supportive of that Greenspan approach. It would be silly to allow undercapitalized banks into this riskier area."

The Fed's move to allow some banks limited corporate debt and equity underwriting powers employed a loophole in Glass-Steagall that lets banks enter otherwise prohibited areas as long as they are not "principally engaged" in them.

"It opened a window; it doesn't open a door," Mr. Guenther said of the loophole.

Banks must still apply to the Fed for permission to trade in securities. Still, the Fed's action could appear – by sidestepping congressional procrastination on banking deregulation – to conflict with Congress's constitutional power to regulate commerce.

Dennis Fitzgibbons, a spokesman for Rep. John D. Dingell D-Mich., said his boss has been critical of previous Fed initiatives.

"This is rightfully the jurisdiction of the Congress," Mr. Fitzgibbons said. Rep. Dingell, chairman of the House Energy and Commerce Committee, fought the House Banking Committee for jurisdiction over a 1988 bill, which did not reach a House vote.

"Any modification of Glass-Steagall [must] include efficient, functioning regulations and firewalls to protect depositors," Mr. Fitzgibbons said.

Unfair Advantages

Larger capital reserves, access to consumer credit information, and the temptation to coerce bank customers into buying expanded banking services are among the unfair advantages Mr. Morris and other insurance industry spokesmen feel commercial banks would bring to the market.

"To allow banks into the business of insurance would give them an unfair advantage," Mr. Lovendusky said. "It would allow them to risk their bank customers' capital on risky insurance ventures."

However, the banking industry counters that banks "deserve – either by congressional action or regulatory action – increased ability to offer insurance products and securities products," according to Mr. Guenther.

In fact, he said, Fed action is preferable because, if Congress overturned Glass-Steagall, that "would open the door for banks to buy investment companies and investment companies to buy banks, and we feel this leads to unwise financial concentration."

While the debate over deregulation continues, Congress has no specific pending legislation, and the Fed appears to be content to chip away at the 57-year-old law. □

AMERICAN BANKER
FEATURES DEPARTMENT
Patricia Stundza
Joseph L. McCarthy
Beth Piskora
Editors

ART DEPARTMENT
Pamela Budz Moriarty
Art Director

Dylan Kreuzer,
Peggy Turbett, Carl Zeichner

COPY EDITORS
John Fulton
Copy Desk Chief

Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

PRODUCTION
Susan Wright

It's ISC-Bunker Ramo.

Introducing Pinnacle Plus and
The Power Banking branch automation
systems. And we want to show you
how ISC-Bunker Ramo is revolutionizing
branch automation so much we're
willing to go head-to-head in a test with
IBM, NCR or any of the other guys.
And if we don't outperform them, we
guarantee your money back.
Any questions?
Call Ron Mason 509/927-5600.